

Shandong Pharmaceutical Glass Co., Ltd.
Auditor's Report 2024

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Auditor's Report

Z.H.K.S. [2025] No. 5168

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), including the consolidated balance sheet and the parent company's balance sheet as of December 31, 2024, the consolidated income statement and the parent company's income statement, the consolidated cash flow statement and the parent company's cash flow statement, the consolidated statement of changes in equity and the parent company's statement of changes in equity as well as the notes to the financial statements in 2024.

In our opinion, the attached financial statements are prepared, in accordance with Accounting Standards for Business Enterprises, and present fairly the consolidated and the parent company's financial position of the Company as at December 31, 2024 and the consolidated and the parent 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 items that we have identified as follows are key audit items that need to be communicated in the Auditor's Report:

1. Recognition of operating income**(1) Item Description**

As stated in Note V (XXX) to the financial statements, Shandong Pharmaceutical Glass Co., Ltd.'s revenue for the year 2024 was RMB 5,125,270,640.68. 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 detailed tests on revenue, select samples from the accounting records of sales revenue, and examine information such as sales-related contracts, delivery notes, invoices, and customer signature records. Combine this with accounts receivable confirmations to evaluate the

authenticity 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 (hereinafter referred to as Management) is responsible for other information. Other information includes the information contained in the Annual Report 2024 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 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 Company's Governance (hereinafter referred to as 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:

(I) 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.

(II) Understand the internal controls related to auditing to design appropriate audit procedures.

(III) Evaluate the appropriateness of accounting policies chosen by the Management and the reasonableness of the estimates and related disclosures made by the Management

(IV) 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.

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

(VI) 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 (if applicable).

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.

Zhonghui Certified Public Accountants Co., Ltd.

Hangzhou, China

Chinese CPA:

(Engagement partner)

Chinese CPA:

Reporting Date: April 23, 2025

Consolidated Balance Sheet
December 31, 2024

K.H. 01 Table-1

Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

Unit: RMB

Item	Note No.	Line No.	December 31, 2024	December 31, 2023
Current assets:				
Cash and bank balance	V(I)	1	1,065,491,481.42	1,466,329,926.87
Held-for-trading financial assets	V(II)	2	1,724,690,168.22	1,217,903,243.22
Financial derivative assets		3	-	-
Notes receivable	V(III)	4	729,525,005.96	676,231,103.74
Accounts receivable	V(IV)	5	954,719,555.16	970,115,360.83
Receivables financing	V(V)	6	47,485,298.80	54,833,544.96
Prepayments	V(VI)	7	159,356,027.51	68,795,500.36
Other receivables	V(VII)	8	1,871,612.03	1,780,552.79
Including: Interests receivable		9	-	-
Dividends receivable		10	-	-
Inventory	V(VIII)	11	1,278,683,724.80	1,054,610,571.71
Including: data resource		12	-	-
Contract assets		13	-	-
Held-for-sale assets		14	-	-
Non-current assets due within one year		15	-	-
Other current assets	V(IX)	16	18,635,867.83	35,006,155.57
Total current assets		17	5,980,458,741.73	5,545,605,960.05
Non-current assets:				
Debt investment		18	-	-
Other debt investment		19	-	-
Long-term accounts receivable		20	-	-
Long-term equity investment		21	-	-
Other equity instruments investment	V(X)	22	50,000.00	50,000.00
Other non-current financial assets		23	-	-
Investment property		24	-	-
Fixed assets	V(XI)	25	3,570,709,084.99	2,994,659,152.84
Construction in progress	V(VII)	26	215,358,856.43	470,144,579.84
Bearer biological assets		27	-	-
Oil and natural gas assets		28	-	-
Right-of-use asset		29	-	-
Intangible assets	V(XIII)	30	247,243,260.79	253,666,243.00
Including: data resource		31	-	-
R&D expenditure		32	-	-
Including: data resource		33	-	-
Goodwill		34	-	-
Long-term deferred expenses		35	-	-
Deferred tax assets	V(XIV)	36	74,455,091.84	37,802,151.87
Other non-current assets	V(XV)	37	51,734,330.06	16,793,463.24
Total non-current assets		38	4,159,550,624.11	3,773,115,590.79
Total assets		39	10,140,009,365.84	9,318,721,550.84

Legal representative:

Principle in charge of accounting:

Principle of accounting organization:

Consolidated Balance Sheet (continued)
December 31, 2024

K.H. 01 Table-2

Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

Unit: RMB

Item	Note No.	Line No.	December 31, 2024	December 31, 2023
Current liabilities:				
Short-term borrowings	V(XVI)	40	-	1,825,579.24
Held-for-trading financial liabilities		41	-	-
Financial derivative liabilities		42	-	-
Notes payable	V(XVII)	43	679,183,105.56	628,105,970.03
Accounts payable	V(XVIII)	44	903,594,044.08	765,595,590.86
Advances from customers		45	-	-
Contract liabilities	V(XIX)	46	60,004,869.36	61,788,588.12
Employee benefits payable	V(XX)	47	70,457,876.82	44,190,102.57
Taxes payable	V(XXI)	48	50,895,600.50	34,472,084.02
Other payables	V(XXII)	49	161,997,173.52	120,676,617.91
Including: Interests payable		50	-	-
Dividends payable		51	-	-
Held-for-sale liabilities		52	-	-
Non-current liabilities due within one year		53	-	-
Other current liabilities	V(XXIII)	54	74,434,497.32	69,937,705.87
Total of current liabilities		55	2,000,567,167.16	1,726,592,238.62
Non-current liability:				
Long term borrowings		56	-	-
Bonds payable		57	-	-
Including: Preferred stock		58	-	-
Perpetual bond		59	-	-
Lease liability		60	-	-
Long-term accounts payable		61	-	-
Long-term employee benefits payable		62	-	-
Estimated liabilities		63	-	-
Deferred income	V(XXIV)	64	131,672,508.13	57,620,534.05
Deferred tax liabilities		65	-	-
Other non-current liabilities		66	-	-
Total of non-current liabilities		67	131,672,508.13	57,620,534.05
Total Liabilities		68	2,132,239,675.29	1,784,212,772.67
Owners' equity:				
Equity	V(XXV)	69	663,614,113.00	663,614,113.00
Other equity instruments		70	-	-
Including: Preferred stock		71	-	-
Perpetual bond		72	-	-
Capital reserve	V(XXVI)	73	2,687,120,521.29	2,687,120,521.29
Less: Treasury stock		74	-	-
Other comprehensive income		75	-	-
Special reserves	V(XXVII)	76	66,392,233.72	71,592,747.65
Surplus reserve	V(XXVIII)	77	615,241,973.50	534,179,562.73
Retained earnings	V(XXIX)	78	3,975,400,849.04	3,578,001,833.50

Total Owners' Equity Attributable to Holding Company		79	8,007,769,690.55	7,534,508,778.17
Minority interests		80	-	-
Total owners' equity		81	8,007,769,690.55	7,534,508,778.17
Total liabilities and owners' equity		82	10,140,009,365.84	9,318,721,550.84

Legal representative:

Principle in charge of accounting:

Principle of accounting organization:

Income Statement
For the year ended December 31, 2025

KQ Table 02

Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

Unit: RMB

Item	Note No.	Line No.	For the year ended December 31, 2024	For the year ended December 31, 2023
I. Operating income	V(XXX)	1	5,125,270,640.68	4,982,198,167.78
II. Total operating cost		2	4,013,019,482.72	4,070,167,292.14
Including: Operating costs	V(XXX)	3	3,499,338,477.09	3,585,499,473.26
Tax and surcharge	V(XXXI)	4	54,549,603.30	46,897,729.69
Selling and distribution expenses	V(XXXII)	5	129,736,903.09	147,502,154.89
General and administrative expenses	V(XXXIII)	6	215,768,838.57	187,987,428.35
R & D expenses	V(XXXIV)	7	151,763,172.77	137,948,117.32
Financial expenses	V(XXXV)	8	-38,137,512.10	-35,667,611.37
Including: Interest expense		9	25,183.45	226,814.36
Interest income		10	21,231,803.93	22,722,495.01
Add: Other income	V(XXXVI)	11	26,524,819.35	22,531,664.34
Investment income (loss expressed with "-")	V(XXXVII)	12	11,633,529.78	18,399,071.40
Including: Investment income from associated enterprises and joint ventures		13	-	-
Derecognized revenue from financial assets measured at amortized cost		14	-	-
Net exposure hedging gains (losses expressed with "-")		15	-	-
Gain or loss from changes in fair values (loss expressed with "-")	V(XXXVIII)	16	24,463,237.31	22,828,648.12
Loss from credit impairment (loss expressed with "-")	V(XXXIX)	17	-1,283,636.72	-11,388,837.66
Loss from assets impairment (loss expressed with "-")	V(XL)	18	-61,157,836.83	-42,307,905.94
Gain on disposal of assets (loss expressed with "-")	V(XLI)	19	329,546.95	-5,726,646.98
III. Operating profit (loss expressed with "-")		20	1,112,760,817.80	916,366,868.92
Add: Non-operating income	V(XLII)	21	3,398,144.75	2,488,840.07
Less: non-operating expenditure	V(XLIII)	22	5,353,909.36	8,031,912.68
IV. Total profit (total loss expressed with "-")		23	1,110,805,053.19	910,823,796.31
Less: income tax expense	V(XLIV)	24	167,813,747.78	135,021,781.69
V. Net profit (net loss expressed with "-")		25	942,991,305.41	775,802,014.62
(I) Classification by the continuity of operation				
1. Net profit from continuing operations (net loss expressed with "-")		26	942,991,305.41	775,802,014.62
2. Net profit from discontinued operations (net loss expressed with "-")		27	-	-
(II) Classification by ownership attribution				
1. Net profit attributed to owners of parent company		28	942,991,305.41	775,802,014.62
2. Minority interests		29	-	-
VI. After-tax net income of other comprehensive incomes		30	-	-
After-tax net income of other comprehensive incomes attributable to owners of parent company		31	-	-
(I) Other comprehensive income which cannot be reclassified into profit or loss		32	-	-

1. Re-measure changes in defined benefit plans	33	-	-
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method	34	-	-
3. Changes in fair value of other equity instruments investment	35	-	-
4. Changes in fair value of the company's own credit risk	36	-	-
5. Others	37	-	-
(II) Other comprehensive income which can be reclassified into profit or loss	38	-	-
1. Other comprehensive income that can be transferred to profit or loss under the equity method	39	-	-
2. Changes in fair value of receivables financing	40	-	-
3. Changes in fair value of other debt investments	41	-	-
4. Amount of financial assets reclassified into other comprehensive income	42	-	-
5. Provision for credit impairment of receivables financing	43	-	-
6. Provision for credit impairment of other debt investments	44	-	-
7. Cash flow hedge reserve	45	-	-
8. Translation difference in foreign currency financial statements	46	-	-
9. Others	47	-	-
After-tax net income of other comprehensive incomes attributable to minority shareholders	48	-	-
VII. Total comprehensive income (total comprehensive loss expressed with “-”)	49	942,991,305.41	775,802,014.62
Total comprehensive income attributable to owners of parent company	50	942,991,305.41	775,802,014.62
Total comprehensive income attributable to minority shareholders	51	-	-
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/Share)	52	1.42	1.17
(II) Diluted earnings per share (RMB/Share)	53	1.42	1.17

Legal representative:

Principle in charge of accounting:

Principle of accounting organization:

Consolidated Cash Flow Statement
For the year ended December 31, 2024

K.H.Table 03

Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

Unit: RMB

Item	Note No.	Line No.	For the year ended December 31, 2024	For the year ended December 31, 2023
I. Cash flows from operating activities:				
Proceeds from sale of goods and rendering of services		1	5,078,540,538.75	4,707,662,664.63
Refund of tax and levies		2	43,746,574.94	50,334,526.87
Other cash received relating to operating activities	V (XLV)1.(1)	3	116,453,803.96	43,144,892.18
Sub-total of cash inflow from operating activities		4	5,238,740,917.65	4,801,142,083.68
Cash paid for goods and services		5	2,819,908,154.94	2,596,931,827.57
Cash paid to and on behalf of employees		6	773,073,598.81	648,089,492.63
Cash paid for taxes and surcharges		7	318,303,408.20	303,301,565.00
Other cash paid relating to operating activities	V (XLV)1.(2)	8	162,405,387.80	204,836,229.09
Sub-total of cash outflow from operating activities		9	4,073,690,549.75	3,753,159,114.29
Net cash flow from operating activities		10	1,165,050,367.90	1,047,982,969.39
II. Cash flows generated by investment activities:				
Cash received from return of investments		11	6,452,000,000.00	5,410,000,000.00
Cash received from investment income		12	37,309,842.09	36,758,722.98
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		13	626,909.00	2,205,024.28
Net cash received from disposal of subsidiaries and other business entities		14		
Other cash received relating to investment activities		15	-	-
Sub-total of cash inflow from investment activities		16	6,489,936,751.09	5,448,963,747.26
Cash paid for purchase of fixed assets, intangible assets and other long-term assets		17	647,785,101.03	671,530,465.75
Cash paid for investment		18	6,960,000,000.00	5,522,000,000.00
Net cash paid for the acquisition of subsidiaries and other business entities		19	-	-
Other cash paid relating to investment activities		20	-	-
Sub-total of cash outflow from investment activities		21	7,607,785,101.03	6,193,530,465.75
Net Cash Flows from Investing Activities		22	-1,117,848,349.94	-744,566,718.49
III. Cash flows generated by financing activities:				
Cash received from investment absorption		23	-	-
Including: Cash received by subsidiaries from minority shareholders		24	-	-
Cash received from borrowings		25	-	-
Other cash received relating to financing activities	V (XLV)2.(1)	26		12,464,854.82
Sub-total of cash inflow from financing activities		27	-	12,464,854.82
Cash paid for debt repayment		28		
Cash paid for distribution of dividends and profits or payment of interest		29	464,529,879.10	199,084,233.90
Including: dividends and profit paid by subsidiaries		30		

for minority shareholders,				
Other cash payments relating to financing activities		31		
Sub-total of cash outflow from financing activities		32	464,529,879.10	199,084,233.90
Net Cash Flows from Financing Activities		33	-464,529,879.10	-186,619,379.08
IV. Impact of exchange rate changes on cash and cash equivalents		34	15,608,495.17	9,685,738.56
V. Net increase in cash and cash equivalents		35	-401,719,365.97	126,482,610.38
Add: Cash and cash equivalents at the beginning of the period		36	1,286,900,727.68	1,160,418,117.30
VI. Balance of cash and cash equivalents at ending of period		37	885,181,361.71	1,286,900,727.68

Legal representative:

Principle in charge of accounting:

Principle of accounting organization:

for changes in defined benefit plan													
5. Carry-over retained earnings for other comprehensive income	22	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	23	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	24	-	-	-	-	-	-	-5,200,513.93	-	-	-	-5,200,513.93	-
1. Appropriation in current period	25	-	-	-	-	-	-	-	-	-	-	-	-
2. Used in current period	26	-	-	-	-	-	-	5,200,513.93	-	-	-	5,200,513.93	-
(VI) Others	27	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of current period	28	663,614,113.00	-	-	-	2,687,120,521.29	-	66,392,233.72	615,241,973.50	3,975,400,849.04	-	8,007,769,690.55	-

Legal representative:

Principle in charge of accounting:

Principle of accounting organization:

Consolidated Statement of Changes in Equity (continued)
For the year ended December 31, 2024

K.H. 04 Table-2

Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

Unit: RMB

[illegible]

for changes in defined benefit plan													
5. Carry-over retained earnings for other comprehensive income	22	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	23	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	24	-	-	-	-	-	-	-	-3,888,482.68	-	-	-	-3,888,482.68
1. Appropriation in current period	25	-	-	-	-	-	-	-	1,471,800.52	-	-	-	1,471,800.52
2. Used in current period	26	-	-	-	-	-	-	-	5,360,283.20	-	-	-	5,360,283.20
(VI) Others	27	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of current period	28	663,614,113.00	-	-	-	2,687,120,521.29	-	-	71,592,747.65	534,179,562.73	3,578,001,833.50	-	7,534,508,778.17

Legal representative:

Principle in charge of accounting:

Principle of accounting organization:

Parent Company Balance Sheet
December 31, 2024

KQ 01Table-1

Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

Unit: RMB

Item	Note No.	Line No.	December 31, 2024	December 31, 2023
Current assets:				
Cash and bank balance		1	949,805,466.13	1,369,406,177.84
Held-for-trading financial assets		2	1,724,690,168.22	1,217,903,243.22
Financial derivative assets		3	-	-
Notes receivable		4	603,843,723.01	601,356,991.39
Accounts receivable	XVI (I)	5	799,462,593.67	767,276,545.08
Receivables financing		6	-	-
Prepayments		7	89,582,071.69	44,074,187.84
Other receivables	XVI (II)	8	1,295,737.17	1,380,367.82
Including: Interests receivable		9	-	-
Dividends receivable		10	-	-
Inventory		11	1,168,300,018.06	949,540,485.93
Including: data resource		12	-	-
Contract assets		13	-	-
Held-for-sale assets		14	-	-
Non-current assets due within one year		15	-	-
Other current assets		16	18,606,318.48	31,675,092.20
Total current assets		17	5,355,586,096.43	4,982,613,091.32
Non-current assets:				
Debt investment		18	-	-
Other debt investment		19	-	-
Long-term accounts receivable		20	-	-
Long-term equity investment	XVI (III)	21	490,661,325.76	490,661,325.76
Other equity instruments investment		22	50,000.00	50,000.00
Other non-current financial assets		23	-	-
Investment property		24	4,960,963.85	5,384,115.29
Fixed assets		25	3,246,767,206.58	2,632,268,842.71
Construction in progress		26	215,171,004.49	469,952,925.87
Bearer biological assets		27	-	-
Oil and natural gas assets		28	-	-
Right-of-use asset		29	-	-
Intangible assets		30	214,417,580.97	219,757,230.19
Including: data resource		31	-	-
R&D expenditure		32	-	-
Including: data resource		33	-	-
Goodwill		34	-	-
Long-term deferred expenses		35	-	-
Deferred tax assets		36	67,011,134.20	32,342,419.24
Other non-current assets		37	51,734,330.06	16,793,463.24
Total non-current assets		38	4,290,773,545.91	3,867,210,322.30
Total assets		39	9,646,359,642.34	8,849,823,413.62

Legal representative:

Principle in charge of accounting:

Principle of accounting organization:

Parent Company Balance Sheet (continued)
December 31, 2024

KQ 01Table-2

Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

Unit: RMB

Item	Note No.	Line No.	December 31, 2024	December 31, 2023
Current liabilities:				
Short-term borrowings		40	-	-
Held-for-trading financial liabilities		41	-	-
Financial derivative liabilities		42	-	-
Notes payable		43	691,228,125.86	641,291,220.03
Accounts payable		44	1,196,588,837.94	919,969,087.47
Advances from customers		45	-	-
Contract liabilities		46	54,075,445.27	54,148,027.17
Employee benefits payable		47	67,859,519.76	41,073,911.69
Taxes payable		48	35,156,406.89	18,032,327.37
Other payables		49	152,022,558.20	111,191,732.12
Including: Interests payable		50	-	-
Dividends payable		51	-	-
Held-for-sale liabilities		52	-	-
Non-current liabilities due within one year		53	-	-
Other current liabilities		54	18,942,318.36	50,595,880.06
Total of current liabilities		55	2,215,873,212.28	1,836,302,185.91
Non-current liability:				
Long term borrowings		56	-	-
Bonds payable		57	-	-
Including: Preferred stock		58	-	-
Perpetual bond		59	-	-
Lease liability		60	-	-
Long-term accounts payable		61	-	-
Long-term employee benefits payable		62	-	-
Estimated liabilities		63	-	-
Deferred income		64	130,523,783.13	56,154,121.05
Deferred tax liabilities		65	-	-
Other non-current liabilities		66	-	-
Total of non-current liabilities		67	130,523,783.13	56,154,121.05
Total Liabilities		68	2,346,396,995.41	1,892,456,306.96
Owners' equity:				
Equity		69	663,614,113.00	663,614,113.00
Other equity instruments		70	-	-
Including: Preferred stock		71	-	-
Perpetual bond		72	-	-
Capital reserve		73	2,687,350,859.49	2,687,350,859.49
Less: Treasury stock		74	-	-
Other comprehensive income		75	-	-
Special reserves		76	44,175,785.82	47,674,474.19
Surplus reserve		77	615,241,973.50	534,179,562.73
Retained earnings		78	3,289,579,915.12	3,024,548,097.25

Non-confidential

Total owners' equity		79	7,299,962,646.93	6,957,367,106.66
Total liabilities and owners' equity		80	9,646,359,642.34	8,849,823,413.62

Legal representative:

Principle in charge of accounting:

Principle of accounting organization:

Parent Company Income Statement
For the year ended December 31, 2024

KQ Table 02

Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

Unit: RMB

Item	Note No.	Line No.	For the year ended December 31, 2024	For the year ended December 31, 2023
I. Operating income	XVI (IV)	1	4,295,115,034.39	4,010,035,214.47
Less: Operating costs	XVI (IV)	2	2,889,166,170.63	2,835,147,164.82
Tax and surcharge		3	44,088,284.24	36,465,526.90
Selling and distribution expenses		4	121,402,347.06	139,532,697.77
General and administrative expenses		5	176,896,031.28	149,164,179.15
R & D expenses		6	145,641,830.30	131,380,660.72
Financial expenses		7	-33,376,366.12	-32,542,366.73
Including: Interest expense		8	-	-
Interest income		9	18,686,840.50	21,532,612.14
Add: Other income		10	23,863,634.12	19,484,557.98
Investment income (loss expressed with "-")	XVI(V)	11	11,633,529.78	18,399,071.40
Including: Investment income from associated enterprises and joint ventures		12	-	-
Derecognized revenue from financial assets measured at amortized cost		13	-	-
Net exposure hedging gains (losses expressed with "-")		14	-	-
Gain or loss from changes in fair values (loss expressed with "-")		15	24,463,237.31	22,828,648.12
Loss from credit impairment (loss expressed with "-")		16	-1,934,383.70	-16,335,069.12
Loss from assets impairment (loss expressed with "-")		17	-59,371,220.58	-39,934,931.88
Gain on disposal of assets (loss expressed with "-")		18	212,579.13	-100,157.56
II. Operating profit (loss expressed with "-")		19	950,164,113.06	755,229,470.78
Add: Non-operating income		20	3,121,895.97	2,308,861.97
Less: non-operating expenditure		21	5,053,506.06	6,724,379.39
III. Total profit (loss expressed with "-")		22	948,232,502.97	750,813,953.36
Less: income tax expense		23	137,608,395.23	103,240,225.33
IV. Net profit (net loss expressed with "-")		24	810,624,107.74	647,573,728.03
(I) Net profit from continuing operations (net loss expressed with "-")		25	810,624,107.74	647,573,728.03
(II) Net profit from discontinued operations (net loss expressed with "-")		26	-	-
V. After-tax net income of other comprehensive incomes		27	-	-
(I) Other comprehensive income which cannot be reclassified into profit or loss		28	-	-
1. Re-measure changes in defined benefit plans		29	-	-
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		30	-	-
3. Changes in fair value of other equity instruments investment		31	-	-
4. Changes in fair value of the company's own credit risk		32	-	-
5. Others		33	-	-

(II) Other comprehensive income which can be reclassified into profit or loss		34	-	-
1. Other comprehensive income that can be transferred to profit or loss under the equity method		35	-	-
2. Changes in fair value of receivables financing		36	-	-
3. Changes in fair value of other debt investments		37	-	-
4. Amount of financial assets reclassified into other comprehensive income		38	-	-
5. Provision for credit impairment of receivables financing		39	-	-
6. Provision for credit impairment of other debt investments		40	-	-
7. Cash flow hedge reserve		41	-	-
8. Translation difference in foreign currency financial statements		42	-	-
9. Others		43	-	-
VI. Total comprehensive income (total comprehensive loss expressed with “-”)		44	810,624,107.74	647,573,728.03
VII. Earnings per share:				
(I) Basic earnings per share (RMB/Share)		45	-	-
(II) Diluted earnings per share (RMB/Share)		46	-	-

Legal representative:

Principle in charge of accounting:

Principle of accounting organization:

Parent Company Cash Flow Statement
For the year ended December 31, 2024

KQ Table 03

Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

Unit: RMB

Item	Note No.	Line No.	For the year ended December 31, 2024	For the year ended December 31, 2023
I. Cash flows from operating activities:				
Proceeds from sale of goods and rendering of services		1	4,447,521,610.28	3,988,330,498.90
Refund of tax and levies		2	38,298,027.59	44,857,893.48
Other cash received relating to operating activities		3	113,146,074.34	40,371,063.17
Sub-total of cash inflow from operating activities		4	4,598,965,712.21	4,073,559,455.55
Cash paid for goods and services		5	2,441,801,329.91	2,165,284,083.60
Cash paid to and on behalf of employees		6	652,030,778.16	541,378,524.88
Cash paid for taxes and surcharges		7	223,268,475.73	179,526,675.34
Other cash paid relating to operating activities		8	148,398,643.18	187,739,371.22
Sub-total of cash outflow from operating activities		9	3,465,499,226.98	3,073,928,655.04
Net cash flow from operating activities		10	1,133,466,485.23	999,630,800.51
II. Cash flows generated by investment activities:				
Cash received from return of investments		11	6,452,000,000.00	5,410,000,000.00
Cash received from investment income		12	37,309,842.09	36,758,722.98
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		13	619,448.80	533,024.28
Net cash received from disposal of subsidiaries and other business entities		14	-	-
Other cash received relating to investment activities		15	-	-
Sub-total of cash inflow from investment activities		16	6,489,929,290.89	5,447,291,747.26
Cash paid for purchase of fixed assets, intangible assets and other long-term assets		17	636,153,822.09	645,860,410.63
Cash paid for investment		18	6,960,000,000.00	5,522,000,000.00
Net cash paid for the acquisition of subsidiaries and other business entities		19	-	-
Other cash paid relating to investment activities		20	-	-
Sub-total of cash outflow from investment activities		21	7,596,153,822.09	6,167,860,410.63
Net Cash Flows from Investing Activities		22	-1,106,224,531.20	-720,568,663.37
III. Cash flows generated by financing activities:				
Cash received from investment absorption		23	-	-
Cash received from borrowings		24	-	-
Other cash received relating to financing activities		25	-	-
Sub-total of cash inflow from financing activities		26	-	-
Cash paid for debt repayment		27	-	-
Cash paid for distribution of dividends and profits or payment of interest		28	464,529,879.10	199,084,233.90
Other cash payments relating to financing activities		29	-	-
Sub-total of cash outflow from financing activities		30	464,529,879.10	199,084,233.90
Net Cash Flows from Financing Activities		31	-464,529,879.10	-199,084,233.90
IV. Impact of exchange rate changes on cash and cash equivalents		32	15,484,867.84	9,637,599.90
V. Net increase in cash and cash equivalents		33	-421,803,057.23	89,615,503.14

Add: Cash and cash equivalents at the beginning of the period		34	1,191,298,403.65	1,101,682,900.51
VI. Balance of cash and cash equivalents at ending of period		35	769,495,346.42	1,191,298,403.65

Legal representative:

Principle in charge of accounting:

Principle of accounting
organization:

Unit: RMB

[illegible]

4. Others	12	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	13	-	-	-	-	-	-	-	-	81,062,410.77	-545,592,289.87	-464,529,879.10
1. Appropriations to surplus reserves	14	-	-	-	-	-	-	-	-	81,062,410.77	-81,062,410.77	-
2. Distribution to owners	15	-	-	-	-	-	-	-	-	-	-464,529,879.10	-464,529,879.10
3. Others	16	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-forward of shareholders' equity	17	-	-	-	-	-	-	-	-	-	-	-
1. Capitalized capital reserves	18	-	-	-	-	-	-	-	-	-	-	-
2. Capitalized surplus reserves	19	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve for making up losses	20	-	-	-	-	-	-	-	-	-	-	-
4. Carry-over retained earnings for changes in defined benefit plan	21	-	-	-	-	-	-	-	-	-	-	-
5. Carry-over retained earnings for other comprehensive income	22	-	-	-	-	-	-	-	-	-	-	-
6. Others	23	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	24	-	-	-	-	-	-	-	-3,498,688.37	-	-	-3,498,688.37
1. Appropriation in current period	25	-	-	-	-	-	-	-	-	-	-	-
2. Used in current period	26	-	-	-	-	-	-	-	3,498,688.37	-	-	3,498,688.37
(VI) Others	27	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of current period	28	663,614,113.00	-	-	-	2,687,350,859.49	-	-	44,175,785.82	615,241,973.50	3,289,579,915.12	7,299,962,646.93

Legal representative:

Principle in charge of accounting:

Principle of accounting organization:

4. Others	12	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	13	-	-	-	-	-	-	-	-	64,757,372.80	-263,841,606.70	-199,084,233.90
1. Appropriations to surplus reserves	14	-	-	-	-	-	-	-	-	64,757,372.80	-64,757,372.80	-
2. Distribution to owners	15	-	-	-	-	-	-	-	-	-	-199,084,233.90	-199,084,233.90
3. Others	16	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-forward of shareholders' equity	17	-	-	-	-	-	-	-	-	-	-	-
1. Capitalized capital reserves	18	-	-	-	-	-	-	-	-	-	-	-
2. Capitalized surplus reserves	19	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve for making up losses	20	-	-	-	-	-	-	-	-	-	-	-
4. Carry-over retained earnings for changes in defined benefit plan	21	-	-	-	-	-	-	-	-	-	-	-
5. Carry-over retained earnings for other comprehensive income	22	-	-	-	-	-	-	-	-	-	-	-
6. Others	23	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	24	-	-	-	-	-	-	-	-4,069,799.73	-	-	-4,069,799.73
1. Appropriation in current period	25	-	-	-	-	-	-	-	-	-	-	-
2. Used in current period	26	-	-	-	-	-	-	-	4,069,799.73	-	-	4,069,799.73
(VI) Others	27	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of current period	28	663,614,113.00	-	-	-	2,687,350,859.49	-	-	47,674,474.19	534,179,562.73	3,024,548,097.25	6,957,367,106.66

Legal representative:

Principle in charge of accounting:

Principle of accounting organization:

Shandong Pharmaceutical Glass Co., Ltd.**Notes to Financial Statements**

For the year ended December 31, 2024

I. Basic information of the Company

Shandong Pharmaceutical Glass Co., Ltd. (hereinafter referred to as the Company or this Company) was registered with the Shandong Provincial Administration for Industry and Commerce on March 4, 1997, and currently holds a business license with a unified social credit code of 91370000168611868Q. Company registered address: Yiyuan County, Zibo City. Legal representative: Hu Yonggang. The Company currently has a registered capital of RMB 663,614,113.00 and a total share capital of 663,614,113.00 shares, with a par value of RMB 1 per share.

The Company's predecessor 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.

The Company's profit distribution plan for 1996 was to distribute 3 bonus shares for every 10 shares held by all shareholders;

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;

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.

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.

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.

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.

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.

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.

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.

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.

Basic organizational framework of the Company: The standardized multi-layer governance structure is composed of the shareholder meeting, Board of Directors, Board of Supervisors and the business management layer according to the national laws and regulations as well as the Articles of Association of the Company; four special committees are established under the Board of Directors, namely the Strategy Committee, the Audit Strategy Committee, the Remuneration and Appraisal Committee, and Nomination Committee. The Company has established major functional departments including the Securities Affairs Office, Sales Department, Materials Supply Department, Manufacturing Department, Corporate Development Department, Finance Department, Legal Review Department, General Office, and Enterprise Management Department. The Company belongs to the manufacturing industry - glass packaging container manufacturing industry. The main business activities are: 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).

The main products are glass bottles, rubber stoppers, bottle caps, and other similar products.

As of December 31, 2024, the parent company is Shandong Luzhong Investment Co., Ltd., and the ultimate controlling party is the Yiyuan County Finance Bureau.

These financial statements and notes to the financial statements were approved for release by the Company's 17th meeting of the 10th Board of Directors on April 23, 2025. In accordance with the Company's Articles of Association, the Company's financial statements will be submitted to the shareholders general assembly for review.

II. Basis of preparation of financial statements

(I) Preparation basis

The financial statements of the Company are prepared based on going concern and in accordance with the actual trade and items, the "Accounting Standards for Business Enterprises - Basic Standards" and specific accounting standards, the guidance on the application of accounting standards for business enterprises, the interpretation of accounting standards for business enterprises and other relevant regulations (hereinafter referred to as Accounting Standards for Business Enterprises together) issued by MOF, and the regulation disclosed in "No. 15 Rule for the Information Disclosures by Companies that Offer Securities to the Public - General Provisions of Financial Reports" (revised in 2023) by CSRC

(II) Going concern

The Company has no matters or situations that may result in major doubts on the going-concern ability of the Company within 12 months from the end of the reporting period.

III. Major accounting policies and accounting estimates

According to the actual production and operation characteristics and based on the provisions of the relevant enterprise accounting standards, the Company and each subsidiary have specified several accounting policies and accounting estimates in terms of the transactions and items, including the depreciation of fixed assets, amortization of intangible assets and income recognition, etc. For specific accounting policies, please refer to the relevant explanations in this note, including "Principal Accounting Policies and Accounting Estimates - Fixed Assets", "Key Accounting Policies and Accounting Estimates - Intangible Assets", and "Key Accounting Policies and Accounting Estimates - Revenue".

(I) Statement of compliance with accounting standards for business enterprises

The financial statements prepared by this company conform to the requirements of the Accounting Standards for Business Enterprises and provide a true and complete reflection of the company's financial position, operating results and cash flows, etc.

(II) Accounting period

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

(III) Operating cycle

Normal business cycle refers to the period from the Company purchases assets for processing to it realizes cash or cash equivalents. The Company takes 12 months as a business cycle and partition criterion of the liquidity of the assets and liabilities.

(IV) Recording currency

The Company and its domestic subsidiaries adopt RMB as the recording currency. The Company has no overseas subsidiaries.

The currency for the Company in the preparation of the financial statements is Renminbi (RMB).

(V) Determination method and selection basis for the standard of materiality

Item	Importance standard
Significant accounts receivable having provision for bad debt as per individual characteristics	Amount of a single provision for bad debts accounts for 0.2% of the total book balance of all receivables or exceeds RMB 2 million.
Actual write-off of significant accounts receivable	Amount of a single write-off accounts for more than 5% of the total provision for bad debts for all receivables or exceeds RMB 2 million.
Important construction in progress	Amount of a single construction in progress item accounts for 5% of the book balance of construction in progress and exceeds RMB 20 million.

(VI) Accounting treatment method of business combination under common control and non-common control

Business combination refers to a transaction or event that combines two or more separate businesses into one reporting entity. Business combination has been classified into business combination under the same control and business combination not under the same control.

1. Accounting treatment of business combination under common control

Enterprises participating in the business combination are ultimately controlled by the same party or parties before and after the merger, and the control is not temporary, this kind of business combination shall be the one under the same control.

The assets and liabilities of the consolidated party acquired by the Company in the consolidation shall be measured on the basis of the book value of the consolidated party in the consolidation financial statements of the final controlling party on the consolidation date, excluding the adjustments conducted due to the different accounting policies. The capital reserve shall be adjusted by the Company according to the difference between the book value of the owners' equity of the acquiree in the consolidated financial statement of the ultimate controller and the book value of the consideration paid or the total par value of the shares outstanding; if the capital reserve is insufficient for write-off, the retained earnings shall be adjusted.

For the enterprise consolidation under the same control realized by multiple transactions step by step, the capital reserve (stock premium) shall be adjusted according to the difference between the sum of the book value of the investment held before the consolidation and the book value of the newly paid consideration on the consolidation date and the book value of the net assets acquired in the consolidation. If the capital reserve is not enough to offset, the retained earnings shall be adjusted. The combining party shall obtain the long-term equity investment before the controlling right of the combined party. The relevant revenue and losses, other comprehensive revenues and the changes of rights and interests of other owners shall be determined between the date of obtaining the original equity and the date when the combined party and the combining party are under the final control of the same party, whichever is later, and the combination date. These shall be offset against and compared with the retained revenues at the beginning of the period or the profits and losses in the current period during the statement period, except for other comprehensive income arising from the remeasurement of the net benefit or net assets of the

defined benefit plan by the investee.

2. Accounting treatment of business combination not under common control

The enterprises participating in the merger are not ultimately controlled by the same party or the same parties before and after the merger, and it is a business merger not under the same control.

In the case that the combination cost is higher than the share of fair value of net identifiable assets acquired from the acquiree at the acquisition date, the balance shall be recognized as goodwill; in the event that the combination cost is less than the share of fair value of net identifiable assets acquired from the acquiree at the acquisition date, the measurement of the fair values of the net identifiable assets, liabilities and contingent liabilities as well as the combination cost shall be reviewed first; if the combination cost is still less than the share of fair value of net identifiable assets acquired from the acquiree, the balance shall be included in the current profits and losses.

If the fair value of various assets paid as the consolidation consideration, or the fair value of various identifiable assets and liabilities of the acquiree acquired in the consolidation can not be reasonably determined due to the influence of various factors on the purchase date or at the end of the current period of the consolidation, the enterprise consolidation at the end of the current period of consolidation shall be accounted on the basis of the value temporarily confirmed of the Company. If the value that is originally temporarily confirmed is required to be adjusted due to the further information acquired within 12 months from the purchase date, it shall be deemed that it occurs on the purchase date and the adjustment shall be traced back. In addition, the information in the comparative statements provided on the basis of the temporary value shall be adjusted accordingly; the adjustment of the enterprise consolidation cost or the value of the identifiable assets and liabilities acquired in the consolidation after 12 months from the purchase date shall be processed according to the principles specified in No. 28 of Accounting Standards for Business Enterprises – Changes of Accounting Policies, Accounting Estimates and Correction of Accounting Errors.

If the deductible temporary difference of the acquiree acquired in the enterprise consolidation by the Company fails to conform to the recognition conditions of deferred income tax assets on the purchase date, it shall not be recognized. Within 12 months after the acquisition date, if new or further information indicates that the relevant circumstances of the acquisition date already exist, the relevant deferred income tax assets are recognized if it is expected that the economic benefits of the acquiree brought by the temporary difference on the acquisition date can be realized, while reducing the reputation as well. If the reputation is insufficient to offset, the difference is recognized as the profit and loss for the current period. Except for the circumstances above, the deferred income tax assets related to the business combination are recognized in profit or loss for the current period.

For the enterprise consolidation non under the same control realized by multiple transactions step by step, whether or not the multiple transactions are the “package deal” shall be determined according to the enterprise accounting standards. Terms, conditions and economic impact of multiple transactions are in one or more of the following situations, it usually indicates that multiple transactions should be accounted for as package transactions: 1) these transactions are reached at the same time or considering the mutual impact thereof; 2) these transactions can achieve a complete business result only as a whole; 3) the occurrence of one transaction depends on at least one of other transactions; 4) a transaction alone is uneconomical, but it is economical when considering with other transactions together.

If it belongs to a package deal, the transactions shall be accounted for as an acquisition of control. For the transactions not belong to the “package deal”, the equity of the acquiree held before the purchase date shall be re-measured according to the fair value of the equity on the purchase date and the difference between the fair value and the book value shall be included in the investment income or retained earnings for the current period; other comprehensive income and other changes in owners' equity under the equity method of accounting for equity interests held prior to the acquisition date are converted into income for the period of acquisition, except for other comprehensive income arising from changes in the net liabilities or net assets of the investee's defined benefit plan.

3. Disposal of the transaction costs in relation to the enterprise consolidation

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 transaction cost as equity securities or debt securities issued as a merger consideration is included in the initial recognition amount of equity securities or debt securities.

(VII) Judgment criteria for control and preparation method of consolidated financial statements

1. Judgment criteria for control and scope of consolidation

The scope of consolidation of the consolidated financial statements is determined on the basis of control. Control shall mean that the Company 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 scope of consolidation includes the company and all its subsidiaries. The subsidiaries refer to the entities controlled by the Company (including the detachable parts of the Company and the investee, and the structured entities).

2. Preparation method of consolidated statements

The Company prepares the consolidated statements on the basis of the financial statements of the Company and each subsidiary and according to other relevant materials. In the process of preparing the consolidated financial statements, the Company deems the enterprise group on the whole as the accounting entity and reflects the overall financial status, operating results and cash flow of the Company according to the recognition, measurement and presentation requirements of the relevant enterprise accounting standards as well as the unified accounting policies.

In the process of consolidating the financial statements, the influence of the internal transactions and trades between the Company and each subsidiary and between the subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated owner's equity changes shall be offset.

The subsidiaries and businesses increased due to the enterprise consolidation under the same control during the reporting period shall be included in the consolidation scope of the Company, as the same as the subsidiary and business, from the controlling date controlled by the final controlling party. The operating results and cash flows from the controlling date controlled by the final controlling party shall be respectively included in the consolidate income statement and consolidated cash flow statement. Meanwhile, the opening balance in the consolidated balance sheet shall be adjusted during the reporting period and the relevant items in the comparative statements shall be adjusted as well. It shall be deemed that the report entity after the consolidation has always existed since the final controlling party takes command.

If the subsidiary is increased for the current period due to the enterprise consolidation not under

the same control, the opening balance in the consolidated balance sheet shall not be adjusted; the financial statements shall be adjusted on the basis of the fair value of the identifiable net assets on the purchase date. The income, costs and profit of the subsidiaries from the purchase date to the end of the period shall be included in the consolidated income statement; the cash flow of the subsidiaries from the purchase date to the end of the period shall be included in the consolidated cash flow statement.

The equity, profit or loss, comprehensive income for the current period that should be held by the minority shareholders of the subsidiaries shall be respectively separately presented in the item of owner's equity in the consolidated balance sheet, the item of net profit and the total of comprehensive income in the consolidated income statement. If the current losses shared by the minority shareholders of the subsidiary exceed the share of owners' equity enjoyed by the minority shareholders in the subsidiary at the beginning of the period, the balance shall be used to offset the minority interest.

3. The equity of the subsidiaries is disposed by purchasing the equity of the minority shareholders and the part not losing the control right.

The difference between the cost of the long-term equity investment obtained by the purchase of minority interest by the Company and the share of net assets in the subsidiary calculated from the acquisition date as per the newly-added share proportion, and the difference between the disposal price obtained from the partial disposal of the equity in the subsidiary in the case of not losing the right of control, adjust the share premium of capital reserves in the consolidated balance sheet; if the share premium of capital reserves are insufficient for write-down, adjust the retained earnings.

4. For the loss of control right, the equity of the subsidiaries is disposed.

When the Company disposes of the subsidiary for the current period, the income, costs and profit of the subsidiary from the beginning of the period to the disposal date shall be included in the consolidated income statement; the cash flow of the subsidiary from the beginning of the period to the disposal date shall be included in the consolidated cash flow statement. If the control over the original subsidiary is lost due to the disposal of part of the equity investment or other reasons, the remaining equity investment after disposal is re-measured according to its fair value on the date of loss of control. 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 and goodwill in the original subsidiary to be enjoyed from the acquisition date shall be included into the investment income of the period when the control power is lost. With respect to other comprehensive income related to the original subsidiary's equity investment, the same basis as the acquiree directly disposes the relevant assets and liabilities is used for accounting treatment when the control is lost (i.e., except for the changes resulting from the re-measurement of the net liabilities or net assets of the defined benefit plan, the rest shall be carried forward into the current investment income). Subsequently, the remaining equity of this part is subsequently measured in accordance with the relevant provisions of No.2 Accounting Standards for Business Enterprises—Long-term Equity Investment or No.22 Accounting Standards for Business Enterprises—Recognition and Measurement of Financial Instruments. For details, please refer to "Principal Accounting Policies and Accounting Estimates—Long-term Equity Investments" or "Principal Accounting Policies and Accounting Estimates—Financial Instruments" in this note.

5. The equity investment of the subsidiaries is disposed step by step until the loss of control right is disposed.

If the Company disposes of the equity investment in the subsidiaries through multiple transactions until the loss of control, it is necessary to distinguish whether all kinds of transactions dealing with the equity investment of the subsidiary until the loss of control belong to the package transactions. If all the transactions that dispose of the equity investment of the subsidiary until the loss of control belong to the package transactions, such transactions shall be conducted accounting treatment as a transaction that disposes of the subsidiary and loses control. But, before the loss of control power, the difference between every disposal cost and the share of net assets of the subsidiary corresponding to the disposed investment shall be recognized as other comprehensive income in the consolidated financial statement and shall be included into the current profits and losses in the period when the control power is lost.

If it is not part of the package transactions, each of the transactions shall be conducted accounting treatment as per applicable principles according to the item that “partial disposal of long-term equity investments in subsidiaries without loss of control” and the item that “loss of control over the original subsidiary due to disposal of part of the equity investment or other reasons” (see the previous paragraph). It refers to that the difference between the shares of the book value of the net assets calculated continuously by the subsidiary from the purchase date that has been entitled corresponding to each disposal price and disposal investment before the loss of the control right shall be included in the capital reserve (stock premium) as the equity transaction. It can not be transferred to the profit or loss for the current period of the loss of control right when the control right is lost.

(VIII) Classification of joint arrangement and accounting treatment method of joint operation

Joint arrangement shall refer to an arrangement that is jointly controlled by two or more parties. According to the rights and obligations to which the Company is entitled in the joint venture arrangement, the Company divides the joint venture arrangement into the joint operation and joint venture.

Joint ventures shall refer to the joint arrangement of which the Company only enjoys the net assets. The Company’s investment in the joint venture shall be accounted for by the equity method and shall be treated in accordance with the accounting policies described in "Long-term equity investments accounted for using the equity method" under "Principal accounting policies and accounting estimates - Long-term equity investments" in this note.

A joint operation refers to a joint arrangement in which the Company enjoys the relevant assets of the arrangement and assumes the relevant liabilities of the arrangement; The Company recognizes the following items related to the profit share in the joint operation and carries out the accounting treatment in accordance with the provisions of the relevant accounting standard for business enterprises:

1. Recognize the assets independently held by the Company and recognize the assets jointly held according to the share of the Company;
2. Recognize the liabilities independently borne by the Company and recognize the liabilities commonly borne according to the share of the Company;
3. Recognize the income from the sale of production share in the joint operation enjoyed by the Company;
4. Recognize the income from the output according to the share of the Company in the joint operation;

5. Recognize the costs incurred individually and the costs incurred for the joint operation according to the share of the Company.

When the Company, as a partner, invests or sells assets to the joint venture (such assets do not constitute business, the same below) or purchases assets from the joint venture, before such assets are sold to a third party, the Company only recognizes the part of the profits and losses arising from such transaction, which shall be attributable to the other participants in the joint venture. In the event that such assets are subject to impairment losses in accordance with the “Accounting Standards for Business Enterprises No.8 – Impairment of Assets”, the Company shall fully recognize such losses in the case that such assets are invested or sold by the Company to the joint venture; in the case that the Company purchases assets from joint venture, the Company shall recognize the losses according to its share.

(IX) Determination criteria on cash and cash equivalents

In the preparation of the cash flow statement, the cash on hand and deposits that can be used for payment at any time shall be recognized as cash. The cash equivalents shall refer to the short-term investments (generally due within 3 months from the date of purchase) held by the company with strong liquidity and little value change risk, which are readily convertible into known amount of cash.

(X) Translation of foreign currency transaction and foreign currency statements

1. Foreign currency transaction business

For foreign currency transactions, the spot exchange rate on the transaction date (usually the central parity of the current exchange rate announced by the People's Bank of China, the same below) is used to translate the transaction into the recording currency for accounting. However, the Company's foreign currency exchange business or transactions involving the foreign currency exchange shall be converted into the amount of the recording currency according to the actually adopted exchange rate.

2. Conversion method of foreign currency monetary items and non-monetary items

The foreign currency monetary items shall be converted according to the spot exchange rate on the balance sheet date and the exchange difference therein shall be included in the profit or loss for the current period, excluding: (1) the exchange difference incurred from the foreign currency special borrowing in relation to the assets acquired and constructed in line with the capitalization conditions shall be disposed according to the principle of capitalization of borrowing costs; (2) the exchange difference of the hedging instrument used for the operation of effective hedging of net investment abroad (the difference shall be included in other comprehensive income and shall be recognized as the profit or loss for the current period until the net investment is disposed); as well as (3) the exchange difference incurred from the changes of other book value balance in the foreign currency monetary items measured at fair value through other comprehensive income, except for the amortized cost, shall be included in other comprehensive income.

The foreign currency non-monetary items measured at historical cost are calculated using the recording currency amount converted at per the spot exchange rate at the transaction date. The foreign currency non-monetary items measured at fair value shall be converted according to the spot exchange rate on the date of recognizing the fair value. The difference between the amount of the bookkeeping currency after the conversion and the original amount of the bookkeeping currency shall be included in the current profit or loss or other comprehensive income.

(XI) 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. Financial instruments shall include financial assets, financial liabilities and equity instruments

1. Classification, recognition basis and measurement method of financial instruments

(1) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability shall be recognized when the Company becomes a party to the financial instrument contract. For the financial assets purchased in a conventional manner, confirm the assets to be received and liabilities to be assumed on the trading day.

The financial assets and financial liabilities are measured with the fair value when initially confirmed. For financial assets and financial liabilities 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 and financial liabilities, the relevant transaction costs shall be included in the initially recognized amount. For accounts receivable that do not have a significant financing component at initial recognition, initial measurement shall be made at the transaction price determined in accordance with the revenue recognition method described in this “Principal Accounting Policies and Accounting Estimates – Revenue” in this note.

(2) Classification and subsequent measurement of financial assets

The Company classifies financial assets into financial assets measured at amortized cost, the financial assets measured at fair value through other comprehensive income and the financial assets measured at fair value through current profit and loss based on the business model of the financial assets management and the contractual cash flow characteristics of the financial assets.

1) Financial assets measured at amortized cost

Financial assets measured at amortized cost refer to financial assets that simultaneously meet the following conditions: 1) the business model for managing the financial assets is aimed at collecting contractual cash flows; 2) according to the terms of the contract on the financial assets, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding amount of principal.

Such financial assets are measured at amortized cost adopting the effective interest method after initial recognition, and the resulting gains or losses are included in the current profit or loss when they are derecognized, amortized using the effective interest method, or recognized as impairment. The amortized cost of financial assets shall be determined based on the result of the initially recognized amount of the financial asset after the following adjustment: 1) deduct the principal repaid; 2) add or subtract the cumulative amortization resulting from amortization of the difference between the initially recognized amount and the amount at maturity using the effective interest method; 3) deduct the accumulated loss reserve.

The actual interest rate method refers to the method of calculating the amortized cost of financial assets or financial liabilities and allocating interest income or interest expense into each accounting period. The actual interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability over the expected duration to the book balance of such financial asset or the amortized cost of such financial liability. During the determination of actual interest rate, the expected cash flow is estimated on the basis of considering all contractual provisions of financial assets or financial liabilities (such as early repayment, extension, call options or other similar options), but the expected credit losses are not considered.

The Company shall calculate the interest income based on the book balance of financial assets multiplied by the effective interest rate with the following exceptions: 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. If the financial instrument has no credit impairment due to the improvement of its credit risk in the subsequent period, and this improvement may objectively be related to an event that occurs after applying the above provisions, it shall calculate and determine the interest income as per the actual interest rate multiplied by book balance of financial assets.

2) Financial assets measured at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income refer to financial assets that meet the following conditions at the same time: 1) The Company's business model for managing the financial assets is aimed at both collecting contractual cash flows and selling such financial assets. ii) According to the terms of the contract on the financial assets, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding amount of principal.

Such financial assets are subsequently measured at fair value after initial recognition. Interest, impairment losses or gains calculated using the effective interest method and exchange gains and losses are included in the current profit and loss, and other gains or losses are included in other comprehensive income. In the event of de-recognition, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income into current profit and 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 non-trading equity instrument investment, and the relevant investment conforms to the definition of an equity instrument from the perspective of the instrument issuer. After the initial designation of such investments, except for the dividends obtained (except for the portion of investment cost recovered), all other related gains or losses (including exchange gains and losses) are recognized in other comprehensive income. In the event of de-recognition, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income into retained earnings.

3) Financial assets measured at fair value through current profit or loss

Except for situations 1) and 2) above, the Company classifies all other financial assets as financial assets measured at fair value through current profit and loss. At initial recognition, in order to eliminate or significantly reduce accounting mismatches, it can irrevocably designate financial assets as financial assets measured at fair value through current profit and loss. 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.

This type of financial asset is subsequently measured at fair value after initial recognition, and any gains or losses incurred are recognized in the current profit or loss.

(3) Classification and subsequent measurement of financial liabilities

The Company classifies financial liabilities into financial liabilities measured at fair value through current profit and loss, 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, the financial guarantee contracts and the financial liabilities measured at amortized cost.

1) Financial liabilities measured at fair value through current profit or loss

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. 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.

Financial liabilities measured at fair value through current profit or loss are subsequently measured at fair value after initial recognition, and the resulting gains or losses are included in current profit and loss.

The changes in the fair value of financial liabilities designated as measured at fair value through current profit or loss due to the changes in the Company's credit risk shall be included in other comprehensive income unless the treatment may cause or expand accounting mismatches in profit or loss. The other fair value changes of the financial liability are included in the current profit and loss. In the event of de-recognition, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income into retained earnings.

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.

These financial liabilities are measured in accordance with the methods described in the section "Recognition Basis and Measurement Methods for Transfers of Financial Assets" under "Principal Accounting Policies and Accounting Estimates – Financial Instruments" in this note.

3) Financial guarantee contract

Financial guarantee contract refers to a contract that requires the Company to pay a specific amount to the contract holder who has suffered a loss when the specific debtor fails to pay the debt in accordance with the original or modified debt instrument terms.

For financial guarantee contracts that do not fall under either 1) or 2) above, subsequent measurement after initial recognition shall be based on the higher of the following two amounts: i) the amount of loss provision determined in accordance with "Impairment of Financial Instruments" under "Principal Accounting Policies and Accounting Estimates - Financial Instruments" in this note; ii) the initial recognition amount less the accumulated amortization determined in accordance with the revenue recognition method described in "Principal Accounting Policies and Accounting Estimates - Revenue" in this note.

4) Financial liabilities measured at amortized cost

Except for the above situations 1), 2) and 3), the Company classifies all other financial liabilities as financial liabilities measured at amortized cost.

Such financial liabilities are measured at amortized cost adopting the effective interest method after initial recognition, and the resulting gains or losses are included in the current profit or loss

when they are derecognized or amortized according to the effective interest method.

(4) Equity instruments

An equity instrument refers to a contract that proves the Company has residual interests in the assets after deducting all liabilities. The Company issues (including refinancing), repurchases, sells or cancels equity instruments as the treatment to equity changes. Transaction costs related to equity transactions are deducted from equity. The Company has various distributions of parties holding equity instruments (excluding the stock dividend), and reduces of shareholders' equity. The Company does not recognize any change amount of the fair value.

2. Recognition and measurement of transfer of financial assets

The transfer of a financial asset shall refer to the transfer or delivery of a financial asset (or its cash flows) by the Company to a party other than the issuer of the financial asset. The de-recognition of financial assets means that the Company transfers the previously recognized financial assets from its balance sheet.

A financial asset shall be derecognized by the Company if any of the following conditions is met:

(1) The contractual right to collect the cash flow of the financial asset is terminated; (2) the financial asset has been transferred and almost all risks and rewards on the ownership of the financial asset have been transferred to the transferee; (3) the financial asset has been transferred and the Company neither transferred, nor reserved almost all risks and rewards on the ownership of the financial asset, but it gave up control over the financial assets.

If the Company has neither transferred nor retained almost all the risks and rewards of ownership of the financial assets, and retained the control of the financial assets, it is required to recognize the related financial assets according to the level of its continuing involvement in the related financial assets, and continually recognize the transferred financial assets and liabilities accordingly. The level of continuing involvement in the transferred financial assets refers to the level of risk facing by the enterprise due to changes in the value of financial assets.

If the entire transfer of financial assets meets the derecognition criteria, the difference between the following two amounts is included in the current profit or loss: (1) the carrying amount of the transferred financial asset on the date of derecognition; and (2) the sum of consideration received from transfer of financial assets and accumulated amount corresponding to the derecognition part due to changes in fair value originally directly included in other comprehensive income. If the transfer of partial financial asset satisfies the conditions to stop the recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value, and the difference between the amounts of the following 2 items shall be included into the profits and losses of the current period: (1) the book value of the derecognized portion on the date of derecognition; (2) the sum of the received consideration for the derecognized portion and the amount corresponding to the derecognized portion of the cumulative amount of changes in fair value that is directly recognized in other comprehensive income. For non-tradable equity instruments designated by the Company to be measured at fair value through other comprehensive income, if the transfer meets the conditions for de-recognition in whole or in part, the difference calculated according to the above method shall be included in retained earnings.

3. De-recognition condition of financial liabilities

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. If the Company (debtor) enters into an agreement with the lender to replace the original financial liability by assuming the new financial liability, and the contract terms of the new financial liability and the original financial liability are substantially different, the original financial liability shall be de-recognized and a new financial liability shall be recognized. If the Company makes substantial modification to the contract terms of the original financial liability (or part thereof), it shall de-recognize the original financial liability and recognize a new financial liability in accordance with the revised terms.

If a financial liability (or part thereof) is de-recognized, the Company shall record the difference between its book value and the consideration paid (including non-cash assets transferred out or liabilities assumed) into the current profit and loss. If the Company repurchases part of its financial liabilities, the book value of the entire financial liability is allocated according to the proportion of the fair value of the continuing confirmation section and the derecognition section at the repurchase date to the overall fair value. The difference between the book value assigned to the derecognized portion and the consideration paid (including the non-cash assets transferred out or the liabilities assumed) shall be recognized in current profit or loss.

4. Recognition of the fair value of the financial instruments

The methods for determining the fair value of financial assets and financial liabilities are detailed in "Principal Accounting Policies and Accounting Estimates—Fair Value" in this note.

5. Impairment of Financial Instruments

The Company makes impairment treatment and recognizes loss provisions on the basis of expected credit losses for financial assets measured at amortized cost, contract assets, debt instrument investments measured at fair value through other comprehensive income, lease receivables and financial guarantee contracts described in "Classification and Subsequent Measurement of Financial Liabilities" under "Principal Accounting Policies and Accounting Estimates—Financial Instruments" in this note. The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss shall refer to the difference between all contractual cash flows receivable from the contract, which are discounted at the original actual interest rate, and all cash flows expected to be received by the Company, that is, the present value of all cash shortages.

For the purchased or original financial assets with credit impairment, the Company only recognizes the cumulative changes in expected credit losses over the whole duration after the initial recognition on the balance sheet date.

For the receivables or contract assets formed by transactions regulated by the Accounting Standards for Business Enterprises No. 14 - Revenues and lease receivables regulated by Enterprise Accounting Standard No. 21 - Leases, the Company uses a simplified measurement method to measure the provision for loss according to the amount of expected credit loss during the entire duration.

For the financial instruments other than using the above measurement method, the Company measures loss provisions in accordance with the general method and assesses on each balance sheet date whether its credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly after the initial recognition and is in the first stage, the Company shall measure the loss provision according to the amount equivalent to the expected credit loss in the next 12 months; if the credit risk has increased significantly since the initial recognition, but no credit impairment has occurred, and it is in the second stage., the Company

shall measure the loss provision according to the amount equivalent to the expected credit loss in the whole duration, and calculate the interest income according to the book balance and the effective interest rate; if the credit impairment occurs after the initial recognition, and it is in the third stage, the Company shall measure the loss provision according to the amount equivalent to the expected credit loss in the whole duration.

The expected credit loss in the entire duration shall refer to the expected credit loss caused by all possible default events that may occur in the entire duration of a financial instrument. Expected credit loss in the next 12 months refers to the expected credit loss caused by the default event of financial instrument that may occur within 12 months (if the expected duration of the financial instrument is less than 12 months, it is the expected duration) after the balance sheet date, and is a part of the expected credit loss during the entire duration.

The Company considers all reasonable and substantiated information, including forward-looking information, and determines the relative change in the default risk of the financial instrument during the expected lifetime by comparing the default risk of a financial instrument on the balance sheet date and that on the initial recognition date to assess whether the credit risk of the financial instrument has increased significantly since the initial recognition. For financial instruments for which sufficient evidence of a significant increase in credit risk cannot be obtained at a reasonable cost at the individual instrument level, the Company considers assessing whether there has been a significant increase in credit risk on a portfolio basis. If the Company determines that the financial instrument has only a low credit risk on the balance sheet date, it can be assumed that the credit risk of the financial instrument has not increased significantly since the initial recognition.

The Company 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 instrument investments measured at fair value through other comprehensive income, the Company recognizes its loss provision in other comprehensive income and does not offset the book value of the financial asset listed in the balance sheet.

6. Offset of financial assets and financial liabilities

When the Company has the legal right to offset the recognized financial assets and liabilities, and is currently entitled to exercise such right, and the Company intends to settle with net amount, or realize the financial asset and settle the financial liability at the same time, the amount after the offsetting of financial assets and financial liabilities are listed in the balance sheet. In addition, the financial assets and financial liabilities are respectively listed in the balance sheet, not offsetting each other.

(XII) Fair Value

The fair value refers to the price paid for receiving from selling an asset or paying for transferring a liability in orderly transaction by market participants on the date of measurement. With the relevant assets or liabilities measured at fair value, the Company assumes that the orderly transactions of the sales of assets or the transfer of liabilities are carried out in the main market of the relevant assets or liabilities; if no main market exists, the Company assumes that the transactions are carried out at the most advantageous market of the relevant assets or liabilities. The main market (or the most advantageous market) refers to the transaction market that the Company can access to on the measurement date.

When the Company adopts the valuation techniques applicable under the current situation and supported with the sufficient available data and other information, and considers the capability of the market participants to make the best use of the assets to generate the economic benefits or the capability to sell the assets to other market participants to make the best use of the assets to generate the economic benefits, the use of the relevant observable input value is prioritized. As long as the observable input value can not be accessed or the access is not practicable, the observable input value can be used.

For the assets and liabilities measured or disclosed at fair value in the financial statements, the fair value hierarchy shall be recognized according to the lowest-level input value that is significant to the fair value measurement as a whole: The first level input value shall be the unadjusted quoted price of the identical asset or liability in active markets that can be obtained on the measurement date; the second level input value shall be the directly or indirectly observable input value of the relevant asset or liability other than the input value at the first level, including the quotes of similar assets or liabilities in an active market, quotes for identical or similar assets or liabilities in an inactive market, observable input values other than quotes, observable benefits and yield curves, etc. during normal quotation intervals, etc.; the third level input value shall be the unobservable input value of the relevant asset or liability, including the interest rates, stock volatility, future cash flows from retirement obligations assumed in a business combination, and financial projections using their own data, etc. that cannot be directly observed or cannot be verified by observable market data. On each balance sheet date, the Company re-assesses the assets and liabilities consistently measured at fair value recognized in the financial statements to determine whether there is a transition between the levels of fair value measurement.

(XIII) Notes receivable

1. Determination and accounting treatment of the expected credit losses of notes receivable

The Company determines and accounts for the expected credit loss on notes receivable in accordance with the simplified measurement method described in “Impairment of Financial Instruments” under “Principal Accounting Policies and Accounting Estimates – Financial Instruments” in this note. On the balance sheet date, it measures the credit loss on notes receivable at the present value of the difference between the contractual cash flow to be collected and the expected cash flow to be collected. The Company conducts separate impairment tests on notes receivable with significantly different credit risk characteristics and estimate expected credit losses; classifies the remaining notes receivable into a number of combinations based on credit risk characteristics; and estimates expected credit losses based on a combination of historical credit loss experience, current conditions, and forward-looking information.

2. Portfolio category and determination basis of bad debt provision based on the combination of credit risk characteristics

Name of portfolio	Basis for determining portfolios
Bank acceptance bill portfolio	Acceptors are banks with low credit risk
Commercial acceptance bills portfolio	Acceptor is the enterprise with higher credit risk

3. Judgment criteria for individual provision for bad-debt provision based on individual provision

The Company conducts separate impairment tests on notes receivable with significantly different credit risk characteristics, such as significant deterioration of the debtor’s credit status, low possibility of recovery, and credit impairment that has occurred.

(XIV) Accounts receivable**1. Determination and accounting treatment of the expected credit losses of accounts receivable**

The Company determines and accounts for the expected credit loss on accounts receivable in accordance with the simplified measurement method described in “Impairment of Financial Instruments” under “Principal Accounting Policies and Accounting Estimates – Financial Instruments” in this note. On the balance sheet date, it measures the credit loss on account receivables at the present value of the difference between the contractual cash flow to be collected and the expected cash flow to be collected. The Company conducts separate impairment tests on accounts receivable with significantly different credit risk characteristics and estimate expected credit losses; classifies the remaining accounts receivable into a number of combinations based on credit risk characteristics; and estimates expected credit losses based on a combination of historical credit loss experience, current conditions, and forward-looking information.

2. Portfolio category and determination basis of bad debt provision based on the combination of credit risk characteristics

Name of portfolio	Basis for determining portfolios
Aging portfolio	Accounts receivable with similar credit risk characteristics by age
Portfolio of related parties	Classification by accounts receivable from related parties within the scope of consolidation

3. Method for calculating aging based on the combination of credit risk characteristics confirmed by aging

The Company calculates the aging of accounts receivable from the month in which the payment was actually made.

4. Judgment criteria for individual provision shall be determined for bad-debt provision based on individual provision

The Company conducts separate impairment tests on accounts receivable with significantly different credit risk characteristics, such as significant deterioration of the debtor’s credit status, low possibility of recovery, and credit impairment that has occurred.

(XV) Receivables financing**1. Determination and accounting treatment of the expected credit losses of receivables financing**

The Company determines and accounts for the expected credit loss on receivables financing in accordance with the simplified method described in “Impairment of Financial Instruments” under “Principal Accounting Policies and Accounting Estimates – Financial Instruments” in this note. On the balance sheet date, it measures the credit loss on accounts receivable financing at the present value of the difference between the contractual cash flow to be collected and the expected cash flow to be collected. The Company conducts separate impairment tests on receivable financing with significantly different credit risk characteristics and estimate expected credit losses; classifies the remaining receivable financing into a number of combinations based on credit risk characteristics; and estimates expected credit losses based on a combination of historical credit loss experience, current conditions, and forward-looking information.

2. Portfolio category and determination basis of bad debt provision based on the combination of credit risk characteristics

Name of portfolio	Basis for determining portfolios
Bank acceptance bill portfolio	Acceptors are banks with low credit risk

3. Judgment criteria for individual provision for bad-debt provision based on individual provision
The Company conducts separate impairment tests on receivables financing with significantly different credit risk characteristics, such as significant deterioration of the debtor's credit status, low possibility of recovery, and credit impairment that has occurred.

(XVI) Other receivables

1. Determination and accounting treatment of the expected credit losses of other receivables

The Company determines and accounts for expected credit losses on other receivables in accordance with the general methods described in "Impairment of Financial Instruments" under "Principal Accounting Policies and Accounting Estimates – Financial Instruments" in this note. On the balance sheet date, it measures the credit loss on other receivables at the present value of the difference between the contractual cash flow to be collected and the expected cash flow to be collected. The Company conducts separate impairment tests on other receivables with significantly different credit risk characteristics and estimate expected credit losses; classifies the remaining other receivables into a number of combinations based on credit risk characteristics; and estimates expected credit losses based on a combination of historical credit loss experience, current conditions, and forward-looking information.

2. Portfolio category and determination basis of bad debt provision based on the combination of credit risk characteristics

Name of portfolio	Basis for determining portfolios
Aging portfolio	Other receivables with similar credit risk characteristics by age
Portfolio of related parties	Accounts receivable from the subsidiaries within the consolidation scope of the Company

3. Method for calculating aging based on the combination of credit risk characteristics confirmed by aging

The Company calculates the aging of accounts receivable from the month in which the payment was actually made.

4. Judgment criteria for individual provision for bad-debt provision based on individual provision

The Company conducts separate impairment tests on other receivables with significantly different credit risk characteristics, such as significant deterioration of the debtor's credit status, low possibility of recovery, and credit impairment that has occurred.

(XVII) Inventory

1. Categories of inventories, valuation methods for inventories sent out, inventory rules, and amortization methods for low-value consumables and packages.

(1) Inventories include the finished goods or merchandise, work in progress and materials consumed in the production or the provision of labor service and so on that are owned and held for sale during the regular course of business.

(2) The inventory acquired by the enterprise shall be measured according to the actual costs. 1) The cost of outsourcing inventory refers to the procurement cost of the inventory. The inventory cost acquired by the further processing is constituted by the procurement cost and the processing cost. 2) The carrying value of inventories acquired from the debtor in debt restructuring is determined based on the fair value of the debt relinquished and any related taxes and fees directly attributable to the inventories incurred in bringing the inventories to their current location and condition. 3) If the non-monetary assets exchange has a commercial nature, and the fair value of

the assets received or surrendered can be reliably measured, non-monetary assets exchanged inventory shall be determined based on the surrendered asset, unless there is a convincing evidence that the fair value of the received assets is more reliable; for the non-monetary assets exchange not meeting the above premise, the book value of the surrendered assets and relevant payable taxes shall be the cost of the received inventory. 4) The entry value of the inventory acquired through the enterprise absorption and consolidation method under the same control shall be recognized according to the book value of the consolidated party. The entry value of the inventory acquired through the enterprise absorption and consolidation method not under the same control shall be recognized according to the fair value.

(3) The cost of the inventory delivered by the enterprise shall be measured according to the monthly weighted average method.

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

Low-value consumables and packaging materials are amortized using the one-time write-off method.

(5) The inventory system of the inventory is perpetual.

2. Inventory revaluation reserve

(1) Recognition criteria and withdrawal method of inventory revaluation reserve

The inventories shall be measured at the lower of cost and net realizable value on the balance sheet date. The net realizable value of inventories shall be recognized according to the estimated sale price of the inventories less the estimated cost on completion, estimated selling expenses and relevant taxes. The recognition of the net realizable value of inventory shall be based on the conclusive evidence acquired, with the consideration of the purpose of the inventory held as well as the influence of the events after the balance sheet date. Except for the market price abnormality on the balance sheet date indicated with conclusive evidence, the net realizable value of the inventory item at the end of the current period shall be recognized on the basis of the market price on the balance sheet date, including:

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) For material inventories to be processed, the net realizable value shall be recognized by deducting the estimated costs on completion, the estimated selling expenses and the relevant taxes from the estimated sale price of the products finished in normal production and operation; 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

At the end of the period, provision for inventory depreciation is made based on individual inventory items. With respect to a large number of inventories with low unit prices, provision for inventory depreciation is made based on the type of inventory. In respect of inventories related to a product manufactured 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.

After the provision for inventory depreciation is made, it should be carried forwarded within the

amount that has been originally provision for inventory depreciation if the influencing factors of the previously written down inventory value have disappeared, resulting in the net realizable value of the inventories being higher than its book value, and then the amount transferred back shall be included in the profit and loss for current period.

(XVIII) 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. The Company's right to unconditionally (depending solely on the passage of time) receive consideration from the customer shall be presented as receivables.

The company offsets the contract assets and contract liabilities under the same contract before presenting them as a net amount

2. Impairment of contract assets

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

The Company determines and accounts for the expected credit loss on contract assets in accordance with the simplified measurement method described in “Impairment of Financial Instruments” under “Principal Accounting Policies and Accounting Estimates – Financial Instruments” in this note. On the balance sheet date, it measures the credit loss on contract assets at the present value of the difference between the contractual cash flow to be collected and the expected cash flow to be collected. The Company conducts separate impairment tests on contract assets with significantly different credit risk characteristics and estimate expected credit losses; classifies the remaining contract assets into a number of combinations based on credit risk characteristics; and estimates expected credit losses based on a combination of historical credit loss experience, current conditions, and forward-looking information.

(2) Portfolio categories and determination basis for impairment provisions based on credit risk characteristics

Name of portfolio	Basis for determining portfolios
Aging portfolio	Accounts receivable with similar credit risk characteristics by age
Portfolio of related parties	Classification by accounts receivable from related parties within the scope of consolidation

(3) Method for calculating aging based on the combination of credit risk characteristics confirmed by aging

The Company calculates the aging of accounts receivable from the month in which the payment was actually made.

(4) The criteria for determining impairment provisions should be applied to each individual provision.

The Company conducts separate impairment tests on contract assets with significantly different credit risk characteristics, such as significant deterioration of the debtor's credit status, low possibility of recovery, and credit impairment that has occurred.

(XIX) Held-for-sale non-current assets or disposal group

1. The conditions for classifying as the held-for-sale category

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 when the following conditions are met:

(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 Company has made the resolution on one sale plan with the confirmed purchase commitment has been obtained. As required by the relevant regulations, it can be sold with the approval of the relevant authority or supervisory department and the Company has obtained the approval. The purchase commitment recognized is the purchase agreement legally binding signed between the Company and other parties, which includes the transaction price, time and penalty for breach of contract with sufficient severity and other important provisions. This makes the major adjustment or cancellation of the agreement with very little possibility.

In the event that the enterprise loses its control over a subsidiary due to the sale of its investment in the subsidiary, 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.

When the held-for-sale non-current assets or disposal groups do not meet the conditions for classifying into the held-for-sale category, the Company will stop classifying them into the category of held-for-sale. When the disposal group newly formed by the remaining assets or liabilities in the held-for-sale disposal group from which some assets or liabilities are removed still meets the conditions for classifying into the held-for-sale, the Company will classify the disposal group newly formed into the held-for-sale category. Otherwise, the non-current assets meeting the conditions for classifying into the held-for-sale category shall be classified as held-for-sale category.

The balance sheet in the comparative accounting period shall not be adjusted for the non-current assets or disposal groups meeting the conditions for classifying into the held-for-sale category for the first time in the current period.

2. The initial measurement and subsequent measurement of the held-for-sale non-current assets or disposal groups

For the held-for-sale non-current assets or disposal groups on the date of acquisition, in the initial measurement, supposing that the assets or disposal groups are not classified into held for sale, the assets or disposal groups shall be measured at the lower of initial measurement amount and the net value of the fair value less the selling fees. In addition to the non-current assets or disposal groups obtained in the enterprise merger, the net value of the fair value of the non-current assets or disposal groups minus the selling cost shall be recognized as the difference arising from the initial measurement amount and shall be included in current profit and loss.

The book value of various assets and liabilities in the non-current assets or disposal groups shall be measured according to the provisions of the relevant accounting standards before the Company classifies the non-current assets or disposal groups into the held-for-sale category for the first time. 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. 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.

For the amount of asset impairment loss recognized in the held-for-sale disposal groups, the Company will first deduct the book value of the goodwill of the disposal groups, then deduct the book value according to the ratio taken up by the book value of various non-current assets in the disposal groups applicable to the provisions of the measurement specified in No. 42 of Accounting Standards for Business Enterprises – Held-for-sale Non-current Assets, Disposal Groups and Terminated Business (hereinafter referred to as No. 42 Standard). In the process of re-measuring the held-for-sale disposal groups on the balance sheet date, the Company will first measure the book value of the assets and liabilities in the disposal groups not applicable to the provisions of the measurement specified in No. 42 Standard according to the relevant accounting standards and then conduct the accounting treatment according to the relevant provisions above.

In the event of increase in the net value of the fair value of held-for-sale non-current assets less the selling cost, the previously write-down amount shall be recovered and then reversed in the losses from asset impairment recognized after the classification as held for sale; the reversed amount shall be included in current profit and loss; the impairment loss of the assets recognized prior to the classification of held-for-sale standards shall not be reversed.

When the net amount of the fair value of the held-for-sale disposal group on the subsequent balance sheet date minus the selling expenses is increased, the previous written-down amount shall be recovered. Additionally, it shall be written back in the amount of asset impairment loss recognized in the non-current assets classified into the held-for-sale category applicable to the measurement provisions of No. 42 Standard and the book value of the written-back amount shall be increased according to the ratio taken up by the book value of various non-current assets in the disposal group applicable to the measurement provisions of No. 42 Standard excluding the goodwill. Meanwhile, the written-back amount shall be included in the profit or loss for the current period. For the book value of the offset goodwill and the losses from asset impairment recognized before classified as held for sale shall not be reversed.

3. The terminate recognition and measurement for classifying into the held-for-sale category

When non-current assets or disposal groups no longer meet the classification criteria for held-for-sale categories and are no longer classified as held for sale categories, or when non-current assets are removed from the held-for-sale disposal group, it shall be measured 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.

In de-recognition of the held-for-sale non-current assets or disposal group, the unrecognized gains or losses shall be included in current profits and losses.

4. Conditions for discontinued operations

Discontinued operations shall refer to the component that can be separately distinguished and meet one of the following conditions, and the component has been disposed of or classified as holding for sale:

- (1) This component represents an independent primary business or a separate primary business area;
- (2) This component is part of an associated plan to dispose an independent primary business or a

separate primary business area;

(3) This component is a subsidiary acquired for resale.

5. Presentation of discontinued operations

The disposal group with the intended end of use and not for sale meeting the relevant constitute parts in the definition of the business termination shall be presented as the business termination from the date when the use is stopped; the control right on the subsidiary is lost due to the sale of the investment in the subsidiary and other reasons and the subsidiary meets the definition of the business termination, the relevant profit or loss of the business termination shall be presented in the consolidated statements; the adjusted amount of the profit or loss disposed in the business termination in the income statement shall be presented as the profit or loss of the business termination.

The Company shall present the adjusted amount of the book value in the non-current assets or disposal groups in the income statement for the current period as the profit or loss for the continuing operation if the non-current assets or disposal groups are not classified as the held-for-sale category any longer or the non-current assets are removed from the held-for-sale disposal groups. If the Company's subsidiaries, joint operations, joint ventures, associates as well as some investment in the joint ventures or associates no longer classified into the held-for-sale category or removed from the held-for-sale disposal groups, the Company shall correspondingly adjust each comparative data in the comparative accounting period in the financial statements for the current period after the held-for-sale category is classified.

For non-current assets or disposal groups held for sale that do not meet the definition of discontinued operations, the impairment loss, reversed amount and disposal gains and losses should be presented as profit or loss of continuing operations. For the impairment loss, reversed amount and other operating profit and loss as well as disposal gains and losses shall be presented as profit or loss of discontinued operations.

For the business termination presented for the current period, the Company shall re-present the information originally presented as the profit or loss for continuing operation in the financial statement for the current period as the profit or loss of the business termination in the comparative accounting period. When the business termination does not meet the classification conditions for the held-for-sale category, the Company shall re-present the information originally presented in the profit or loss of the business termination as the profit or loss for the continuing operation in the comparative accounting period.

(XX) Long-term equity investment

The long-term equity investment referred to in this section shall mean the long-term equity investment of the Company that has the control or joint control over, or significant impact on the investee, including equity investments in subsidiaries, joint ventures and associates.

1. Judgment standards of common control and significant influence

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. If the Company and other joint venture jointly control the investee and have the right to enjoy the net assets of the investee, the investee shall be the joint venture of the Company. 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 decisions of an enterprise have the

right to participate in the decision-making, but cannot control or jointly control the preparation of the policies together with other parties. If the Company may exert a significant influence on an investee, the investee shall be the associated enterprise of the Company. 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.

2. Recognition of initial investment cost of long-term equity investment

(1) Merger under the same control: In the case that the Company pays cash, transfers non-cash assets, bears the debts, or issues the equity securities 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. The capital reserve shall be adjusted with the balance between the initial investment cost of the long-term equity investment and the cash paid, the non-cash assets transferred and the total book value of the debts or the nominal value of the issued shares; if the capital reserve is insufficient for write-off, the retained earnings shall be adjusted. For the acquisition of equity of the combined party under the same control by virtue of multiple transactions, the final combination of the business under the same control shall be treated as “package transactions” respectively; in case of “package transactions”, each transaction shall be treated as the one in which the control is acquired. In case that it is not a “package transaction”, the share of the book value of the combined party's shareholder's equity in the final controlling party's Consolidated Financial Statements on the combination date is used as the initial investment cost of the long-term equity investment. The difference between the initial investment cost of the long-term equity investment and the book value of long-term equity investment before the combination together with the book value of new payment consideration for the combination date is adjusted to the capital reserve. If the capital reserve is insufficient to offset, the retained earnings are adjusted. For equity investments held prior to the combination date, if they are accounted for using the equity method or other comprehensive income recognized for other equity instrument investments, such equity investments are not accounted for.)

(2) Enterprise merger not under the same control: the Company shall recognize the combination cost determined on the acquisition date as the initial investment cost of the long-term equity investment. The combination cost includes the fair value among the assets paid by the acquirer to obtain control of the acquiree, the liabilities incurred or assumed, and the issued equity securities. The audit, legal service, evaluation consultation and other commissions as well as other related management fees of the purchaser 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. The Company shall take the contingent consideration as agreed in the consolidation agreement as part of the consideration transferred in the enterprise consolidation and include in the cost of enterprise consolidation according to the fair value on the purchase date. For the enterprise consolidation non under the same control realized by multiple transactions step by step, whether or not the multiple transactions are the “package deal” shall be determined according to the enterprise accounting

standards. If it belongs to a package deal, the transactions shall be accounted for as an acquisition of control. If it is not a “a package deal”, the book value of equity investment originally held by the acquiree plus the sum of the new investment costs shall be used as the initial investment cost of the long-term equity investment accounted for by the cost method. The accounting treatment shall not be conducted temporarily on the relevant other comprehensive income if the equity method is adopted to account the equity originally held; If the equity investment originally held is an investment in other equity instruments, the difference between its fair value and book value, as well as the accumulated fair value changes originally recorded in other comprehensive income, are directly transferred to retained earnings.

(3) Except for long-term equity investments formed by business mergers, other equity investments are initially measured at cost; for those obtained through cash payments, the actual purchase price paid is used as their initial investment cost; the initial investment cost of equity securities obtained through the issuance of equity securities shall be based on the fair value of the issued equity securities, and the expenses directly related to the issuance of equity securities shall be determined in accordance with the relevant provisions of Enterprise Accounting Standard No. 37- Presentation of Financial Instruments; if the non-monetary assets exchange has a commercial nature, and the fair value of the assets received or surrendered can be reliably measured, the initial investment cost of the long-term equity investments received in the non-monetary assets exchange shall be recognized according to the fair value of the assets surrendered and the relevant taxes payable, unless there is convincing evidence that the fair value of the assets received is more reliable; for the non-monetary assets exchange not meeting the above premise, the book value of the assets surrendered and relevant payable taxes shall be the initial investment cost of the long-term equity investment received. For the long-term equity investment obtained by debt restructuring, the initial investment cost shall be determined based on the fair value of the relinquished claims. The expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investments shall be included in investment cost

Where the additional investment can have a significant impact on the investee or implement joint control but does not constitute a control, the long-term equity investment cost is the fair value of the original equity investment determined as per No.22 Accounting Standards for Business Enterprises—Recognition and Measurement of Financial Instruments plus the sum of new investment costs. It will be taken as the initial investment cost calculated by the equity method. If the equity investment originally held is classified as other equity instrument investment, the difference between its fair value and book value, as well as the cumulative changes in fair value originally included in other comprehensive income, should be directly transferred to retained earnings.

3. The subsequent measurement and recognition method of the profit or loss of the long-term equity investments

(1) Long-term equity investment accounted by cost method

The long-term equity investment of the Company in the subsidiary shall be accounted for by the cost method. Except for the declared but undistributed cash dividends or profits contained in the price or consideration paid when the investment is obtained, the Company shall recognize the current investment income according to the cash dividends or profits declared by the investee to distribute to the Company.

(2) Long-term equity investment accounted by equity method

The long-term equity investment in associates and joint ventures shall be accounted for by the equity method.

For the long-term equity investment accounted for using the equity method, if the initial investment cost is greater than the share of fair value of the due identifiable net assets of the investee, the initial investment cost of the long-term equity shall not be adjusted; if the initial investment cost of the long-term equity is less than the share of fair value of due identifiable net assets of the investee, the difference shall be included in current profit and loss and the cost of the long-term equity investment shall be adjusted. After acquiring the long-term equity investment, in case that the accounting policy and accounting period of the investee are inconsistent with those of the Company, adjust the financial statements of the investee and recognize the investment income and other comprehensive income according to the accounting policy and accounting period of the Company. The Company shall respectively recognize the investment income and other comprehensive income according to the shares of the realized net profit or loss and other comprehensive income of the investee to be enjoyed or assumed, and adjust the book value of the long-term equity investment. Upon the recognition of the share of the net profit or loss of the investee to be enjoyed, recognize the adjusted profits of the investee based on the fair value of the identifiable assets of the investee when the investment is obtained. The book value of the long-term equity investment shall be reduced according to the due portion calculated based on the profits or cash dividends declared by the investee; 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. The gains and losses of the unrealized internal transactions among the Group and the associates and joint ventures shall be offset by the part attributable to the Company calculated according to the proportion due and recognize the income from investment on the basis. The loss of unrealized internal transactions between the Company and the investee that belongs to losses from asset impairment shall be recognized in full.

The Company shall recognize the loss of the investee to be assumed in the following order: first, write down the book value of long-term equity investment. Secondly, if the book value of the long-term equity investment is insufficient to offset, continue to recognize the investment losses with the limit of the long-term equity book value materially constituting the investee's net investment, and offset the book value of the long-term receivables, etc. After the above-mentioned treatment, in the event that the enterprise needs to bear additional obligations in accordance with the investment contract or agreement, the estimated liabilities shall be recognized as per the estimated obligation to be assumed and be included in the current investment loss. If the investee realizes net profit in the subsequent periods, the Company shall recover the recognition of gain after making up for the unrecognized loss sharing with the gain share.

In the investment-holding period, if the investee prepares the consolidated financial statement, accounting shall be carried out based on the amount attributable to the investee in the net profit, other comprehensive income, and the changes in other owners' equity in the consolidated financial statement.

If the assets invested by the Company into a joint venture or an affiliate constitute a business, and if the investors obtain long-term equity investment but does not obtain the right of control, the fair value of invested business shall be taken as the initial investment cost of new long-term equity investment, and the difference between the initial cost of investment and the book value of

investment business is fully recognized in the profit and loss for the current period. In case the assets sold by the Company to a joint venture or an affiliate constitute a business, the difference between the consideration obtained and the book value of business shall be fully recognized in the profit and loss for the current period. Where the assets purchased by the Company from associates and joint ventures constitute a business, the accounting treatment shall be conducted in accordance with the provisions of the No. 20 Accounting Standards for Business Enterprises – Business Combinations, and the gains or losses related to the transactions shall be fully recognized.

4. Disposal of the long-term equity investment

In the disposal of the long-term equity investment, the difference between the book value and the actual purchase price shall be included in the current profit and loss.

(1) Disposal of long-term equity investment accounted by using the equity method

For the disposal of the long-term equity investment accounted for using equity method, if the remaining equity after disposal is still accounted for using the equity method, the part originally included in other comprehensive income shall be accounted for as per the corresponding proportion on the same basis of the relevant assets or liabilities directly disposed by the investee. The owner's equity recognized for the changes in other owners' equity of the investee other than the net profits and losses, other comprehensive income and profit distribution shall be carried forward current profit and loss in proportion.

If the joint control or significant influence on the investee is lost due to the disposal of part of the equity investment, the remaining equity after the disposal shall be accounted in accordance with the standards for the recognition and measurement of financial instrument. The difference between the fair value and the book value on the date when the joint control or significant influence is lost shall be included in the current profit and loss. Other comprehensive income recognized for the original equity accounted for by the equity method shall be accounted for on the same basis of the relevant assets or liabilities directly disposed by the investee when cease to use the equity method. The owner's equity recognized for the changes in the owners' equity of the investee other than the net profits and losses, other comprehensive income and profit distribution shall be carried forward the current profit and loss when ceasing to use the equity method.

(2) Disposal of long-term equity investment accounted by using the cost method

For the long-term equity investment accounted for using the cost method, the remaining equity after disposal shall still be accounted for by the cost method; before obtaining the control over the investee, other comprehensive income recognized by the equity method or the recognition and measurement of financial instruments shall be subject to the treatment on the same basis of the relevant assets and liabilities directly disposed by the investee and shall be carried forward the current profit and loss in proportion; in the net assets of the investee recognized by equity method, except for the net profits and losses, other comprehensive income and profit distribution, the changes in the owners' equity shall be carried forward the current profits and losses in proportion

If the control right is lost due to the decrease of the shareholding ratio of the Company because of the capital increase of other investors, but the Company is able to implement the joint control or impose material influence on the invested unit, the shares of the newly added net assets entitled to the Company due to the capital increase and stock expansion of the invested unit shall be recognized according to the new shareholding ratio. The difference between the original book values of the long-term equity investments corresponding to the decreased part of the carried-forward shareholding ratio shall be included in the profit or loss for the current period;

then, the accounting shall be adjusted in the equity method according to the new shareholding ratio when the investment is acquired.

The accounting shall be based on the equity method when the Company loses the control right on the original subsidiaries due to the disposal of some equity investments or other reasons and the remaining equity after the disposal is able to implement joint control or impose material influence on the invested unit. In addition, the accounting of the remaining equity shall be adjusted according to the equity method when it is acquired. Other comprehensive income and other owner's equity recognized in the equity investment held before the purchase date due to the accounting using the equity method shall be carried forward according to the ratio; the accounting treatment for the remaining equity after the disposal failing to implement joint control or impose material influence on the invested unit shall be conducted according to the relevant provisions specified in No. 22 of Accounting Standards for Business Enterprises – Recognition and Measurement of Financial Instruments. The difference between the fair value and the book value on the date when the control right is lost shall be included in the profit or loss for the current period and other comprehensive income and other owner's equity shall be totally carried forward to the profit or loss for the current period.

The Company has disposed of the subsidiary's equity investment step by step through multiple transactions until the loss of control. If the transactions above belong to package transactions, the transactions are treated as a transaction dealing with the equity investment of the subsidiary and losing control. The difference between the disposal price and the book value of the long-term equity investment corresponding to the disposed equity before loss of control is first recognized as other comprehensive income, and then it is transferred to the current profit that has lost control when the control is lost.

(XXI) Investment property

1. Investment properties shall mean the real estate held for generating rent or capital appreciation, or both of them. Including the leased land-use right, the land-use right held for transfer after appreciation and the leased buildings (including buildings that are leased after completion of self-construction or development activities and buildings that are used for rental in the future during construction or development).
2. The investment property shall be initially measured according to the cost and the subsequent measurement shall be conducted in the cost mode. The subsequent expenditure related to investment property shall be included in the cost of investment properties if the economic benefits associated with the asset are likely to be inflow and its cost can be reliably measured. Other subsequent expenditure shall be included in the current profit and loss as incurred.
3. The depreciation or amortization of the investment property measured in the cost mode shall be conducted in the method same to the fixed assets and intangible assets.
4. If the purpose of the investment property is changed for private use, the investment property shall be converted to the fixed assets or intangible assets from the date of the changing and the book value before the conversion shall be taken as the entry value after the conversion. When the use of self-use real estate or inventory is changed to earn rent or capital appreciation, the fixed assets, intangible assets or inventory will be converted into investment property from the date of change. If it is converted into investment property measured by the cost model, the book value before the conversion is used as the recorded value after conversion. If it is converted into the investment property measured by the fair value model, the fair value of the conversion date is used

as the recorded value after conversion.

5. 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.

(XXII) Fixed assets

1. Conditions for recognition of fixed assets

Fixed assets are tangible assets that have the following characteristics: (1) held for the producing goods, providing service or leasing or operating management (2) with service life more than 1 accounting year.

The fixed assets shall be recognized when the conditions as follows are met: (1) The economic benefits in relation to the fixed assets are likely to flow into the enterprise; (2) The costs of the fixed assets can be reliably measured. The subsequent expenditures in relation to the fixed assets meeting the recognition conditions mentioned above shall be included in the cost of fixed assets; those failing to meet the recognition conditions mentioned above shall be included in the profit or loss for the current period at the time of the occurrence.

2. Initial measurement of fixed assets

The fixed assets shall be initially measured at the cost. The elimination expenses for the fixed assets with the expected great amount of expenses at the time of the elimination shall be expected and the present value shall be included in the cost of fixed assets.

3. Depreciation method of fixed assets

The fixed assets shall be depreciated when they are ready for the intended use; the depreciation shall be terminated when the fixed assets are de-recognized or classified as held-for-sale non-current assets. The depreciation shall be accrued respectively according to different depreciation rates and depreciation methods if the constituent parts in the fixed assets have different service life or provide the economic benefits for the enterprise in different ways. The depreciation period and depreciation rate of various fixed assets are as follows:

Category of fixed asset	Depreciation methods	Depreciable life (year)	Estimated net residual value rate (%)	Annual depreciation rate (%)
Houses and buildings	Straight-line method	20 -30 years	3.00	3.23-4.85
General equipment	Straight-line method	5 -16 years	3.00	6.06-19.40
Special equipment	Straight-line method	2.5 -12 years	3.00	8.08-38.80
Transport vehicles	Straight-line method	6	3.00	16.17

Notes:

(1) The separate accrual and depreciation using the straight-line method shall be conducted on the renovation expenses of the fixed assets meeting the capitalization conditions in the shorter period determined between the two renovation periods and the usable life of the fixed assets.

(2) For the fixed asset of which the provision for impairment has been made, the depreciation rate shall be calculated after the total amount of provision for impairment.

(3) The Company reviews useful life, estimated net residual value and depreciation method of fixed assets at least at the end of the year. If a change occurs, it is treated as a change in accounting estimate.

4. Other notes

(1) The fixed assets out of use for three consecutive months caused by the working under capacity and natural disasters shall be recognized as the idle fixed assets (except for the seasonable suspension.) The depreciation method, same with the fixed assets of other categories, shall be adopted for the idle fixed assets.

(2) If the fixed assets are in the disposal status or the economic benefits are expected not to be generated through the use or disposal, the recognition shall be terminated and the depreciation and accrual impairment shall be suspended.

(3) The difference between the disposal income of sale, transfer, retirement or damage of fixed assets, net of its carrying amount and related taxes and expenses, is recognized in profit or loss for the current period.

(4) The fixed assets are regularly checked by the Company. If there is clear evidence that a part of the overhaul cost meets the recognition requirements for fixed assets, such part shall be included in the cost of fixed assets. The part that does not comply with the recognition requirements for fixed assets shall be included in current profit and loss. Fixed assets shall be depreciated during the interval between regular overhaul.

(XXIII) Construction in progress

1. The construction-in-progress shall be recognized when the economic benefits are likely to flow into the enterprise and the cost can be measured reliably. The construction in progress shall be measured at the actual cost incurred before the asset reaches the available state.

2. The construction in progress shall be transferred to fixed assets by the actual cost of the construction when the assets are ready for their intended use. The construction in progress shall be transferred to fixed assets by the estimated value when the assets are ready for their intended use but has not completed the final account; after completing the final account, it shall be adjusted to the original tentative estimation value by the actual cost, but the depreciation calculated originally shall not be adjusted.

(XXIV) Borrowing costs

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.

1. Recognition of borrowing costs for capitalization

Where the borrowing costs incurred to an enterprise can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses and shall be recorded into the current profits and losses.

2. Capitalization period of borrowing costs

(1) It shall not be capitalized unless they simultaneously meet the following requirements: 1). Asset expenditure has incurred; 2). The borrowing costs have incurred; 3). The purchase and construction activities necessary to make the asset ready for use have started.

(2) Suspension of capitalization: Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months,

the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses 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) Ceasing of capitalization: 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. When part of the projects in the acquisition, construction or production of the assets eligible for capitalization are completed and can be used separately, the capitalization of the borrowing costs of such part of the assets will cease. In the event that each part of the assets acquired, constructed or produced is completed respectively, but cannot be used or can be sold externally until the completion of the whole work, the capitalization of the borrowing costs shall be stopped when the assets are completed as a whole.

3. The Capitalization rate and calculation method for capitalized amount of the borrowing costs

As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period (including the amortization of discounts or premiums determined by the real interest rate method) minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment. Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate (weighted average interest rate) of the general borrowing used. 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. The exchange difference between the principal and the interest of the foreign currency special borrowing shall be capitalized during the capitalization period. The auxiliary expenses resulting from the special borrowing shall be capitalized before the assets purchased, constructed or produced meeting the capitalization conditions reach the expected usable or saleable status; those after the expected usable or saleable status shall be included in the profit or loss for the current period. The auxiliary expenses resulting from the general borrowing shall be included in the profit or loss for the current period at the time of the occurrence. 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.

(XXV) Intangible assets

1. Initial measurement of intangible assets

The intangible assets shall be initially measured at the actual cost. The cost for the outsourcing of intangible assets shall include the purchase price, relevant taxes and fees, and other expenditures incurred directly attributable to the expected purpose reached by the assets. If the purchase price of intangible asset is paid after the normal credit term with the nature of financing, the cost of fixed asset shall be determined based on the present value of the purchase price. The carrying value of intangible assets acquired from the debtor to offset debts in a debt restructuring is

determined based on the fair value of the waived creditor's rights and other costs that can be directly attributable to the tax incurred to make the asset reach its intended use. If the non-monetary assets exchange has a commercial nature, and the fair value of the assets received or surrendered can be reliably measured, the cost of the intangible received asset in a non-monetary asset exchange is the fair value of the surrendered asset and the relevant taxes payable., unless there is a convincing evidence that the fair value of the received assets is more reliable; for the non-monetary assets exchange not meeting the above premise, the book value of the surrendered assets and relevant payable taxes shall be the cost of the received fixed asset, and no gains or losses are recognized.

Expenditure related to intangible assets is included in the cost of intangible assets if the relevant economic benefits are likely to flow to the Company and its costs can be measured reliably. Expenditure on other items otherwise is recognized in profit or loss for the current period during which it is incurred.

The acquired land use rights are usually accounted for as intangible assets. Self-developed buildings and other constructions, and expenditures of related land use rights and costs of building construction are accounted for as intangible assets and fixed assets, respectively. In the event of houses and buildings that are externally purchased, the relevant price is distributed between the land use rights and the buildings. If it is difficult to allocate the same reasonably, all of them are treated as fixed assets.

2. Service life of intangible assets and determination basis, estimation, amortization method or review procedure

If the term of the economic benefits brought by the intangible assets to the Company can be reasonably recognized based on the judgment according to the comprehensive factors, such as the contractual rights or other legal rights, the situation of the same industries, historical experience, relevant expert argumentation, etc., the intangible assets shall be considered to be with the limited service life; if the term of the economic benefits brought by the intangible assets to the Company can not be reasonably recognized, the intangible assets shall be considered to be with the uncertain service life;

For intangible assets with limited service life, the following factors shall be usually considered when estimating the service life: 1) the information on the life cycle of the product produced with the asset and the service life of the similar asset available; 2) the estimates of the current status and future trends of technology and processes; 3) the market demand for products or services provided with this asset; 4) the actions expected to be taken by the existing or potential competitors; 5) the expected maintenance costs for maintaining the ability of the asset to bring economic interests, and the Company's ability to pay the anticipate expenditure; 6) the relevant legal provisions or similar restrictions on the control period of the asset, such as the concession trial period and lease term, etc.; 7) the relevance with the service life of other assets held by the Company, etc.

Estimating the service life of intangible assets with limited service life

Item	Basis for estimated service life	Period (Years)
Computer software	Expected benefit period	5
Land use rights	Service life period registered on the land use right certificate	35 years, 50 years

The judgment on the intangible assets with uncertain service life is based on:

2. The intangible assets with limited service life shall be amortized reasonably during the service

life according to the expected realization method of the economic benefits related to the intangible assets; if the expected realization method cannot be reliably determined, it shall be amortized by the straight-line method. The intangible assets with uncertain service life shall not be amortized. However, the Company shall review the service life of the intangible assets with uncertain service life at the end of each period and carry out the impairment test.

The service life and amortization method of the intangible assets with the limited service life shall be reviewed by the Company at the end of each year. Different from the previous estimates, the original estimate shall be adjusted first and treated with the changes of accounting estimates; if the intangible asset is expected not to bring about the future economic benefits to the enterprise, the book value of such intangible asset shall be totally transferred to the profit or loss for the current period.

3. Scope of collection and related accounting treatment of R&D expenditure

(1) Basic principles

The expenditure of internal research and development project is divided into research stage expenditure and development stage expenditure. Criteria for the division of research and development stages: the planned investigation stage for acquiring new technologies and knowledge should be identified as the research stage, which is planned and exploratory; the stage in which research achievements or other knowledge is applied to a plan or design to produce new or substantially improved materials, devices, products, etc., before the commercial production or use should be identified as development stage, which is characterized by targeted and is more likely to form results.

The expenditures of interior R&D project in the research stage shall be included in the current profit and loss as incurred. Expenditure for the development phase of an internal research and development project that meets the following conditions is recognized as an intangible asset: (1) Complete the intangible asset so that it can be used or sold, or is technically feasible; (2) with the intention of completing and using or selling the intangible asset; (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 phase of intangible asset can be reliably measured. These failing to meet the conditions above shall be included in the profit or loss for the current period; the research and development expenditures shall be totally included in the profit or loss for the current period if the expenditures in the research and development stages can not be differed from each other.

(XXVI) Long-term Asset Impairment

If the following indications exist on the long-term equity investments, investment property measured in the cost mode as well as the fixed assets, construction in progress, intangible assets with finite service lives and other long-term assets, it shall be indicated that the assets have been impaired:

1. The market value of the asset has fallen significantly in the current period, and the decline is significantly higher than the decline expected due to the passage of time or normal use;
2. The economic, technical or legal environment of the enterprise, and the market of the asset will change significantly in the current period or in the near future, which may thereby adversely affect

the enterprise;

3. The market interest rate or other market return on investment has increased in the current period, which affects calculation of the discount rate of the present value of the estimated future cash flow, resulting in a significant reduction in the recoverable amount of the assets;
4. There is evidence showing that the asset is obsolete or that the entity has been damaged;
5. The asset has been or will be idle, or terminated to use, or planned to be disposed in advance;
6. The evidence reported internally indicates that the economic performance of the asset has been or will be lower than expected, for example, the net cash flow generated by the asset or the realized operating profit (or loss) is much lower (or higher) than the estimated amount;
7. There are other indications showing that the asset may have been impaired.

If the impairment indications of the long-term assets above exist on the balance sheet date, the impairment test shall be conducted. 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 method for determining the fair value is detailed in "Principle Accounting Policies and Accounting Estimates - Fair Value" in this note;; the disposal expenses include legal fees related to the disposal of assets, related taxes and 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 recognized, it will not be reversed in the future periods.

(XXVII) Contract liabilities

Contract liabilities refer to the obligation of the Company to transfer goods to and from customers in consideration of the customer's consideration. The company offsets the contract assets and contract liabilities under the same contract before presenting them as a net amount

(XXVIII) 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.

According to liquidity, the employee benefits are shown in the "payroll payables" and the "long-term payroll" in the balance sheet.

1. Accounting treatment method of short-term benefits

During the accounting period when employees provide services, the Company recognizes the wages, bonuses, medical insurance premium, industrial injury insurance premium, maternity insurance premium and other social insurance premiums and housing provident fund paid according to the prescribed standards and proportions as liabilities, which shall be included in

current profit and loss or the cost of the related assets. The non-monetary employee benefits that can be reliably measured shall be measured at fair value. If the liabilities are expected not to be fully paid within twelve months after the end of the annual reporting period when the employees provide related services, and the financial impact is significant, the liabilities shall be measured at the discounted amount.

2. Accounting treatment method of post-employment 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.

(1) Defined contribution plan

The Company pays basic endowment insurance and unemployment insurance for employees according to the relevant regulations of the local government. During the accounting period in which an employee provides services to the Company, The amount of the deposit due calculated according to the defined contribution plan is recognized as a liability, and included in the current profit or loss or the relevant asset cost.

The Company has, in addition to the basic pension insurance, set up the enterprise annuity payment system (additional pension insurance) or enterprise annuity plan according to the relevant policies of the national enterprise annuity system. The Company pays to the local social insurance institution or enterprise annuity plan according to a certain proportion of the total amount of the employees' salaries and the expenditures shall be correspondingly included in the profit or loss for the current period or the relevant asset costs.

(2) Defined benefit plans

For a defined benefit plan, an actuarial valuation is performed by an independent actuary on the annual balance sheet date, and the cost of providing benefits is determined by the expected cumulative welfare unit method, including the obligations expected to be paid within 12 months after the annual reporting period when the employees provide services, shall be discounted according to the market return of the national debts corresponding to the obligation term and currency of the defined benefit plan or the high-quality corporate bonds in active market.

The cost of employee compensation caused by defined benefit plan of the Company shall include the following components:

- 1) Service cost, including current service cost, previous service cost and gains and losses on settlements In which, the current service cost shall refer to the increase in the present value of the defined benefit plan obligation resulting from the provision of services in the current period; previous service cost shall refer to the increase or decrease of the present value of the defined benefit plan obligations related to the service of employees in the previous period resulting from the changes in defined benefit plan.
- 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. The deficit or surplus formed by deducting the fair value of the assets in defined benefit plan from the present value of the obligations in the defined benefit plan shall be recognized as the net liabilities or net

assets. In the event that there is surplus in the defined benefit plan, the net asset of the defined benefit plan shall be measured according to the lower of the surplus or asset limit of the defined benefit plan;

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 will not be transferred back to profit or loss in the subsequent accounting period. When the original defined benefit plan is terminated, all the items originally included in other comprehensive income are carried forward to retained earnings within the scope of equity. In the settlement of the defined benefit plan, the profits or losses shall be recognized according to the balance between the present value and settlement price of the defined benefit plan determined on the settlement date.

3. Accounting treatment method of the termination benefits

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. If, however, the dismissal benefits are not expected to be fully paid within twelve months after the end of the annual reporting period, it is required to be treated in accordance with other long-term employee benefits.

The internal retirement plan for employees shall be treated in the same way as the above-mentioned dismissal benefits. The Company proposes to pay the salary of the retired staff and social insurance premiums during the period from the employee's cessation of service to the normal retirement date, and such amount will be included in the profit and loss (dismissal benefits) for the current period when the conditions for the recognition of the estimated liabilities are met. After the formal retirement date, the economic compensation (such as the normal pension) shall be accounted for as per the post-employment benefits.

4. Accounting treatment method of other long-term employee benefits

If other long-term employee benefits provided by the Company to the employees are in line with the defined contribution plan, it is necessary to perform accounting treatment according to the defined contribution plan; otherwise, the accounting treatment is carried out according to the defined benefit plan. While, the portion of the “changes incurred in the net liabilities or net assets of the re-measured and re-designed benefit plan” in the relevant costs of the employees’ remuneration shall be included in the profit or loss for the current period or the relevant asset costs.

(XXIX) Estimated liabilities

The obligation in relation to contingent event is recognized as an estimated liability when meeting following conditions (1) the obligation is the current obligation assumed by the Company; (2) the performance of the obligation is likely to result in outflow of economic benefits; (3) the amount of the obligation can be reliably measured.

The estimated liabilities shall be initially measured according to the best estimates of the expenses required to perform the relevant present obligations as well as the risks, uncertainties, currency time values and other factors related to contingencies. The best estimate shall be recognized by the discount of the relevant future cash flows with the material influence of the time and value of the currency.

The best estimate is processed as follows: if the required expenses have a continuous range (or interval) and the likelihood of the results within that range is the same, the best estimate shall be determined according to the median in that range, namely the mean value of the upper and lower amounts. If the required expenses are not in a continuous range (or interval), or the likelihood of the results within that range is not the same, and the contingency involves individual item, the best estimate shall be determined as per the amount most likely to occur; if the contingency involves a number of items, the best estimate shall be determined according to various possible results and the related probability.

If all or part of the expenses required to settle the estimated liabilities are expected to be compensated by a third party, the compensation amount shall be separately recognized as an asset when it is basically determined to be received, and the recognized compensation amount shall not exceed the book value of the estimated liabilities.

On each balance sheet date, the book value of the estimated liabilities shall be reviewed. If it is indicated with conclusive evidence that the book value can not reflect the currently best estimate, the book value shall be adjusted according to the currently best estimate.

(XXX) Revenues

1. Principle of general recognition of revenue

The Company uses the transfer of control as the criterion for determining the timing of revenue recognition. The Company shall recognize the income after it has fulfilled its performance obligations in the Contract, that is, when the customer obtains the control of the relevant goods.

If any of the following conditions is met, the performance obligation of the Company shall be performed within a certain period of time; otherwise, the performance obligation shall be performed at a certain time point: (1) the customer obtains and consumes the economic benefits brought by the performance of obligation by the Company while the Company is performing the obligation; (2) the customer can control the goods under construction during the Company's performance; (3) the goods produced by the Company during the performance of the contract have irreplaceable uses, and the Company is entitled to receive payment for the part of the performance accumulated to the date during the entire contract period.

For the performance obligations performed during a certain period of time, the Company shall recognize the income according to the progress of the performance during the period, except where the performance progress cannot be reasonably determined. If the progress of the performance cannot be reasonably determined, and the costs 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.

For the performance obligation fulfilled at a certain point of time, the Company shall recognize the income when the customer obtains the control of the relevant goods. The Company considers the following signs when determining whether a customer has acquired the right to control the goods: (1) the Company has a current collection right for the goods, that is, the customer has a 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 owned the legal ownership of the product; (3) the Company has transferred the commodity to the customer, that is, the customer has the commodity in physical possession; (4) the Company has transferred to the customer the principal risks and rewards in the ownership of the goods, that is, the customer has obtained the principal risks and rewards in the ownership of the goods; (5) the customer has accepted the goods; (6)

other signs that the customer has taken control of the product.

Where the Contract includes two or more performance obligations, the Company shall, on the contract commencement date, allocate the transaction price to each individual performance obligation according to the relative proportion of the individual sales price of the goods promised by each individual performance obligation, and measure the income according to the transaction price allocated to each individual performance obligation. The transaction price is the amount of consideration that the Company is expected to receive from the transfer of goods to customers. The funds collected by the Company on behalf of third parties and the refunds that the Company expects to return to customers are accounted for as liabilities and are not included in the transaction price. Where there is variable consideration in a contract, the Company determines the best estimate of the variable consideration in accordance with the expected value or the amount most likely to occur. The transaction price that includes variable consideration does not exceed the amount of which the accumulated recognition revenue will unlikely to be significantly reversed when the relevant uncertainty is eliminated. Where there is a significant financing component in the Contract, the Company shall determine the transaction price based on the amount payable in cash when the customer obtains the control of the goods. The difference between the transaction price and the contract consideration shall be amortized using the effective interest method during the term of the Contract. On the effective date of the Contract, if the Company expects that the interval between the date when the customer obtain the control over the purchase of goods and the date of the payment of the price is not more than one year, the major financing components existing in the Contract will not be taken in to consideration.

2. The specific recognition principle for the income of the Company

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.

(XXXI) Government subsidies

1. Classification of government subsidies

Government subsidies shall mean the monetary assets or 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.

The government subsidies in relation to the assets are the government grants acquired by the Company and used for the purchase and construction or forming the long-term assets in other ways, including the financial allocation for purchasing the fixed assets or intangible assets, the financial interest subsidies for special borrowings of the fixed assets, etc. The government subsidies in relation to the income are those other than the government subsidies in relation to the assets. For government subsidies that are included in both asset-related parts and income-related parts, if they can be distinguished, they are accounted for in different parts; if they are difficult to

distinguish, they are classified as income-related government subsidies as a whole.

The Company adopts the following specific standards to classify the government subsidies:

(1) The long-term assets for the purchase and construction or formed in other ways by the subsidy targets stipulated in the documents of government subsidies, or the long-term assets for the purchase and construction or formed in other ways in the expenditures of the subsidy targets shall be classified into the government subsidies in relation to the assets.

(2) The government subsidies acquired according to the documents of the government subsidies totally or mainly used for the compensation of the expenses in the future periods or the expenses occurred or the lost government subsidies shall be classified into the government subsidies in relation to the income.

3) If the government documents fail to clearly specify the recipient of subsidies, the subsidy shall be divided into asset-related government subsidy and income-related government subsidy in the following ways: (1) government documents specify the specific items for which the subsidy is directed according to the budget of the specific project, the relative proportion of the amount of expenditure that will form the asset and the amount of the expenditure that is included in the expense; the division ratio shall be reviewed on each balance sheet date and changed if necessary; (2) in government documents, only general statements are made for use; if no specific items are specified, they are income-related government subsidy.

2. Recognition time point of government subsidies

For government subsidies, the Company usually confirms and measures the amount received upon actual receipt. At the end of the period, there is conclusive evidence that relevant conditions of the financial support policy are expected to receive financial support funds, however, they are measured according to the amount receivable. The government subsidies measured according to the amount receivable shall meet the conditions as follows at the same time:

(1) It shall be based on the official release of the local financial department and the financial support projects and the management measures of financial fund actively disclosed according to the Regulations on the Government Information Disclosure. Additionally, the management measures should be inclusive instead of specially formulated for the specific enterprises;

(2) The amount of the subsidies receivable has been confirmed by the competent government departments, or the reasonable self-calculation can be conducted according to the relevant provisions of the management measures of financial fund officially released and the amount is expected without significant uncertainty;

(3) The allocation time limit has been committed in the relevant approvals for the subsidies and the allocation of the subsidies has the guarantee of the corresponding financial budget. Therefore, the subsidies can be reasonably guaranteed to be received within the specified time limit;

(4) According to the specific situation of the Company and the subsidies, other relevant conditions (if any) shall be met.

3. Accounting treatment of government subsidies

The government subsidies that are monetary assets shall be measured in accordance with the amount received or receivable; the government subsidies that are non-monetary assets shall be measured at fair value; if the fair value of the non-monetary assets cannot be reliably obtained, they shall be measured according to the nominal amount. The government subsidies measured according to nominal amount shall be directly included in current profit and loss.

The Company adopts the gross method for government subsidies, and the specific accounting

treatment is as follows:

The government subsidies in relation to the assets recognized as the deferred income shall be included in the profit or loss for the current period according to the reasonable and systematic methods within the service life of the relevant assets; the balance of the relevant deferred income shall be transferred to the profit or loss for the current period of the asset disposal if the relevant assets are sold, transferred, scrapped or damages and destroyed before the service life is ended.

The income-related government subsidies used as compensation for the relevant expenses or losses of the Company in later period shall be recognized as deferred income, and shall be included in the current profits and losses during the period of recognizing the relevant expenses or losses; those used for compensating the related costs or losses already incurred by the enterprise shall be directly included in the current profits and losses.

The principle of distinguishing government subsidies into different profit and loss items is: the government subsidies related to the daily business activities of the Company shall be included in other gains or offset the related costs and expenses in accordance with the nature of the economic business. Government subsidies not related to daily activities are included in the non-operating income and expenditure.

(XXXII) Deferred tax assets and deferred tax liabilities

1. Recognition and measurement of deferred income tax assets and deferred income tax liabilities

The Company shall recognize the deferred income tax using the balance sheet liability method according to the temporary difference between the book value and tax basis of the assets and liabilities on the balance sheet date. The current income tax and deferred income tax of the Company shall be included in the current profits and losses as income tax expenses or proceeds, excluding the income tax arising from the following circumstances: (1) business combination; (2) transactions or events recognized directly in the owner's equity; (3) dividends of financial instruments classified as equity instruments in accordance with the provisions of Accounting Standard for Business Enterprises No. 37 - Presentation of Financial Instruments, etc., which are deductible before corporate income tax according to tax policy and the distributed profits are derived from transactions or events previously recognized in owners' equity.

For the deductible temporary differences, deductible losses and tax credits that can be carried forward the subsequent year, the Company shall recognize the deferred income tax assets arising therefrom with the future taxable income possibly obtained to deduct the deductible temporary differences, deductible losses and tax credits as limit. Unless the taxable temporary differences are arising from the following transactions:

(1) This transaction is not a business combination, and at the time of the transaction it does not affect accounting profit or taxable income (or deductible loss), and the initially recognized assets and liabilities do not generate equivalent taxable temporary differences and deductible temporary differences;

(2) It shall recognize the corresponding deferred income tax assets if the deductible temporary differences related to the investments of subsidiaries, joint ventures and associates meet all the following conditions: the temporary differences are likely to be reversed in the foreseeable future; it is likely to obtain the taxable income for offsetting the deductible temporary differences.

For all taxable temporary differences, the relevant deferred income tax liabilities shall be recognized, unless the taxable temporary differences are arising from the following transactions:

(1) Initial recognition of goodwill, or initial recognition of assets or liabilities arising from

transactions that have the following characteristics: the transaction is not a business combination, the transaction does not affect accounting profit or taxable income (or deductible loss) at the time of the transaction, and the assets and liabilities initially recognized do not generate equivalent taxable temporary differences and deductible temporary differences.

(2) The taxable temporary differences related to the investment in subsidiaries, joint ventures and associates, the reversal time can be controlled, and it is probable that such differences will not be reversed in the foreseeable future.

The deferred tax assets or deferred tax liabilities shall be recognized at the applicable tax rate in the expected period when recover the assets or clear off the liabilities according to the difference between the book value and the tax basis of the assets and liabilities (the difference between the tax basis and physical count quantity for the items not recognized as assets or liabilities and the tax basis of which can be determined as per the taxation regulations).

For individual transactions that are not business combinations, do not affect accounting profit or taxable income (or deductible losses) at the time of the transaction, and result in equal amounts of taxable and deductible temporary differences arising from the initial recognition of assets and liabilities (including lease transactions where the lessee initially recognizes lease liabilities and includes them in the right-of-use asset at the commencement of the lease term, and transactions where provisions are recognized and included in the cost of related assets due to abandonment obligations for fixed assets, etc.), the Company shall recognize the corresponding deferred tax liabilities and deferred tax assets at the time of the transaction for the taxable and deductible temporary differences arising from the initial recognition of assets and liabilities in the transaction. The deferred income tax assets shall be recognized within the limit of the possible taxable income to be used to offset deductible temporary differences. On the balance sheet date, if there is strong evidence that a sufficient amount of taxable income is likely to be obtained in the coming period to offset the deductible temporary differences, the deferred tax assets not recognized in the prior accounting period shall be recognized. The Company shall check the book value of the deferred tax assets. The book value of deferred tax assets shall be written down if sufficient taxable income cannot be received to deduct the interest of the deferred tax assets in the future period. When it is highly probable to obtain sufficient taxable income, the write-down amount is reversed.

2. If there is a statutory right to settle by netting and it has such intention or the assets are acquired while the liabilities are paid off, the current income tax assets of the Company and the current income tax liabilities shall be presented at the net amount upon offsetting.

Under the condition that there is a statutory right to settle the current income tax assets and current income tax liabilities by netting, and the deferred income tax assets and the deferred income tax liabilities are related to the income tax levied by the same tax collection and management authority on the same taxpayer or related to different taxpayers, but if the related taxpayers intend to settle the current income tax assets and liabilities on a net basis or acquire assets while pay off the liabilities during each important recovery of the deferred income tax assets and liabilities in future, the deferred income tax assets and the deferred income tax shall be presented at the net amount upon offsetting.

(XXXIII) Lease

A lease is a contract whereby the lessor assigns the right to use the assets to the lessee for consideration within a certain period.

On the commencement date of the contract, the Company shall evaluate whether the contract is a

lease or includes a lease. If a party to the contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or includes a lease.

If the contract contains multiple separate leases at the same time, the lessee and lessor will split the contract and conduct accounting treatment for each separate lease. Where a contract concurrently includes both leased and non-leased parts, the lessee and lessor shall split the leased and non-leased parts.

1. Accounting treatment of the Company as the lessee

(1) Right-of-use asset

On the lease commencement date, the company recognizes right-of-use assets for leases other than short-term leases and low-value asset leases. The right-of-use asset is initially measured at cost, including the initial measurement amount of the lease liability, the lease payment amount paid on or before the start date of the lease term (deducting the amount of lease incentives already enjoyed), the initial direct costs incurred; the estimated costs incurred for dismantling and removing the leased asset, restoring the site where the leased asset is located, or restoring the leased asset to the state agreed upon in the lease terms.

The company uses the straight-line method to depreciate the 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 leased assets shall be depreciated within the shorter of the lease term and the service life of the remained leased assets.

(2). Lease liability

On the lease commencement date, the Company recognizes lease liabilities for leases other than short-term leases and low-value asset leases. Lease liabilities are initially measured based on the present value of the lease payments that have not been paid. Lease payments include: fixed payment amount and substantial fixed payment amount, if there is lease incentive, deduct the relevant amount of lease incentive; the variable lease payment amount depends on the index or ratio, which is determined at the initial measurement based on the index or ratio on the start date of the lease term;; the exercise price of the purchase option, provided that the Company reasonably determines that it will exercise the option; the amount to be paid for exercising the option to terminate the lease, provided that the lease term reflects that the Company will exercise the option to terminate the lease; the amount expected to be paid according to the residual value of the guarantee provided by the Company. The Company adopts the interest rate implicit in the lease as the discount rate. If the interest rate implicit in lease cannot be determined, the Company adopts the incremental borrowing interest rate of the Company as the discount rate.

The company 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.

After the start of the lease term, if the following circumstances occur, the Company remeasures the lease liability at the present value of the changed lease payment; the evaluation results of the Company's purchase option, renewal option, or termination option have changed, or the actual

exercise of renewal option or termination option is inconsistent with the original evaluation results; changes in the expected payable amount based on the residual value of the guarantee; the index or ratio used to determine lease payments has changed. When the lease liability is remeasured, the Company shall adjust the book value of the right-to-use assets 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, the company will include the remaining amount in the current profit and loss.

(3) Judgment basis and accounting treatment to simplify the accounting of short-term lease and low-value asset

The company has chosen not to recognize right-of-use assets and lease liabilities for short-term leases and low-value asset leases. The relevant lease payments are included in the current profit and loss or the cost of related assets in accordance with the straight-line method during each period of the lease term. A short-term lease refers to a lease with a lease term of not more than 12 months but without a purchase option on the lease commencement date. A low-value asset lease refers to a lease with a low value when a single leased asset is a brand-new asset. If the Company subleases or expects to sublease the leased assets, the original lease is not a low-value asset lease.

(4) Lease change

If the lease is changed and the following requirements are met at the same time, the Company will regard the lease change as a separate lease for accounting treatment: the lease change expands the lease scope by adding the right to use one or more lease assets; the increased consideration is equivalent to the amount of the individual price of the expanded lease scope adjusted according to the conditions of the contract.

If the lease change is not accounted for as a separate lease, on the effective date of the lease change, the company re-allocates the consideration of the changed contract, re-determines the lease term, and re-measures the lease liability based on the present value calculated in according with the changed lease payments and the revised discount rate.

2. Accounting treatment of the Company as the lessor

On the lease commencement date, the Company divides the lease into finance lease and operating lease. Finance lease refers to a lease that substantially transfers almost all the risks and rewards related to leasing asset ownership regardless of whether the ownership is ultimately transferred. Operating lease is a lease other than a finance lease.

When the company acts as a sublease lessor, it classifies subleases based on the right-of-use assets generated from the original lease. Where the original lease is a short-term lease and the Company chooses not to recognize the right-of-use assets and lease liabilities for the original lease, the Company classifies the sublease as an operating lease.

(1) Operating lease accounting

The lease receipts from operating leases are recognized as rental income on a straight-line basis over each period of the lease term. The Company capitalizes the initial direct expenses incurred in relation to operating leases. It shall be amortized and included in the current profit and loss on the same basis as the rental income is recognized during the lease term. Variable lease payments that are not included in the lease receipts are included in the current profit and loss when they actually occur.

(2) Financial leasing accounting

On the starting date of the lease, the company recognizes the financial lease receivables for the financial lease and terminates the recognition of the financial lease assets. When the company

initially measures the financial lease receivables, the net lease investment is used as the entry value of the financial lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease receipts that have not been received on the start date of the lease term discounted at the implicit interest rate of the lease.

The company calculates and recognizes the interest income during each period of the lease term based on a fixed periodic interest rate. De-recognition and impairment of finance lease receivables shall be accounted for in accordance with “Financial Instruments” under “Principal Accounting Policies and Accounting Estimates – Financial Instruments” in this note. The variable lease payment which is not included in the measurement of the net lease investment is recorded into the current profits and losses when actually occurring.

(XXXIV) Significant Accounting Judgments and Estimate Description

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. Classification of Lease

When the Company acts as a lessor, it shall classify leases as operating leases and finance leases in accordance with the provisions of the Accounting Standards for Business Enterprise No.21-Leases. 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.

2. Impairment of Financial Instruments

The Company uses the expected credit loss model to evaluate impairments of receivables and debt investments measured at amortized cost, contract assets, receivables financing measured at fair value through other comprehensive income and other debt investments. The application of the expected credit loss model involves significant judgments and estimates by the Management. 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 and establishes a model of default probability, loss given default and default risk exposure. The difference between the actual financial instrument impairment results and the original estimates will affect the carrying amount of the financial instrument and the provision or reversal of credit impairment losses in the period when the

estimates are changed.

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. Impairment for non-financial and non-current 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.

5. Depreciation and amortization

Any investment property, fixed assets and intangible assets measured using the cost model 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.

6. 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.

7. 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.

8. Measurement of fair value

Some assets and liabilities of the Company shall be measured according to the fair value in the financial statements. The Company shall adopt the obtainable and observable market data to estimate the fair value of a certain asset or liability; the estimate shall be carried out by the third-party evaluation agency with qualifications employed if the input value at the first layer can not be obtained. In this process, the management personnel of the Company are required to cooperate closely so as to determine the applicable estimate techniques and the input value of the relevant modules. For details regarding the valuation techniques and inputs adopted in determining the fair value of various assets and liabilities, please refer to the "Disclosure of Fair Value" in this note.

(XXV) Notes to changes in main accounting policies and accounting estimates

Unless otherwise specially indicated, the unit of the data presented in this part shall be RMB.

(1) Changes in significant accounting policies

(1) Since 2024, the Company has implemented the provisions on regarding "the distinction between current liabilities and non-current liabilities," "the disclosure of supplier financing arrangements," and "the accounting treatment of sale-leaseback transactions." in the Interpretation No. 17 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance. The implementation of these provisions has not had a significant impact on the Company's current financial position, operating results, and cash flows, and does not involve retrospective adjustments to prior years.

Since 2024, the Company has implemented ahead of schedule the provisions on the "Accounting Treatment of Guarantee-type Quality Assurance that Does Not Belong to a Single Extension Obligation" and "Subsequent Measurement of Investment Properties Held as Underlying Projects under the Floating Charge Method". in the Interpretation No. 18 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance. The implementation of these provisions has not had a significant impact on the Company's current financial position, operating results, and cash flows, and does not involve retrospective adjustments to prior years.

2. Explanation for changes in accounting estimates

There were no changes in accounting estimates during the period.

IV. Tax

(I) Major taxes and tax rates

Tax categories	Tax basis	Tax rate
VAT	Added value in sale of goods or provision of taxable services	1%, 5%, 6%, 9%, 13%
Urban maintenance and	Turnover tax actually paid	1%, 5%, 7%

construction tax		
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	2%
Enterprise income tax	Taxable income	15%, 20%, 25%

[Note]: Notes to corporate income tax rates of taxpayers with different tax rates

Name of taxpayers	Income tax rate
The Company	15%
Baotou KONRE Pharma Glass Packaging Co., Ltd.	15%
Sichuan Chengxin Pharma Glass Co., Ltd.	15%
Yiyuan Bilufeng Mountain Spring Water Co., Ltd.	20%
Yiyuan Shengyuan Hotel Co., Ltd.	20%
Shandong Kangzheng Inspection and Testing Co., Ltd.	20%
Taxpayers other than the above	25%

(II) Tax incentives and approvals

(1) The Company was certified as a High-Tech Enterprise on November 29, 2023, with certificate No.GR202337002061. 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.

the subsidiary Baotou KONRE Pharma Glass Packaging Co., Ltd. was certified as a High-Tech Enterprise on November 9, 2023, with certificate No. GR202315000515. 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.

(3) In accordance with the Announcement of the Ministry of Finance and the State Taxation Administration on the Relevant Tax and Fee Policies for Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households ([2023] No. 12), 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 their taxable income is calculated at 25% and corporate income tax is paid at a tax rate of 20%.

(4) In accordance with the Announcement of the Ministry of Finance and the State Taxation Administration on the Relevant Tax and Fee Policies for Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households ([2023] No.

12), 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 are subject to a 50% reduction in resource tax (excluding water resource tax), urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding securities transaction stamp duty), cultivated land occupation tax and 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.

V. Notes to consolidated financial statement

Unless otherwise specially indicated, in the following explanatory note, the beginning of the period refers to January 1, 2024, the end of the period refers to December 31, 2024; the current period refers to 2024, and the previous year refers to 2023. The unit of the amount is RMB.

(I) Cash and bank balance

1. Details

Item	Closing balance	Opening amount
Cash on hand	2,010.71	39,071.48
Cash in bank	885,179,351.00	1,287,383,895.48
Other cash and bank balance	180,310,119.71	178,906,959.91
Total	1,065,491,481.42	1,466,329,926.87
Including: total amount deposited overseas		

2. For details on assets whose ownership or right of use is restricted due to mortgages, pledges, seizures, freezes, detentions, etc., please refer to the description in "Notes to Consolidated Financial Statement Items - Assets with Restricted Ownership or Right of Use" in this note.

3. For details of foreign currency monetary items, please refer to the description in "Notes to Consolidated Financial Statement Items - Foreign Currency Monetary Items" in this note.

(II) Held-for-trading financial assets

1. Details

Item	Closing balance	Opening amount
Financial assets measured at fair value through current profit or loss	1,724,690,168.22	1,217,903,243.22
Including: structured deposits product	1,724,690,168.22	1,217,903,243.22

(III) Notes receivable

1. Details

Categories	Closing balance	Opening amount
Bank Acceptance Bill	729,523,165.96	676,231,103.74
Commercial acceptance bills	1,840.00	
Total	729,525,005.96	676,231,103.74

2. Disclosure by classification of bad debt accrual methods

Categories	Closing balance		
	Book balance	Provision for bad debts	Book value

	Amount	Proportion (%)	Amount	Additions proportion (%)	
Accrued bad-debt provision by individual					
Including: commercial acceptance bills					
Accrued bad-debt provision by portfolio	729,525,165.96	100.00	160.00	0.00	729,525,005.96
Including: commercial acceptance bills	2,000.00		160.00	8.00	1,840.00
Bank Acceptance Bill	729,523,165.96	100.00			729,523,165.96
Total	729,525,165.96	100.00	160.00	0.00	729,525,005.96

Continued:

Categories	Opening amount				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Additions proportion (%)	
Accrued bad-debt provision by individual					
Including: commercial acceptance bills					
Accrued bad-debt provision by portfolio	676,231,103.74	100.00			676,231,103.74
Including: commercial acceptance bills					
Bank Acceptance Bill	676,231,103.74	100.00			676,231,103.74
Total	676,231,103.74	100.00			676,231,103.74

(1) Notes receivable accrued bad-debt provision by portfolio at the end of the period

Item	Book balance	Provision for bad debts	Additions proportion (%)
Commercial acceptance bills	2,000.00	160.00	8.00
Bank Acceptance Bill	729,523,165.96		
Sub-total	729,525,165.96	160.00	0.00

3. Additions, recoveries or reversals for bad debt provision in current period

Categories	Opening amount	Amount changed in current period				Closing balance
		Provision	Recovered or reversed	Write-off	Others	
Accrued bad-debt provision by individual						
Accrued bad-debt provision		160.00				160.00

by portfolio						
Sub-total		160.00				160.00

4. There is no pledged notes receivable by the company at the end of the period.

5. 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 Bill		70,727,196.06

(IV) Accounts receivable

1. Disclosed by aging

Aging	Ending book balance	Beginning book balance
Within 1 year (inclusive)	1,005,832,672.99	1,044,422,882.08
1-2 years	31,600,264.47	8,090,812.18
2-3 years	1,533,512.34	2,480,356.54
3-4 years	1,591,897.43	4,225,954.76
4-5 years	3,906,919.12	2,320,461.99
More than 5 years	5,528,858.59	5,480,104.65
Total	1,049,994,124.94	1,067,020,572.20

2. Disclosure by classification of bad debt accrual methods

Categories	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Additions proportion (%)	
Accrued bad-debt provision by individual	5,311,357.48	0.51	5,311,357.48	100.00	
Accrued bad-debt provision by portfolio	1,044,682,767.46	99.49	89,963,212.30	8.61	954,719,555.16
Total	1,049,994,124.94	100.00	95,274,569.78	9.07	954,719,555.16

Continued:

Categories	Opening amount				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Additions proportion (%)	
Accrued bad-debt provision by individual	7,900,339.04	0.74	7,900,339.04	100.00	
Accrued bad-debt provision by portfolio	1,059,120,233.16	99.26	89,004,872.33	8.40	970,115,360.83
Total	1,067,020,572.20	100.00	96,905,211.37	9.08	970,115,360.83

(1) Significant receivables having provision for bad debt as per individual characteristics at the

end of the period

Name of entity	Book balance	Provision for bad debts	Additions proportion (%)	Reasons for withdrawal
Client A	2,143,667.33	2,143,667.33	100.00	Not expected to be recovered

(2). Receivables having provision for bad debt as per portfolio characteristics at the end of the period

Portfolio accrual items: aging portfolio

Item	Book balance	Provision for bad debts	Additions proportion (%)
Within 1 year (inclusive)	1,005,796,448.99	80,463,715.91	8.00
1-2 years	31,563,586.62	4,734,538.02	15.00
2-3 years	1,530,703.34	459,211.01	30.00
3-4 years	1,574,467.84	787,233.92	50.00
4-5 years	3,495,236.17	2,796,188.94	80.00
More than 5 years	722,324.50	722,324.50	100.00
Sub-total	1,044,682,767.46	89,963,212.30	8.61

3. Additions, recoveries or reversals for bad debt provision in current period

Categories	Opening amount	Amount changed in current period				Closing balance
		Provision	Recovered or reversed	Write-off	Others	
Accrued bad-debt provision by individual	7,900,339.04	-1,428,006.68	1,068,147.72	2,229,122.60	-	5,311,357.48
Accrued bad-debt provision by portfolio	89,004,872.33	3,158,376.43	-	2,200,036.46	-	89,963,212.30
Sub-total	96,905,211.37	1,730,369.75	1,068,147.72	4,429,159.06	-	95,274,569.78

4. Accounts receivable with actual written-off during the current period.

Item	Amount written-off
Accounts receivable actually written-off	4,429,159.06

5. Top five accounts receivable collected by the debtor at the end of the period

The total of top five accounts receivable in the closing balance collected as per the debtors by the Company in the current period was RMB 132,070,072.12, accounting for 12.57% of the total closing balance of accounts receivable. The total closing balance for the corresponding provisions for accounts receivable bad debts was RMB 10,565,605.77.

6. For details on foreign currency accounts receivable at the end of the period, please refer to the description in "Notes to Consolidated Financial Statement Items - Foreign Currency Monetary Items" in this note.

(V) Receivables financing

1. Details

Item	Closing balance	Opening amount
Bank Acceptance Bill	47,485,298.80	54,833,544.96

2. Disclosure by classification of bad debt accrual methods

Categories	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Additions proportion (%)	
Accrued bad-debt provision by individual					
Accrued bad-debt provision by portfolio	47,485,298.80	100.00			47,485,298.80
Total	47,485,298.80	100.00			47,485,298.80

Continued:

Categories	Opening amount				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Additions proportion (%)	
Accrued bad-debt provision by individual					
Accrued bad-debt provision by portfolio	54,833,544.96	100.00			54,833,544.96
Total	54,833,544.96	100.00			54,833,544.96

3. The Company has no pledged receivables financing at the end of the period.

4. Company's closing receivables financing endorsed or discounted not matured at the balance sheet date.

Item	Closing amount derecognized
Bank Acceptance Bill	130,480,494.11

5. No receivables financing with actual write-off in the current period.

6. Changes in increase and decrease of receivables financing and changes in fair in the current period

Item	Opening amount	Cost change in this period	Changes in fair value in current period	Closing balance
Bank Acceptance Bill	54,833,544.96	-7,348,246.16		47,485,298.80

Continued:

Item	Beginning cost	End cost	Accumulative changes in fair value	Accumulated loss provision recognized in other comprehensive income
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Bank Acceptance Bill	54,833,544.96	47,485,298.80		
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(VI) Prepayments

1. Aging analysis

Aging	Closing balance		Opening amount	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	152,133,287.81	95.46	62,981,826.66	91.55
1-2 years	1,462,609.64	0.92	5,368,241.48	7.80
2-3 years	5,316,413.84	3.34	19,254.17	0.03
More than 3 years	443,716.22	0.28	426,178.05	0.62
Total	159,356,027.51	100.00	68,795,500.36	100.00

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

The Company's total prepayments to the top five recipients at the end of the period amounted to RMB 92,784,726.40, representing 58.22% of the total prepayments at the end of the period.

3. Notes on the reason for the non-timely settlement of the advance payment with important amount aging more than 1 year:

Name of entity	Amount	Reasons for overdue settlement
Supplier A	5,307,926.18	Before the settlement period

4. There was no obvious impairment indication in the prepayments at the end of the period, therefore, there was no impairment provision.

(VII) Other receivables

1. Details

Item	Closing balance			Opening amount		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
Interests receivable						
Dividends receivable						
Other receivables	11,226,026.97	9,354,414.94	1,871,612.03	14,565,247.54	12,784,694.75	1,780,552.79
Total	11,226,026.97	9,354,414.94	1,871,612.03	14,565,247.54	12,784,694.75	1,780,552.79

2. Other receivables

(1) Classification by nature

Nature of fund	Ending book balance	Beginning book balance
Revolving fund	828,898.74	324,110.51
Margin	1,282,243.00	949,943.00
Salesperson bears the loss of payment for goods	3,878,563.32	6,814,694.74
Borrowings	1,339,890.42	1,339,890.42
Others	3,896,431.49	5,136,608.87
Sub-total	11,226,026.97	14,565,247.54

(2) Disclosed by aging

Aging	Ending book balance	Beginning book balance
Within 1 year (inclusive)	1,640,994.42	1,194,075.09
1-2 years	164,108.69	521,690.23
2-3 years	271,690.23	254,413.40
3-4 years	64,323.22	103,308.62
4-5 years	300.00	295,215.59
More than 5 years	9,084,610.41	12,196,544.61
Sub-total	11,226,026.97	14,565,247.54

(3) Disclosure by classification of bad debt accrual methods

Categories	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Additions proportion (%)	
Accrued bad-debt provision by individual	7,418,748.16	66.09	7,418,748.16	100.00	
Accrued bad-debt provision by portfolio	3,807,278.81	33.91	1,935,666.78	50.84	1,871,612.03
Total	11,226,026.97	100.00	9,354,414.94	83.33	1,871,612.03

Continued:

Categories	Opening amount				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Additions proportion (%)	
Accrued bad-debt provision by individual	10,354,879.58	71.09	10,354,879.58	100.00	
Accrued bad-debt provision by portfolio	4,210,367.96	28.91	2,429,815.17	57.71	1,780,552.79
Total	14,565,247.54	100.00	12,784,694.75	87.78	1,780,552.79

1) Significant other receivables having provision for bad debt as per individual characteristics at the end of the period

Name of entity	Book balance	Provision for bad debts	Additions proportion (%)	Reasons for withdrawal
Salesman A	3,731,178.27	3,731,178.27	100.00	Not expected to be recovered

2) Other receivables having provision for bad debt as per portfolio characteristics at the end of the period

Portfolio accrual items: aging portfolio

Item	Book balance	Provision for bad debts	Additions proportion (%)
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Within 1 year (inclusive)	1,640,994.42	131,279.55	8.00
1-2 years	164,108.69	24,616.30	15.00
2-3 years	271,690.23	81,507.07	30.00
3-4 years	64,323.22	32,161.61	50.00
4-5 years	300.00	240.00	80.00
More than 5 years	1,665,862.25	1,665,862.25	100.00
Sub-total	3,807,278.81	1,935,666.78	50.84

3) The provision for bad debts is made according to the general model of expected credit losses

Provision for bad debts	Stage 1	Stage 2	Stage 3	Sub-total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Balance as of January 1, 2024	2,429,815.17		10,354,879.58	12,784,694.75
Balance on January 1, 2024 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	-494,148.39			-494,148.39
Reversed in current period			348,827.60	348,827.60
Written off in current period				
Write-off in this period			2,587,303.82	2,587,303.82
Other changes				
Balance as of December 31, 2024	1,935,666.78		7,418,748.16	9,354,414.94

1) Explanation of the classification basis and bad-debt provision ratio for each stage

For details on the basis for the division of each stage, please refer to the explanation of "Impairment of Financial Instruments" under "Principal Accounting Policies and Accounting Estimates - Financial Instruments" in this note.

The provision for bad debts for other receivables at the end of the period was 50.84% in the first stage and 100.00% in the third stage.

2) The provision for bad debts this period and the basis for assessing whether the credit risk of financial instruments has significantly increased

For details regarding the input values, assumptions, and other information used to determine the amount of bad debt provision for the current period and to assess whether the credit risk of

financial instruments has increased significantly since initial recognition, please refer to the note of "Credit Risk" under "Risks Related to Financial Instruments - Various Risks Arising from Financial Instruments" in this note.

(4) Additions, recoveries or reversals for bad debt provision in current period

Categories	Opening amount	Amount changed in current period				Closing balance
		Provision	Recovered or reversed	Write-off	Others	
Accrued bad-debt provision by individual	10,354,879.58		348,827.60	2,587,303.82		7,418,748.16
Accrued bad-debt provision by portfolio	2,429,815.17	-494,148.39				1,935,666.78
Sub-total	12,784,694.75	-494,148.39	348,827.60	2,587,303.82		9,354,414.94

(5) Other accounts receivable with actual write-off during the period

Item	Amount written-off
Other accounts receivable with actual write-off.	2,587,303.82

(6) Top five other accounts receivable for ending amount collected by the debtor

Name of entity	Nature of fund	Closing balance	Aging	Proportion in total closing balance of other receivables (%)	Closing amount of bad-debt provision
1st Place	Salesperson bears the loss of payment for goods	3,731,178.27	More than 5 years	33.24	3,731,178.27
2nd Place	Others	813,544.70	More than 5 years	7.25	813,544.70
3rd place	Margin	600,000.00	More than 5 years	5.34	600,000.00
4Th place	Others	546,000.00	More than 5 years	4.86	546,000.00
5Th place	Borrowings	445,219.68	More than 5 years	3.97	445,219.68
Sub-total		6,135,942.65		54.66	6,135,942.65

(VIII) Inventories

1. Details

Item	Closing balance			Opening amount		
	Book balance	Inventory depreciation reserve and depreciation reserve	Book value	Book balance	Inventory depreciation reserve and depreciation reserve	Book value

Raw materials	161,238,344.04	382,251.24	160,856,092.80	139,972,418.45	387,299.35	139,585,119.10
Stocked goods	1,180,202,492.00	111,808,320.94	1,068,394,171.06	947,987,416.07	77,762,613.28	870,224,802.79
Work in progress	49,433,460.94	-	49,433,460.94	44,800,649.82	-	44,800,649.82
Total	1,390,874,296.98	112,190,572.18	1,278,683,724.80	1,132,760,484.34	78,149,912.63	1,054,610,571.71

2. Inventory depreciation reserve and depreciation reserve

(1) Change in increase/decrease

Category	Opening amount	Increase in current period		Decrease in current period		Closing balance
		Provision	Others	Reversals or written-off	Others	
Raw materials	387,299.35			5,048.11		382,251.24
Stocked goods	77,762,613.28	56,066,736.83		22,021,029.17		111,808,320.94
Sub-total	78,149,912.63	56,066,736.83		22,026,077.28		112,190,572.18

(2) Explanation of provision and reversal for the current period

Category	Recognition basis of the net realizable value	Reasons for the reversal of inventory impairment provisions this period	Reasons for the write-off of inventory impairment provisions this period
Raw materials	The estimated selling price of the relevant finished product minus the estimated cost to be completed, estimated sales expenses and related taxes are used to determine the net realizable value	The net realizable value of inventories for which inventory impairment provision was made in previous periods increased.	The inventory for which inventory write-downs have been accrued will be consumed or scrapped in this period.
Stocked goods	The estimated selling price of the relevant finished product minus the estimated sales expenses and related taxes are used to determine the net realizable value.	The net realizable value of inventories for which inventory impairment provision was made in previous periods increased.	The inventory for which inventory write-downs have been accrued will be sold or scrapped in this period.

(IX) Other current assets

1. Details

Item	Closing balance	Opening amount
Input VAT to be deducted	18,635,867.83	30,939,093.70
Prepaid taxes and fees		4,067,061.87
Total	18,635,867.83	35,006,155.57

(X) Other equity instruments investment

1. Details

Item name	Opening amount	Increase or decrease in current period				
		Additional investment	Reduction of investment	Gains included in other comprehensive income in current period	Losses included in other comprehensive income in current period	Others
Shandong Yiyuan Rural Commercial Bank Co., Ltd.	50,000.00					

Continued:

Item name	Closing balance	Dividend income recognized in the current period	Accumulated gains included in other comprehensive income	Accumulated losses included in other comprehensive income	Reason for designed as measured at fair value through other comprehensive income
Shandong Yiyuan Rural Commercial Bank Co., Ltd.	50,000.00	1,950.42			Note

Note: 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.

(XI) Fixed assets

1. Details

Item	Closing balance	Opening amount
Fixed assets	3,570,709,084.99	2,994,659,152.84
Disposal of fixed assets		
Total	3,570,709,084.99	2,994,659,152.84

2. Fixed assets

(1) Details

Item	Houses and buildings	General equipment	Special equipment	Transport vehicles	Total
(1) Original book value					
1) Opening amount	1,927,579,436.99	1,076,744,804.53	1,658,374,700.56	25,126,531.68	4,687,825,473.76

2) Increase in current period	239,053,379.23	256,426,079.78	457,806,593.47	3,298,942.78	956,584,995.26
i) Purchase	9,145,032.60	57,659,699.52	6,997,756.12	3,298,942.78	77,101,431.02
ii) Transferred from construction in progress	229,908,346.63	198,766,380.26	450,808,837.35	-	879,483,564.24
3) Decrease in current period	1,045,411.51	16,398,838.96	17,519,358.83	2,188,959.46	37,152,568.76
i) Disposal or retirement	1,045,411.51	15,323,838.96	17,519,358.83	2,188,959.46	36,077,568.76
2) Transferred to the construction in progress	-	1,075,000.00	-	-	1,075,000.00
4) Closing amount	2,165,587,404.71	1,316,772,045.35	2,098,661,935.20	26,236,515.00	5,607,257,900.26
(2) Accumulated depreciation					
1) Opening amount	506,173,289.87	514,516,838.91	623,840,373.21	16,617,965.24	1,661,148,467.23
2) Increase in current period	68,954,426.50	87,316,315.89	219,571,354.10	2,592,245.66	378,434,342.15
i) Accrual	68,954,426.50	87,316,315.89	219,571,354.10	2,592,245.66	378,434,342.15
3) Decrease in current period	1,014,049.16	15,263,711.28	16,938,010.48	1,836,076.88	35,051,847.80
i) Disposal or retirement	1,014,049.16	14,220,961.28	16,938,010.48	1,836,076.88	34,009,097.80
2) Transferred to the construction in progress	-	1,042,750.00	-	-	1,042,750.00
4) Closing amount	574,113,667.21	586,569,443.52	826,473,716.83	17,374,134.02	2,004,530,961.58
(3)					

Impairment provision					
1) Opening amount	16,273,694.45	15,744,159.24	-	-	32,017,853.69
2) Increase in current-period	-	-	-	-	-
3) Decrease in current-period	-	-	-	-	-
4) Closing amount	16,273,694.45	15,744,159.24	-	-	32,017,853.69
(4) Book value					
1) Ending book value	1,575,200,043.05	714,458,442.59	1,272,188,218.37	8,862,380.98	3,570,709,084.99
2) Beginning book value	1,405,132,452.67	546,483,806.38	1,034,534,327.35	8,508,566.44	2,994,659,152.84

(2) Fixed assets temporarily idle

The company has no idle fixed assets temporarily at the end of the period.

(3) Fixed assets leased-out through operating lease

Category	Book value
Houses and buildings	36,863.22

(4) Notes to fixed asset requiring the collection of certificate of title

Item	Book value	The reason for not completing the certificate of title
Houses and buildings	1,353,091,218.33	Still in handling

(5) There are no fixed assets with restricted ownership or use rights such as mortgages, pledges, seizures, freezes, or detentions at the end of the period.

(XII) Construction in progress

1. Details

Item	Closing balance			Opening amount		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Construction in progress	267,829,955.31	55,371,200.00	212,458,755.31	512,327,322.50	50,280,100.00	462,047,222.50
Construction materials	2,900,101.12	-	2,900,101.12	8,097,357.34	-	8,097,357.34
Total	270,730,056.43	55,371,200.00	215,358,856.43	520,424,679.84	50,280,100.00	470,144,579.84

2. Construction in progress

(1) Details

Project name	Closing balance	Opening amount
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	Book balance	Impairme nt provision	Book value	Book balance	Impairmen t provision	Book value
High-end lightweight glass bottle project	-	-	-	50,596,434.86	-	50,596,434.86
Pharmaceutical glass production capacity integration and energy-saving renovation project	98,025,816.80	55,371,200.00	42,654,616.80	97,797,355.72	50,280,100.00	47,517,255.72
Phase I Project of Pharmaceutical Packaging Materials Industrial Park	57,600,831.39	-	57,600,831.39	80,737,798.63	-	80,737,798.63
Expansion and renovation project of prefilled syringes	61,665,191.38	-	61,665,191.38	283,075,733.29	-	283,075,733.29
Kiln renovation project	23,196,141.06	-	23,196,141.06	-	-	-
Other projects	27,341,974.68	-	27,341,974.68	120,000.00	-	120,000.00
Sub-total	267,829,955.31	55,371,200.00	212,458,755.31	512,327,322.50	50,280,100.00	462,047,222.50

(2) Increase or decrease in the significant construction in progress

Project name	Budget amount (RMB 0,000)	Opening amount	Increase in current period	Transfers to fixed assets in current period	Other decrease s in current period	Closing balance
Phase I Project of Pharmaceutical Packaging Materials Industrial Park	118,002.96	80,737,798.63	353,060,932.90	376,197,900.14		57,600,831.39
Pharmaceutical glass production capacity integration and energy-saving renovation project		97,797,355.72	228,461.08			98,025,816.80
High-end lightweight		50,596,434.86	149,958,246.22	200,554,681.08		

glass bottle project						
Expansion and renovation project of prefilled syringes	66,229.07	283,075,733.29	45,520,067.29	266,930,609.20		61,665,191.38
Kiln renovation project			58,490,810.91	35,294,669.85		23,196,141.06
Sub-total	184,232.03	512,207,322.50	607,258,518.40	878,977,860.27		240,487,980.63

Continued:

Project name	Proportion of accumulated project input in budget (%)	Project progress(%)	Cumulative amount of interest capitalization	Including: amount of interest capitalization of current period	Proportion of interest capitalization in current period (%)	Sources of funds
Phase I Project of Pharmaceutical Packaging Materials Industrial Park	29.26	Partially completed				Offering funds
Pharmaceutical glass production capacity integration and energy-saving renovation project		Partially completed				Self-raised
High-end lightweight glass bottle project		Partially completed				Self-raised
Expansion and renovation project of prefilled syringes	97.01	Partially completed				Offering funds
Kiln renovation project		Partially completed				Self-raised
Sub-total						

(3) Provision for impairment of construction in progress

Project name	Opening amount	Increase in current period	Decrease in current period	Closing balance	Reasons for withdrawal
Pharmaceutical glass production capacity integration and	50,280,100.00	5,091,100.00		55,371,200.00	Estimated recoverable amount less than the assets book

energy-saving renovation project					value
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(4) Description of impairment test of construction in progress

1) The recoverable amount is determined at the net amount of fair value less disposal costs

Item	Book value	Recoverable amount	Amount of impairment	Determination method of fair value and disposal expenses	Key parameters	Determination basis for key parameters
Pharmaceutical glass production capacity integration and energy-saving renovation project	98,025,816.80	42,654,616.80	55,371,200.00	Fair value was assessed using the analogy method, and disposal costs were calculated using intermediary fees and transaction costs related to the transfer of the construction in progress.	Market price of new equipment, asset status adjustment factor, market transaction adjustment factor, and disposal costs.	Equipment market price: Determined through market inquiries; Asset condition adjustment factor: Determined by comparing the appraised equipment with brand new equipment in terms of age, usage, etc.; Market transaction adjustment factor: Determined based on factors such as equipment disposal time, market demand, and ease of disposal; Disposal costs: Taxes, handling service fees, and intermediary fees related to the asset.

(5) There are no construction in progress with restricted ownership or use rights such as mortgages, pledges, seizures, freezes, or detentions at the end of the period.

3. Construction materials

(1) Details

Item	Closing balance			Opening amount		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Fireproofing materials	263,208.66		263,208.66	7,795,414.22		7,795,414.22
Equipment in stock	2,233,099.52		2,233,099.52	280,928.69		280,928.69
Construction material	403,792.94		403,792.94	21,014.43		21,014.43
Sub-total	2,900,101.12		2,900,101.12	8,097,357.34		8,097,357.34

(2) Description of impairment test of engineering materials

There was no obvious impairment indication in the construction materials at the end of the period, so no provision for impairment was made.

(XIII) Intangible assets

1. Details

Item	Land use rights	Computer software	Patent rights	Total
(1) Original book value				
1) Opening amount	304,110,872.43	4,132,172.69	461,100.00	308,704,145.12
2) Increase in current period		294,105.86		294,105.86
i) Purchase		294,105.86		294,105.86
3) Decrease in current period				
4) Closing amount	304,110,872.43	4,426,278.55	461,100.00	308,998,250.98
(2) Accumulated amortization				
1) Opening amount	51,303,091.50	3,273,710.62	461,100.00	55,037,902.12
2) Increase in current period	6,339,214.67	377,873.40		6,717,088.07
i) Accrual	6,339,214.67	377,873.40		6,717,088.07
3) Decrease in current period				
4) Closing amount	57,642,306.17	3,651,584.02	461,100.00	61,754,990.19
(3) Impairment provision				
1) Opening amount				
2) Increase in current period				
3) Decrease in current period				
4) Closing amount				
(4) Book value				
1) Ending book value	246,468,566.26	774,694.53		247,243,260.79
2) Beginning book value	252,807,780.93	858,462.07		253,666,243.00

2. Explanation on impairment test of intangible assets

There was no obvious impairment indication in the intangible assets at the end of the period, therefore, there was no impairment provision.

3. There are no intangible assets with restricted ownership or use rights such as mortgages, pledges, seizures, freezes, or detentions at the end of the period.

(XIV) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets without offsetting

Item	Closing balance	Opening amount
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	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Assets impairment provision	177,673,983.52	26,651,097.53	140,603,535.80	21,090,530.36
Credit impairment provision	102,990,801.72	16,637,874.05	108,055,748.71	17,369,782.07
Accrued unpaid expenses	83,012,702.64	12,451,905.40	25,960,000.00	3,894,000.00
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
Depreciation of fixed assets	146,457,193.34	21,968,579.01		
Government subsidies	130,523,783.13	19,578,567.47		
Unrealized profits from internal transactions	12,570,413.03	1,885,561.95	6,310,594.08	946,589.11
Total	664,958,129.16	100,932,973.18	292,659,130.37	45,060,289.31

2. Deferred tax liability without offsetting

Item	Closing balance		Opening amount	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes of fair value of held-for-trading financial assets	4,690,168.22	703,525.23	5,903,243.22	885,486.48
Fixed assets that are allowed to be deducted in one go under tax law	171,829,040.75	25,774,356.11	42,484,339.70	6,372,650.96
Total	176,519,208.97	26,477,881.34	48,387,582.92	7,258,137.44

3. Deferred income tax assets or liabilities in net amount after offsetting

Item	Closing balance		Opening amount	
	Set-off amount of the deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting	Set-off amount of the deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting
Deferred tax assets	26,477,881.34	74,455,091.84	7,258,137.44	37,802,151.87
Deferred tax liabilities	26,477,881.34		7,258,137.44	

4. Details of unrecognized deferred income tax assets

Item	Closing balance	Opening amount
Deductible temporary difference	4,399,826.25	1,634,157.42
Deductible losses	7,977,709.75	5,985,162.27

Sub-total	12,377,536.00	7,619,319.69
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5. Deductible losses of deferred income tax assets unrecognized will mature in the following year.

Year	Closing balance	Opening amount	Remarks
2026	1,254,395.96	1,254,395.96	
2027	2,649,855.57	2,715,793.08	
2028	1,951,287.80	2,014,973.23	
2029	2,122,170.42		
Sub-total	7,977,709.75	5,985,162.27	

(XV) Other non-current assets

1. Details

Item	Closing balance			Opening amount		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Prepayments for project and equipment	51,734,330.06		51,734,330.06	16,793,463.24		16,793,463.24

(XVI) Short-term borrowings

1. Details

Borrowing category	Closing balance	Opening amount
Bank acceptance bills discounted but not yet deconfirmed		1,825,579.24

(XVII) Notes payable

1. Details

Category of bills	Closing balance	Opening amount
Bank Acceptance Bill	679,183,105.56	628,105,970.03

[Note] No outstanding notes receivable at the end of the period.

(XVIII) Accounts payable

1. Details

Aging	Closing balance	Opening amount
Balance	903,594,044.08	765,595,590.86
Including: amounts with an aging of more than 1 year	127,128,517.67	116,416,303.95

2. Description of large accounts payable with an aging over 1 year

Name of entity	Closing balance	Reasons for nonpayment or non-carry-over
Supplier A	9,740,384.06	Before the settlement period
Supplier B	4,531,579.17	Before the settlement period
Supplier C	4,175,410.72	Before the settlement period
Sub-total	18,447,373.95	

3. For details on foreign currency accounts payable, please refer to the description in "Notes to Consolidated Financial Statement Items - Foreign Currency Monetary Items" in this note.

(XIX) Contract liabilities

1. Details

Item	Closing balance	Opening amount
Advances from customers	60,004,869.36	61,788,588.12
Including: amounts with an aging of more than 1 year	12,230,287.90	10,581,257.92

2. Note of the reasons why significant contract liabilities with an aging of more than one year have not been transferred.

Name of entity	Closing balance	Reasons for nonpayment or non-carry-over
Client A	1,672,750.68	Revenue recognition criteria not yet met
Client B	1,160,109.13	Revenue recognition criteria not yet met
Sub-total	2,832,859.81	

(XX) Employee benefits payable

1. Details

Item	Opening amount	Increase in current period	Decrease in current period	Closing balance
(1) Short-term remuneration	44,190,102.57	718,200,369.32	691,932,595.07	70,457,876.82
(2) Post-employment benefits - defined contribution plans		85,620,491.96	85,620,491.96	
Total	44,190,102.57	803,820,861.28	777,553,087.03	70,457,876.82

2. Short-term remuneration

Item	Opening amount	Increase in current period	Decrease in current period	Closing balance
(1) Wages, bonuses, allowances and subsidies	32,588,317.53	630,859,084.49	607,210,348.78	56,237,053.24
(2) Employee welfare		4,495,295.29	4,495,295.29	
(3) Social insurance premiums		46,569,660.32	46,569,660.32	
Including: Medical insurance premiums		40,364,628.60	40,364,628.60	
Work-related injury insurance premiums		6,205,031.72	6,205,031.72	
(4) Housing Provident Fund	70,488.00	23,272,698.00	23,343,186.00	
(5) Labor union funds and employee education funds	11,531,297.04	13,003,631.22	10,314,104.68	14,220,823.58
Sub-total	44,190,102.57	718,200,369.32	691,932,595.07	70,457,876.82

3. Defined contribution plan

Item	Opening amount	Increase in current period	Decrease in current period	Closing balance
(1) Basic pension insurance premiums		82,108,163.86	82,108,163.86	
(2) Unemployment insurance		3,512,328.10	3,512,328.10	

premiums				
Sub-total		85,620,491.96	85,620,491.96	

(XXI) Taxes payable

1. Details

Item	Closing balance	Opening amount
VAT	5,699,722.61	8,675,198.91
Property tax	4,292,337.19	3,649,881.82
Land use taxes	1,035,557.39	
Urban maintenance and construction tax	1,125,593.67	1,263,788.35
Education surcharge	626,026.57	692,355.38
Local education surcharge	426,192.30	475,165.49
Local water conservancy construction fund	19,903.21	35,381.15
Enterprise income tax	30,249,504.45	16,650,126.46
Personal Income Tax	6,455,338.63	1,975,850.41
Stamp duty	747,651.37	824,987.10
Resource tax	42,030.00	67,312.50
Environmental protection tax	175,743.11	162,036.45
Total	50,895,600.50	34,472,084.02

(XXII) Other payables

1. Details

Item	Closing balance	Opening amount
Interests payable		
Dividends payable		
Other payables	161,997,173.52	120,676,617.91
Total	161,997,173.52	120,676,617.91

2. Other payables

(1) Details

Item	Closing balance	Opening amount
Security and deposit	32,433,509.86	25,247,712.92
Unpaid expenses	124,820,953.50	89,763,871.75
Others	4,742,710.16	5,665,033.24
Sub-total	161,997,173.52	120,676,617.91

(2) Description of other significant payables with an aging over 1 year

There was no other payable with the large amount and the aging of over one year.

(XXIII) Other current liabilities

1. Details

Item and content	Closing balance	Opening amount
Output tax to be carried forward	3,707,301.26	4,338,755.46
Bank acceptance bills endorsed but not yet deconfirmed	70,727,196.06	65,598,950.41
Total	74,434,497.32	69,937,705.87

(XXIV) Deferred income

1. Details

Item	Opening amount	Increase in current period	Decrease in current period	Closing balance	Causes
Government subsidies	57,620,534.05	82,980,000.00	8,928,025.92	131,672,508.13	Received government grants related to assets

2. For the government subsidies included in deferred income, please refer to the description of "Government Subsidies" in this note.

(XXV) Equity

1. Details

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

(XXVI) Capital surplus

1. Details

Item	Opening amount	Increase in current period	Decrease in current period	Closing balance
Equity premium	2,645,806,916.09			2,645,806,916.09
Other capital reserves	41,313,605.20			41,313,605.20
Total	2,687,120,521.29			2,687,120,521.29

(XXVII) Special reserves

1. Details

Item	Opening amount	Increase in current period	Decrease in current period	Closing balance
Safe production fees	71,592,747.65		5,200,513.93	66,392,233.72

2. Description of special reserves

In accordance with the "Administrative Measures for the Extraction and Use of Enterprise Safety Production Expenses", the Company accrues safety production expenses on a monthly basis, using operating revenue as the basis for accrual. According to relevant regulations, because the Company's special reserve balance at the beginning of 2024 reached three times or more of the amount that should have been accrued in the previous year, the Company will suspend the accrual of enterprise safety production expenses this year until the balance of enterprise safety production expenses falls below three times the amount that should have been accrued in the previous year. The reductions in this period were expenses incurred by the Company in accordance with relevant regulations.

(XXVIII) Surplus reserve

1. Details

Item	Opening amount	Increase in current period	Decrease in current period	Closing balance
Statutory surplus reserve	534,179,562.73	81,062,410.77		615,241,973.50

2. Reasons and basis for the increase and decrease of surplus reserves

According to the Company Law and the Articles of Association, the parent company appropriate the statutory surplus reserve on the basis of 10% of net profit.

(XXIX) Retained Earnings

1. Details

Item	Amount in current period	Prior year amount
Closing amount of last year	3,578,001,833.50	3,066,041,425.58
Add: Net profit attributed to owners of parent company in current period	942,991,305.41	775,802,014.62
Less: Appropriation of statutory surplus reserve	81,062,410.77	64,757,372.80
Common shares dividends payables	464,529,879.10	199,084,233.90
Ending retained earnings	3,975,400,849.04	3,578,001,833.50

2. Explanation of profit distribution

According to the 2023 profit distribution plan approved at the 2023 Annual Meeting of Shareholders General Assembly held on May 16, 2024, based on the total share capital of 663,614,113 shares as of December 31, 2023, a cash dividend of RMB 4.00 per 10 shares (inclusive of tax) will be distributed, totaling RMB 265,445,645.20.

According to the 2024 interim profit distribution plan approved by the Company's first interim meeting of the shareholders general assembly in 2024 on September 12, 2024, based on the total share capital of 663,614,113 shares, a cash dividend of RMB 3.00 per 10 shares (inclusive of tax) will be distributed, totaling RMB 199,084,233.90.

For details of the Company's 2024 profit distribution plan, please refer to the "Events after the Balance Sheet Date – Profit Distribution" in this note.

3. Explanation of retained earnings at the end of the period

The closing amount includes a proposed cash dividend of RMB 212,356,516.16.

(XXX) Operating income/operating costs

1. Details

Item	Amount in current period		Prior year amount	
	Income	Cost	Income	Cost
Main business	5,065,713,953.26	3,483,946,807.30	4,936,515,209.14	3,574,298,351.41
Other operations	59,556,687.42	15,391,669.79	45,682,958.64	11,201,121.85
Total	5,125,270,640.68	3,499,338,477.09	4,982,198,167.78	3,585,499,473.26

2. Breakdown information of operating income and operating costs

Contract classification	Amount in current period		Prior year amount	
	Operating income	Operating cost	Operating income	Operating cost
Goods type				
Including: Molded	2,352,518,135.97	1,334,790,074.10	2,264,259,413.56	1,377,278,564.72

bottle series				
Ampoule	68,588,929.90	61,377,919.53	72,948,535.17	68,816,538.77
Tubular bottles	214,739,989.54	225,230,141.54	204,568,492.12	208,087,017.25
Brown bottle series	1,157,183,797.77	828,650,451.40	1,118,154,539.27	852,228,487.21
Butyl rubber stoppers series	285,876,132.26	184,497,276.75	255,575,875.74	192,832,106.19
Aluminum-plastic cap plastic bottle series	55,922,234.58	35,539,503.72	56,263,689.90	36,560,621.73
Business and trade	417,129,494.24	406,170,411.07	384,465,611.84	377,906,275.13
Others	573,311,926.42	423,082,698.98	625,962,010.18	471,789,862.26
Total	5,125,270,640.68	3,499,338,477.09	4,982,198,167.78	3,585,499,473.26
Classified by operating region				
Including: domestic	3,650,284,115.09	2,489,285,518.64	3,622,525,685.30	2,658,717,346.90
Abroad	1,474,986,525.59	1,010,052,958.45	1,359,672,482.48	926,782,126.36
Total	5,125,270,640.68	3,499,338,477.09	4,982,198,167.78	3,585,499,473.26

3. Information related to performance obligations:

Item	Time for fulfilling performance obligations	Important payment terms	Nature of the goods promised to be transferred by the Company	Main responsible person or not	Amounts assumed by the Company that are expected to be refunded to customers	The types of quality assurance provided by the Company and related obligations
Sales of goods	Upon delivery	After arrival	Pharmaceutical packaging products, etc.	Yes	None	Statutory warranty

(XXXI) Tax and surcharge

Item	Amount in current period	Prior year amount
Urban maintenance and construction tax	11,701,019.95	11,765,520.77
Education surcharge	6,774,417.62	7,024,047.04
Local education surcharge	4,518,085.96	4,682,697.95
Local water conservancy construction fund	102,088.17	134,053.54
Stamp duty	3,065,775.33	3,064,329.77
Vehicle and vessel use tax	15,481.35	18,169.86
Property tax	21,653,890.18	14,161,874.54
Land use taxes	5,724,720.94	5,259,582.19
Resource tax	231,855.00	234,798.00
Environmental protection tax	762,268.80	552,656.03
Total	54,549,603.30	46,897,729.69

[Note]: Please refer to description of “Taxes” in this note for the details of the calculation criteria.

(XXXII) Selling and distribution expenses

Item	Amount in current period	Prior year amount
Freight and miscellaneous charges	7,069,929.47	6,614,516.40
Travel expenses	63,598,950.22	81,208,220.42
Employee benefits	32,172,039.00	29,888,979.14
Commission	19,483,504.20	25,080,161.08
Others	7,412,480.20	4,710,277.85
Total	129,736,903.09	147,502,154.89

(XXXIII) General and administrative expenses

Item	Amount in current period	Prior year amount
Employee benefits	137,705,065.90	106,552,722.73
Repair fees	3,890,274.25	3,323,987.16
Depreciation fees	29,609,627.58	27,836,945.70
Material consumption	5,745,033.45	5,871,249.51
Administrative expenses	1,525,836.05	1,030,762.68
Travel expenses	1,165,234.36	1,242,253.23
Sewage charges	2,703,895.60	2,336,250.20
Amortization of intangible assets	6,717,088.07	6,706,753.19
Business entertainment expenses	1,219,610.12	1,379,074.64
Product quality loss	1,890,038.62	7,289,016.03
Others	23,597,134.57	24,418,413.28
Total	215,768,838.57	187,987,428.35

(XXXIV) R & D expenses

Item	Amount in current period	Prior year amount
Employee benefits	77,674,988.69	65,791,523.56
Materials and electricity expenses	54,306,437.25	51,745,549.51
Depreciation fees	19,431,288.76	18,632,362.20
Others	350,458.07	1,778,682.05
Total	151,763,172.77	137,948,117.32

(XXXV) Financial expenses

Item	Amount in current period	Prior year amount
Interest expense	25,183.45	226,814.36
Less: Interest income	21,231,803.93	22,722,495.01
Less: bill discount interest	2,906,888.91	2,991,586.51
Add: Exchange losses	-17,223,878.01	-13,010,356.13
Add: Others	3,199,875.30	2,830,011.92
Total	-38,137,512.10	-35,667,611.37

(XXXVI) Other income

Item	Amount in current	Prior year amount
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	period	
Government subsidies related to daily operations	14,431,460.22	12,312,239.36
VAT additional calculation and deduction	11,931,738.17	9,917,271.00
Refund of handling charges on individual income tax	161,620.96	302,153.98
Total	26,524,819.35	22,531,664.34

(XXXVII) Investment income

Item	Amount in current period	Prior year amount
Investment gains from financial assets held for trading during the holding period	11,631,579.36	18,399,071.40
Dividend income from other equity instrument investments during the holding period	1,950.42	
Total	11,633,529.78	18,399,071.40

(XXXVIII) Income from change in fair value

Item	Amount in current period	Prior year amount
Held-for-trading financial assets	24,463,237.31	22,828,648.12

(XXXIX) Credit impairment loss

1. Details

Item	Amount in current period	Prior year amount
Bad debt loss on notes receivable	-160.00	
Loss from bad debts of accounts receivable	-2,126,452.71	-11,415,197.20
Loss from bad debts of other receivables	842,975.99	26,359.54
Total	-1,283,636.72	-11,388,837.66

(XL) Loss from assets impairment

Item	Amount in current period	Prior year amount
Loss on inventory revaluation	-56,066,736.83	-29,431,748.65
Impairment losses from construction in process	-5,091,100.00	-12,876,157.29
Total	-61,157,836.83	-42,307,905.94

(XLI) Gains from disposal of assets

Item	Amount in current period	Prior year amount
The income recognized when the non-current assets not classified as the held-for-sale category are disposed.	329,546.95	-5,726,646.98
Including: fixed assets	329,546.95	-5,726,646.98

(XLII) Non-operating income

Item	Amount in current period	Prior year amount	Amount of non-recurring gains and losses recognized in the current period
Compensation payments	1,957,325.92	1,238,425.16	1,957,325.92

Amounts not required to be paid	26,548.67	36,382.68	26,548.67
Others	1,414,270.16	1,214,032.23	1,414,270.16
Total	3,398,144.75	2,488,840.07	3,398,144.75

(XLIII) Non-operating expenditure

Item	Amount in current period	Prior year amount	Amount of non-recurring gains and losses recognized in the current period
Losses on damage and scrapping of fixed assets	1,660,102.29	6,515,791.77	1,660,102.29
External donations	565,000.00	510,000.00	565,000.00
Overdue fine	2,881,620.97	209,554.31	2,881,620.97
Others	247,186.10	796,566.60	247,186.10
Total	5,353,909.36	8,031,912.68	5,353,909.36

(XLIV) Income tax expense

1. Details

Item	Amount in current period	Prior year amount
Current income tax expense	204,466,687.75	140,818,606.45
Deferred income tax expense	-36,652,939.97	-5,796,824.76
Total	167,813,747.78	135,021,781.69

2. Adjustment process of accounting profit and income tax expense

Item	Amount in current period
Total profit	1,110,805,053.19
Income tax expense calculated as per statutory/applicable tax rates	166,620,757.98
Influence of subsidiaries applicable to different tax rates	6,944,047.16
Influence of adjustment of prior period income tax	10,464,977.69
Impact of non-taxable income	
Influence of non-deductible costs, expenses and loss	-12,343,091.34
Influence of the deductible losses of unrecognized deferred income tax assets in previous period	-6,481.15
Influence of the deductible temporary differences or deductible losses of unrecognized deferred income tax assets in current period	106,317.80
Impact of additional deduction for R&D expenses	-3,972,780.36
Impact of tax rate changes	
Income tax expense	167,813,747.78

(XLV) Notes to main items in consolidated cash flow statement

1. Cash relating to operating activities

(1) Other cash received relating to operating activities:

Item	Amount in current period	Prior year amount
Government subsidies	84,924,044.30	7,843,601.62
Interest income	21,231,803.93	22,722,495.01

Current accounts	8,223,069.37	10,504,127.48
Others	2,074,886.36	2,074,668.07
Total	116,453,803.96	43,144,892.18

(2) Other cash paid relating to operating activities:

Item	Amount in current period	Prior year amount
Cash out of selling and distribution expenses	61,739,059.68	109,960,376.83
Cash expenditure of general and administrative expenses and research and development expenses	94,060,561.78	88,568,016.10
Handling charges	3,199,875.30	2,830,011.92
Current accounts	340,416.65	1,432,376.25
Others	3,065,474.39	2,045,447.99
Total	162,405,387.80	204,836,229.09

2. Cash relating to financing activities

(1) Other proceeds relating to financing activities

Item	Amount in current period	Prior year amount
Bill discounting financing		12,464,854.82

(2) Changes in liabilities arising from financing activities

Item	Opening amount	Increase in current period		Decrease in current period		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowings	1,825,579.24	-	-	-	1,825,579.24	-

(XLVI) Supplemental Information of Cash Flow Statement

1. Supplemental Information of Cash Flow Statement

Item	Amount in current period	Prior year amount
(1) Reconciliation of Net Profit to Cash Flows from Operating Activities:		
Net profit	942,991,305.41	775,802,014.62
Add: Asset impairment provision	61,157,836.83	42,307,905.94
Credit impairment loss	1,283,636.72	11,388,837.66
Depreciation of fixed assets, depletion of oil and natural gas assets, deprecation of bearer biological assets	378,434,342.15	318,421,110.95
Amortization of intangible assets	6,717,088.07	6,706,753.19
Amortization of long-term deferred expenses		
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains expressed with "-")	-329,546.95	5,726,646.98
Loss from retirement of fixed assets (gains expressed with "-")	1,660,102.29	6,515,791.77
Loss from changes in fair value (gains expressed with "-")	-24,463,237.31	-22,828,648.12
Financial expenses (gains expressed with "-")	-15,608,495.17	-9,591,745.35
Investment losses (gains expressed with "-")	-11,633,529.78	-18,399,071.40
Decrease in deferred tax assets (increase expressed with "-")	-36,652,939.97	-5,796,824.76

Increase of deferred income tax liabilities (decrease expressed with “-”)		
Decrease in inventories (increase expressed with “-”)	-280,139,889.92	125,866,248.89
Decrease in operating receivables (increase expressed with “-”)	-141,176,717.87	-191,122,844.31
Increase in operating payables (decrease expressed with “-”)	288,010,927.33	6,875,276.01
Losses recognized when disposing of non-current assets held for sale (excluding financial instruments, long-term equity investments and investment properties) or disposal groups (excluding subsidiaries and businesses) (gains expressed with “-”).		
Others	-5,200,513.93	-3,888,482.68
Net cash flow from operating activities	1,165,050,367.90	1,047,982,969.39
(2) Investment and financing activities not involved in significant cash deposit and withdrawal:		
Conversion of debt into capital		
Convertible bonds maturing within one year		
Right-of-use assets from leases		
(3) Net change in cash and cash equivalents:		
Closing amount of cash	885,181,361.71	1,286,900,727.68
Less: Cash at the beginning of the period	1,286,900,727.68	1,160,418,117.30
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	-401,719,365.97	126,482,610.38

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

2. Cash and cash equivalents

Item	Closing balance	Opening amount
(1) Cash	885,181,361.71	1,286,900,727.68
Including: cash on hand	2,010.71	39,071.48
Bank deposits available for payment at any time	885,179,351.00	1,286,861,656.20
Other monetary fund available for payment at any time		
(2) Cash equivalents		
Including: bond investment maturing within three months		
(3) Cash and Cash Equivalents at the End of the Year	885,181,361.71	1,286,900,727.68
Including: the parent company or its subsidiaries use the restricted cash and cash equivalents		

3. Amount of endorsed transfer of negotiable instruments not involving cash receipts and payments

Item	Amount in current period	Prior year amount
Amount of endorsement of bank acceptance bills received for the sale of goods	489,060,839.36	530,739,723.58

Cash paid for the purchase of goods or services by endorsed transfer of bank acceptance bills	470,585,081.91	509,480,893.95
Payment for engineering equipment via endorsement and transfer of bank acceptance bills	18,475,757.45	21,258,829.63

(XLVII) Assets with restricted ownership or the right to use

Item	Closing balance			
	Book balance	Book value	Type of restriction	Restrictions
Other cash and bank balance	180,310,119.71	180,310,119.71	Pledge	Bank acceptance bill margin and guarantee deposit
Notes receivable	70,727,196.06	70,727,196.06	Others	Endorsed or discounted but not yet deactivated
Total	251,037,315.77	251,037,315.77		

Continued:

Item	Opening amount			
	Book balance	Book value	Type of restriction	Restrictions
Cash in bank	522,239.28	522,239.28	Others	Bank funds in long-dormant accounts
Other cash and bank balance	178,906,959.91	178,906,959.91	Pledge	Bank acceptance bill and L/C deposit
Notes receivable	67,424,529.65	67,424,529.65	Others	Endorsed or discounted but not yet deactivated
Total	246,853,728.84	246,853,728.84		

(XLVIII) Foreign currency monetary items

1. Details

Item	Closing balance in foreign currency	Exchange rate for translation	Ending balance for RMB translation
Cash and bank balance			
Including: USD	11,541,612.34	7.1884	82,965,726.14
EUR	2,928,237.25	7.5257	22,037,035.07
Accounts receivable			
Including: USD	15,255,392.28	7.1884	109,661,861.87
EUR	824,420.06	7.5257	6,204,338.05
GBP	1,124.69	9.0765	10,208.25
Accounts payable			
Including: USD	1,544,592.61	7.1884	11,103,149.52
EUR	3,823.94	7.5257	28,777.83

(XLIX) Lease

1. As a lessee

(1) Expenses of simply treated short-term leases or low-value asset leases

Item	Amount in current period
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Expenses for short-term lease or low-value asset lease	6,706,475.53
--	--------------

(2) Total cash outflow related to lease

Item	Amount in current period
Simplified short-term lease payments and low-value asset lease payments	5,307,635.49

(3) For details on the maturity analysis of lease liabilities and the management of related liquidity risks, please refer to the note of "Liquidity Risk" under "Risks Related to Financial Instruments - Various Risks Arising from Financial Instruments" in this note.

2. As a lessor

(1) Operating lease

1) Lease income

Item	Lease income	Including: income related to variable lease payments not included in lease receipts
Houses and buildings	70,633.46	

VI. R&D expenditure**(I) By nature of expenses**

Item	Amount in current period	Prior year amount
Employee benefits	77,674,988.69	65,791,523.56
Materials and electricity expenses	54,306,437.25	51,745,549.51
Depreciation fees	19,431,288.76	18,632,362.20
Others	350,458.07	1,778,682.05
Total	151,763,172.77	137,948,117.32

Item	Amount in current period	Prior year amount
Including: Expensed R&D expenditure	151,763,172.77	137,948,117.32
Capitalized R&D expenditures		

(II) R&D projects eligible for capitalization

None.

(III) Significant outsourcing research projects

None.

VII. Changes in the scope of consolidation

The scope of consolidation remained unchanged during this period.

VIII. Equity in other entities

Unless otherwise specially indicated, the unit of the data presented in this part shall be RMB 10,000.

(I) Equity in subsidiaries

1. Constitution of enterprise group:

Name of subsidiary	Level	Registered capital	Main region of business	Place of registration	Nature of business	Shareholding ratio (%)		Means of acquisition
						Direct	Indirect	

Baotou KONRE Pharma Glass Packaging Co., Ltd.	Primary Level	14,000.00	Baotou City	Baotou City	Manufacturing industry	100.00		Investment and establishment
Yiyuan Xinkang Trading Co., Ltd.	Primary Level	1,000.00	Yiyuan County	Yiyuan County	Business	100.00		Investment and establishment
Sichuan Chengxin Pharma Glass Co., Ltd.	Primary Level	20,000.00	Mianzhu City	Mianzhu City	Manufacturing industry	100.00		Combination of enterprises not under the same control
Yiyuan Bilufeng Mountain Spring Water Co., Ltd.	Primary Level	60.00	Yiyuan County	Yiyuan County	Manufacturing industry	100.00		Investment and establishment
Baotou Fenghui Packaging Products Co., Ltd.	Primary Level	8,500.00	Baotou City	Baotou City	Manufacturing industry	100.00		Combination of enterprises not under the same control
Yiyuan Xin'ao Plastic Products Co., Ltd.	Primary Level	2,500.00	Yiyuan County	Yiyuan County	Manufacturing industry	100.00		Combination of enterprises not under the same control
Yiyuan Xinyuan Logistics Co., Ltd.	Primary Level	360.00	Yiyuan County	Yiyuan County	Transportation industry	100.00		Combination of enterprises not under the same control
Yiyuan Shengyuan Hotel Co., Ltd.	Secondary Level	500.00	Yiyuan County	Yiyuan County	Service industry		100.00	Combination of enterprises not under the same control
Shandong Kangzheng Inspection and Testing Co., Ltd.	Primary Level	800.00	Zibo City	Zibo City	Service industry	100.00		Investment and establishment

2. Significant restrictions on the use of the assets and settlement of debts of the enterprise group:

None.

3. Financial support or other support for the structural entity incorporated into the scope of consolidated financial statements:

None.

IX. Government subsidies

(I) Government subsidies recognized by receivables at the end of the reporting period

1. There were no government subsidies receivable at the end of the period.

(II) Liabilities involving government subsidies

Item of financial statement	Opening amount	Increase of subsidy amount in current period	Amount of other income transferred in current period	Other changes in the current period	Closing balance	Relating to assets / income
Subsidy for kiln flue gas desulfurization, denitrification and waste heat utilization technology upgrading project	4,503,301.11		1,203,600.04		3,299,701.07	Related to assets
Subsidy funds for the technical transformation project to produce 280 million pieces of Class I water-resistant pharmaceutical glass per year	9,431,333.51		401,333.32		9,030,000.19	Related to assets
Project to produce 1.8 billion Class A water-resistant pharmaceutical glass tubular bottles annually	625,000.05		83,333.32		541,666.73	Related to assets
New intelligent production equipment upgrade and renovation project	315,000.00		105,000.00		210,000.00	Related to assets
Technical upgrade project to produce	213,839.55		25,000.00		188,839.55	Related to assets

1 billion biological agent rubber stoppers per year						
Neutral Glass Control Series Technology Development	1,068,055.51		141,666.68		926,388.83	Related to assets
New Biological Agent Packaging Materials and Modification of Zibo City	168,308.25		30,008.36		138,299.89	Related to assets
Research and Industrialization of Grade I Water-Resistant Pharmaceutical Glass Tubes	312,499.95		41,666.68		270,833.27	Related to assets
Equipment manufacturing equipment upgrading guidance fund	1,151,413.00		212,688.00		938,725.00	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	124,999.95		16,666.68		108,333.27	Related to assets
Special Fund for Scientific and Technological Innovation Development	3,250,000.01		333,333.32		2,916,666.69	Related to assets
Subsidy funds for the project to produce 2 billion low borosilicate pharmaceutical glass tubular bottles per year	3,598,333.33		340,000.00		3,258,333.33	Related to assets

Development and Industrialization of Key Technologies for Grade I Water-Resistant Pharmaceutical Glass	14,449,541.67	6,340,000.00	1,332,388.89		9,457,152.78	Related to assets
Interest subsidies for imported equipment	1,000,074.83		131,878.00		868,196.83	Related to assets
Research and Industrialization of Key Technologies for COVID-19 Vaccine Packaging Materials	2,491,666.67		2,300,000.00		191,666.67	Related to assets
Intelligent technology transformation equipment reward	5,316,666.66		483,333.36		4,833,333.30	Related to assets
Special fund for development		75,990,000.00	1,719,045.93		74,270,954.07	Related to assets
Key Packaging Technologies Research and Industrialization		650,000.00	27,083.34		622,916.66	Related to assets
Total	57,620,534.05	82,980,000.00	8,928,025.92		131,672,508.13	

(III) Government subsidy included in the current profit and loss

Item	Amount in current period	Prior year amount
Immediate levy and refund of VAT	1,841,840.00	2,041,680.00
Deferred income amortization	8,928,025.92	7,425,257.74
Stable employment subsidy	1,550,976.07	1,465,251.62
Tax incentives for retired soldiers and key groups	1,717,550.00	1,101,700.00
Patent Navigation Project	200,000.00	
Private enterprise bonus	100,000.00	
Employment subsidy	40,407.18	5,000.00
Item	Amount in current period	Prior year amount
Taishan Talent Project Subsidy	30,000.00	
Subsidies for Stabilizing Industrial Production		100,000.00
Rewards for Contribution of Enterprises		100,000.00
Others	22,661.05	73,350.00
Sub-total	14,431,460.22	12,312,239.36

X. Risks related to financial instruments

(I) Risks arising from financial instruments

The Company faced with various risks from financial instruments in the daily activities, including credit risk, market risk and liquidity risk. 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 the "Notes to Consolidated Financial Statement Items" in this note. The risks associated with these financial instruments and the risk management policies adopted by the company to mitigate these risks are described below:

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. 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, interest rate risk and other price risks.

(1) Exchange rate risk

Foreign exchange risk is the risk when the fair value of financial instruments or future cash flows fluctuates due to changes in foreign exchange rates. The Company is mainly operated within China with the settlement in RMB for the main businesses. Therefore, the foreign exchange market risk borne by the Company is not significant. However, the Company's recognized foreign currency assets and liabilities and future foreign currency transactions (the foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US dollars and euros) are still subject to foreign exchange risk. The relevant foreign currency assets and foreign currency liabilities shall include the currency fund priced in foreign currency, accounts receivable and accounts payable. Please refer to "Notes to Consolidated Financial Statements - Foreign Currency Monetary Items" in this note for the amount of foreign currency financial assets and foreign currency financial liabilities converted into RMB.

The Company closely monitors the effects of changes in the exchange rate on the Company's exchange rate risk exposures. 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. The foreign exchange risks encountered by the Company at the end of the period were mainly from the financial assets and financial liabilities priced in US dollars and euros (foreign currencies). Please refer to "Notes to Consolidated Financial Statements - Foreign Currency Monetary Items" in this note for the amount of foreign currency financial assets and foreign currency financial liabilities converted into RMB.

With all other variables remain unchanged, if the RMB appreciates or depreciates by 5% against the US dollars and euros (foreign currencies), the impact on the Company's net profit is as

follows.

Exchange rate changes	Impact on net profit (RMB)	
	Amount in current period	Prior year amount
Up 5%	-8,913,823.94	-14,363,264.55
Down 5%	8,913,823.94	14,363,264.55

Note: Current period amount = Net amount of foreign currency financial assets and liabilities translated into RMB at the end of the period * 5% increase or decrease.

The Management believes that 5% can reasonably reflect the reasonable range of possible changes in the exchange rate in the RMB against the US dollar and the euro.

(2) 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 risk of changes in market interest rates faced by the Company are mainly related to the borrowings of the Company with interest at floating interest rates. 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, 2024, the Company had no bank borrowings at the end of the period, therefore there is no interest rate risk.

(3) Other price risk

The Company has no equity investments in other listed companies, therefore, there is no other price risk.

2. Credit Risk

The credit risks refer to the risks of the financial losses suffered from the Company due to the failure of the counterparty to fulfill the obligations in the contracts. The Company's 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 listed banks, therefore, the expected bank deposits do not have significant credit risks of the Company.

The credit risks refer to the risks of the financial losses suffered from the Company due to the failure of the counterparty to fulfill the obligations in the contracts. The credit risks of the Company are mainly from the bank deposits and accounts receivables, etc.

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

For receivables, the Company manages credit risk concentration by customers and sets relevant policies to control credit risk exposure. 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 company does not provide any guarantee which requires the Company to bear credit risk. The maximum credit risk exposure which can be borne by the company is the book value of each financial asset on the balance sheet.

(1) Judgment basis 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. The Company considers that credit risk has increased significantly when one or more of the following quantitative and qualitative criteria are met:

- 1) Contract payments are overdue for more than 30 days.
- 2) According to the publicly available credit rating results, the credit rating of the debtor has significantly decreased.
- 3) The debtor has serious problems in the production or operation, and the operating results have actually or expected to decline significantly.
- 4) There is a significant adverse change in the regulatory, economic or technological environment of the debtor.
- 5) There has been an adverse change in business, financial or economic conditions that is expected to result in a significant change in the debtor's ability to meet its debt obligations.
- 6) Other objective evidence indicating a significant increase in credit risk of financial assets.

(2) Basis for credit impairment that has occurred

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.

(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 loss 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 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.
- 2) 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.
- 3) The loss given default refers to the Company's expectation of the extent of loss from default exposure. The loss given default varies depending on the type of counterparty, the method and priority of recourse, and the availability of collateral or other credit support.

The Company determines expected credit losses by estimating the probability of default, loss given default and exposure at default of an individual exposure or portfolio of assets in future months. There were no material changes in expected credit loss estimation techniques or key assumptions during the reporting period.

(4) Forward-looking information included in the expected credit loss model

Both the assessment of a significant increase in credit risk and the calculation of expected credit losses involve forward-looking information. The Company identifies relevant information that affects the credit risk and expected credit losses of each asset portfolio through historical data analysis, including macroeconomic conditions such as GDP growth rate, industry cycle stage, and industry development status, etc. The Company predicts the impact of such information on the probability of default and the loss given default based on the changes in the Company's future sales strategy or credit policy.

3. Liquidity risk

Liquidity risk refers to the risk of a shortage of funds when the company fulfils obligations in the manner of cash payment or other financial asset. Liquidity risk is controlled by the financial department of the Company. The finance department ensures that the company has sufficient funds to repay debts under all reasonable forecasts by monitoring the cash balance, the readily realizable securities and the rolling forecast for the next 12 months of cash flow and meet the company's operational needs and reduce the impact of fluctuations in cash flow.

(1) Here below is the analysis of the term of maturity of the financial liabilities and off-balance sheet guarantees held by the Company according to the remaining contractual cash flows undiscounted (Unit: RMB 0,000)

Item	Closing balance				
	Within 1 year	1-2 years	2-3 years	More than three years	Total
Notes payable	67,918.31				67,918.31
Accounts payable	90,359.40				90,359.40
Other payables	16,199.72				16,199.72
Other current liabilities	6,559.90				6,559.90
Total financial liabilities and contingent liabilities	181,037.33				181,037.33

Continued:

Item	Opening amount				
	Within 1 year	1-2 years	2-3 years	More than three years	Total
Short-term borrowings	182.56				182.56

Notes payable	62,810.60				62,810.60
Accounts payable	76,559.56				76,559.56
Other payables	12,067.66				12,067.66
Other current liabilities	7,072.72				7,072.72
Total financial liabilities and contingent liabilities	158,693.10				158,693.10

The amount of financial liabilities disclosed in the above table is undiscounted contractual cash flow and may differ from the carrying amount in the balance sheet.

4. Capital management

The objective of the Company's capital management policy is to ensure that the Company can constantly operate to provide returns to shareholders and benefit other stakeholders while maintaining an optimal capital structure to reduce capital costs. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. The Company monitors the capital structure on the basis of the asset and liability ratio (that is, the total liabilities divided by total assets) As of December 31, 2024, the Company's asset-liability ratio was 21.03% (December 31, 2023: 19.15%).

XI. Disclosure of fair value

Unless otherwise specially indicated, the unit of the data presented in this part shall be RMB.

(I) Closing fair value of the assets and liabilities measured by fair value

Item	Closing fair value			
	Measurement of the first level of fair value	Measurement of the second level of fair value	Measurement of the third level of fair value	Total
1. Continued fair value measurement				
(1) Held-for-trading financial assets		1,724,690,168.22		1,724,690,168.22
Including: structured deposits		1,724,690,168.22		1,724,690,168.22
(2) Receivables financing			47,485,298.80	47,485,298.80
Including: Notes receivable			47,485,298.80	47,485,298.80
(3) Other equity instruments investment			50,000.00	50,000.00
Including: non-listed equity investments			50,000.00	50,000.00
The total amount of liabilities measured constantly at fair value		1,724,690,168.22	47,535,298.80	1,772,225,467.02

(II) For the continuous and non-continuing measurement of second-level fair value, valuation techniques and qualitative and quantitative information with important parameters adopted.

The fair value of trading financial assets is determined based on the principal of the structured deposit product and the expected return as of the balance sheet date.

(III) For the continuous and non-continuing measurement of third-level fair value, valuation techniques and qualitative and quantitative information with important parameters adopted.

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

(2) 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.

(IV) Information of fair value of financial assets and financial liabilities not measured with fair value

The financial assets and financial liabilities of the Company measured at amortized cost mainly include: monetary funds, notes receivable, accounts receivable, other receivables, notes payable, accounts payable, other payables, etc. The difference between the book value and fair value of financial assets and liabilities not measured at fair value of the Company is very small.

XII. Related party relationships and transactions

Unless otherwise specially indicated, the unit of the data presented in this part shall be RMB.

(I) Related party relationships

1. Situation of the parent company of the Company

Actual controller	Nature of business	Place of registration	Registered capital (RMB 0,000)	Shareholding ratio at the Company by the parent company (%)	Proportion of voting rights of the parent companies at the Company (%)
Shandong Luzhong Investment Co., Ltd.	Investment management	Yiyuan, Shandong	30,000.00	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 details of the Company's subsidiaries, please refer to the "Interests in other entities – Interests in subsidiaries" in this note..

3. The Company's other related parties

Name of other related parties	Relationship with this company
Hu Yonggang	Key managers
Zhang Jun	Key managers
Chen Gang	Key managers
Wang Xingjun	Key managers

Song Yizhao	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

(II) Related transactions

1. Remuneration of key managers

Reporting period	Amount in current period	Prior year amount
Number of key managers	12	13
Number of people receiving compensation from the Company	12	13
Total compensation (RMB 0,000)	1,751.65	1,052.78

XIII. Commitments and contingencies

Unless otherwise specially indicated, the unit of the data presented in this part shall be RMB.

(I) Significant commitments

As of the balance sheet date, the Company has no significant commitments to be disclosed.

(II) Contingencies

As of the balance sheet date, the Company has no significant contingency to be disclosed.

(III) Others

None.

XIV. Events after the date of Balance Sheet

Unless otherwise specially indicated, the unit of the data presented in this part shall be RMB.

(I) Important non-adjustment matters

On February 20, 2025, the subsidiary Xinkang Trading held a meeting of the shareholders assembly and decided to transfer RMB 40 million of undistributed profits as of December 31, 2024 to increase its share capital. The business registration change was completed on February 25, 2025, and the paid - in capital increased from RMB 10 million to RMB 50 million. This transfer does not involve cash dividends. This matter will not have a significant impact on the carrying amount of the parent company's long-term equity investments.

(II) Profit distribution

Proposed dividend per 10 shares (RMB)	3.2
Proposed number of dividend shares per 10 shares (shares)	
Proposed number of bonus shares per 10 shares (shares)	
Cash dividend conversion issued per 10 shares after review and approval (RMB)	3.2
Stock dividend issued per 10 shares after review and approval (shares)	
Capital reserve conversion issued per 10	

shares after review and approval (shares)	
Profit Distribution Plan	According to the Profit Distribution Plan 2024 adopted at the 17th Meeting of the Tenth Board of Directors held on April 23, 2025, the Company plans to distribute RMB 3.2 (tax-inclusive) per 10 shares to all shareholders with the total share capital of 663,614,113.00 shares at the end of 2024 as the base. This distribution plan is subject to approval by the shareholders general assembly.

XV. Miscellaneous issues

Unless otherwise specially indicated, the unit of the data presented in this part shall be RMB.

(I) Segment information

1. Basis of determining the reporting segment and the accounting policy

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.

2. Financial information of the reporting segment

For the year ended December 31, 2024: (Unit: RMB 0,000)

Item	Packaging products	Trading	Bottled water
Main business income	464,918.37	61,465.73	89.25
Costs of main business	308,605.35	59,870.63	42.66
Total assets	995,818.16	18,923.97	282.64
Total liabilities	207,564.08	10,178.88	6.39

Continued:

Item	Logistics industry	Service industry	Offset	Total
Main business income	10,360.59	852.89	-31,115.43	506,571.40
Costs of main business	8,852.25	1,126.18	-30,102.39	348,394.68
Total assets	7,085.18	433.67	-8,542.68	1,014,000.94
Total liabilities	1,195.96	751.58	-6,472.92	213,223.97

For the year ended December 31, 2023: (Unit: RMB 0,000)

Item	Packaging products	Trading	Bottled water
Main business income	454,593.48	48,824.01	86.28

Costs of main business	320,557.41	47,490.18	39.97
Total assets	920,497.17	14,314.72	266.53
Total liabilities	178,729.08	6,321.87	12.29

Continued:

Item	Logistics industry	Service industry	Offset	Total
Main business income	10,590.29	872.59	-21,315.12	493,651.53
Costs of main business	9,156.45	1,162.13	-20,976.31	357,429.83
Total assets	6,580.82	486.82	-10,273.91	931,872.15
Total liabilities	1,752.64	592.02	-8,986.63	178,421.27

XVI. Notes to main items in parent company financial statement

Unless otherwise specially indicated, in the following explanatory note, the beginning of the period refers to January 1, 2024, the end of the period refers to December 31, 2024; the current period refers to 2024, and the previous year refers to 2023. The unit of the amount is RMB.

(I) Accounts receivable

1. Disclosed by aging

Aging	Ending book balance	Beginning book balance
Within 1 year (inclusive)	841,322,230.74	826,903,270.77
1-2 years	24,981,579.15	5,333,187.18
2-3 years	1,270,289.32	1,792,474.27
3-4 years	1,555,080.43	3,824,989.05
4-5 years	3,566,926.89	2,230,760.64
More than 5 years	3,639,070.20	3,591,577.61
Total	876,335,176.73	843,676,259.52

2. Disclosure by classification of bad debt accrual methods

Categories	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Additions proportion (%)	
Accrued bad-debt provision by individual	3,339,966.71	0.38	3,339,966.71	100.00	
Accrued bad-debt provision by portfolio	872,995,210.02	99.62	73,532,616.35	8.42	799,462,593.67
Including: the aging portfolio	848,893,466.27	96.87	73,532,616.35	8.66	775,360,849.92
Related party portfolios within the scope of consolidation	24,101,743.75	2.75			24,101,743.75
Total	876,335,176.73	100.00	76,872,583.06	8.77	799,462,593.67

Continued:

Categories	Opening amount				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Additions proportion (%)	
Accrued bad-debt provision by individual	5,685,348.27	0.67	5,685,348.27	100.00	
Accrued bad-debt provision by portfolio	837,990,911.25	99.33	70,714,366.17	8.44	767,276,545.08
Including: the aging portfolio	837,990,911.25	99.33	70,714,366.17	8.44	767,276,545.08
Related party portfolios within the scope of consolidation					
Total	843,676,259.52	100.00	76,399,714.44	9.06	767,276,545.08

(1) Significant receivables having provision for bad debt as per individual characteristics at the end of the period

Name	Book balance	Provision for bad debts	Additions proportion (%)	Reasons for withdrawal
Client A	2,143,667.33	2,143,667.33	100.00	Not expected to be recovered

(2). Receivables having provision for bad debt as per portfolio characteristics at the end of the period

Portfolio accrual items: aging portfolio

Item	Book balance	Provision for bad debts	Additions proportion (%)
Within 1 year (inclusive)	841,286,006.74	65,374,741.04	7.77
1-2 years	24,944,901.30	3,741,735.20	15.00
2-3 years	1,267,480.32	380,244.10	30.00
3-4 years	1,537,650.84	768,825.42	50.00
4-5 years	3,460,501.17	2,768,400.94	80.00
More than 5 years	498,669.65	498,669.65	100.00
Sub-total	872,995,210.02	73,532,616.35	8.42

3. Additions, recoveries or reversals for bad debt provision in current period

Categories	Opening amount	Amount changed in current period				Closing balance
		Provision	Recovered or reversed	Write-off	Others	
Accrued bad-debt provision by individual	5,685,348.27	-1,428,006.68	1,068,147.72	1,985,522.60		3,339,966.71
Accrued bad-debt provision by	70,714,366.17	3,830,865.14		1,012,614.96		73,532,616.35

portfolio						
Sub-total	76,399,714.44	2,402,858.46	1,068,147.72	2,998,137.56		76,872,583.06

4. Accounts receivable with actual written-off during the current period.

Item	Amount written-off
Accounts receivable actually written-off	2,998,137.56

5. Top five accounts receivable and contract assets 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 period was RMB 135,902,967.02, accounting for 15.51% of the total closing balance of accounts receivable. The total closing balance for the corresponding provisions for accounts receivable bad debts was RMB 8,944,097.87.

6. Accounts receivable from affiliated parties

Name of entity	Relationship with the Company	Closing balance	Proration in ending accounts receivable (%)
Yiyuan Xinkang Trading Co., Ltd.	Subsidiaries	24,101,743.75	2.75

(II) Other receivables

1. Details

Item	Closing balance			Opening amount		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
Interests receivable	-	-	-	-	-	-
Dividends receivable	-	-	-	-	-	-
Other receivables	9,779,334.29	8,483,597.12	1,295,737.17	13,315,826.48	11,935,458.66	1,380,367.82
Total	9,779,334.29	8,483,597.12	1,295,737.17	13,315,826.48	11,935,458.66	1,380,367.82

2. Other receivables

(1) Classification by nature

Nature of fund	Ending book balance	Book balance at the beginning of the period
Revolving fund	776,115.73	273,514.02
Margin	69,345.00	149,345.00
Salesperson bears the loss of payment for goods	3,731,178.27	6,667,309.69
Borrowings	1,339,890.42	1,339,890.42
Others	3,862,804.87	4,885,767.35
Sub-total	9,779,334.29	13,315,826.48

(2) Disclosed by aging

Aging	Ending book balance	Beginning book balance
Within 1 year (inclusive)	1,077,684.79	833,537.08

1-2 years	155,108.69	450,290.23
2-3 years	200,290.23	244,413.40
3-4 years	64,323.22	103,308.62
4-5 years	300.00	291,215.59
More than 5 years	8,281,627.36	11,393,061.56
Sub-total	9,779,334.29	13,315,826.48

(3) Disclosure by classification of bad debt accrual methods

Categories	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Additions proportion (%)	
Accrued bad-debt provision by individual	7,271,363.11	74.35	7,271,363.11	100.00	
Accrued bad-debt provision by portfolio	2,507,971.18	25.65	1,212,234.01	48.34	1,295,737.17
Including: the aging portfolio	2,507,971.18	25.65	1,212,234.01	48.34	1,295,737.17
Total	9,779,334.29	100.00	8,483,597.12	86.75	1,295,737.17

Continued:

Categories	Opening amount				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Additions proportion (%)	
Accrued bad-debt provision by individual	10,207,494.53	76.66	10,207,494.53	100.00	
Accrued bad-debt provision by portfolio	3,108,331.95	23.34	1,727,964.13	55.59	1,380,367.82
Including: the aging portfolio	3,108,331.95	23.34	1,727,964.13	55.59	1,380,367.82
Total	13,315,826.48	100.00	11,935,458.66	89.63	1,380,367.82

1) Significant other receivables having provision for bad debt as per individual characteristics at the end of the period

Name	Book balance	Provision for bad debts	Additions proportion (%)	Reasons for withdrawal
Salesman A	3,731,178.27	3,731,178.27	100.00	Not expected to be recovered

2) Other receivables having provision for bad debt as per portfolio characteristics at the end of the period

Portfolio accrual items: aging portfolio

Item	Book balance	Provision for bad debts	Additions proportion (%)
Within 1 year (inclusive)	1,077,684.79	86,214.78	8.00
1-2 years	155,108.69	23,266.30	15.00
2-3 years	200,290.23	60,087.07	30.00
3-4 years	64,323.22	32,161.61	50.00
4-5 years	300.00	240.00	80.00
More than 5 years	1,010,264.25	1,010,264.25	100.00
Sub-total	2,507,971.18	1,212,234.01	48.34

3) The provision for bad debts is made according to the general model of expected credit losses

Provision for bad debts	Stage 1	Stage 2	Stage 3	Sub-total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Balance as of January 1, 2024	1,727,964.13		10,207,494.53	11,935,458.66
Balance on January 1, 2024 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	-515,730.12			-515,730.12
Reversed in current period			348,827.60	348,827.60
Written off in current period				
Write-off in this period			2,587,303.82	2,587,303.82
Other changes				
Balance as of December 31, 2024	1,212,234.01		7,271,363.11	8,483,597.12

1) Explanation of the classification basis and bad-debt provision ratio for each stage

For details on the basis for the division of each stage, please refer to the explanation of "Impairment of Financial Instruments" under "Principal Accounting Policies and Accounting Estimates - Financial Instruments" in this note.

The provision for bad debts for other receivables at the end of the period was 48.34% in the first stage and 100.00% in the third stage.

2) The provision for bad debts this period and the basis for assessing whether the credit risk of financial instruments has significantly increased

For details regarding the input values, assumptions, and other information used to determine the amount of bad debt provision for the current period and to assess whether the credit risk of financial instruments has increased significantly since initial recognition, please refer to the note of "Credit Risk" under "Risks Related to Financial Instruments - Various Risks Arising from Financial Instruments" in this note.

(4) Additions, recoveries or reversals for bad debt provision in current period

Categories	Opening amount	Amount changed in current period				Closing balance
		Provision	Recovered or reversed	Write-off	Others	
Accrued bad-debt provision by individual	10,207,494.53		348,827.60	2,587,303.82		7,271,363.11
Accrued bad-debt provision by portfolio	1,727,964.13	-515,730.12				1,212,234.01
Sub-total	11,935,458.66	-515,730.12	348,827.60	2,587,303.82		8,483,597.12

(5) Other accounts receivable with actual write-off during the period

Item	Amount written-off
Other accounts receivable with actual write-off.	2,587,303.82

(6) Top five other accounts receivable for ending amount collected by the debtor

Name of entity	Nature of fund	Closing balance	Aging	Proportion in total closing balance of other receivables (%)	Closing amount of bad-debt provision
1st Place	Salesperson bears the loss of payment for goods	3,731,178.27	More than 5 years	38.15	3,731,178.27
2nd Place	Others	813,544.70	More than 5 years	8.32	813,544.70
3rd place	Others	546,000.00	More than 5 years	5.58	546,000.00
4Th place	Borrowings	445,219.68	More than 5 years	4.55	445,219.68
5Th place	Borrowings	438,768.33	More than 5 years	4.49	438,768.33
Sub-total		5,974,710.98		61.09	5,974,710.98

(III) Long-term equity investment

1. Details

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

2. Investment in subsidiaries

Investee name	Opening amount	Provision for impairment at the beginning of the period	Changes in current period	
			Additional investment	Reduction of investment
Baotou KONRE Pharma Glass Packaging Co., Ltd.	140,000,000.00			
Yiyuan Xinkang Trading Co., Ltd.	3,000,000.00			
Sichuan Chengxin Pharma Glass Co., Ltd.	198,679,168.00			
Yiyuan Bilufeng Mountain Spring Water Co., Ltd.	600,000.00			
Yiyuan Xin'ao Plastic Products Co., Ltd.	31,335,700.00			
Baotou Fenghui Packaging Products Co., Ltd.	105,713,157.76			
Yiyuan Xinyuan Logistics Co., Ltd.	3,333,300.00			
Shandong Kangzheng Inspection and Testing Co., Ltd.	8,000,000.00			
Sub-total	490,661,325.76			

Continued:

Investee name	Changes in current period		Closing balance	Provision for impairment at the end of the period
	Withdrawal of depreciation reserves	Others		
Baotou KONRE Pharma Glass Packaging Co., Ltd.			140,000,000.00	
Yiyuan Xinkang Trading Co., Ltd.			3,000,000.00	
Sichuan Chengxin Pharma Glass Co., Ltd.			198,679,168.00	
Yiyuan Bilufeng Mountain Spring Water Co., Ltd.			600,000.00	
Yiyuan Xin'ao Plastic Products Co., Ltd.			31,335,700.00	
Baotou Fenghui Packaging Products Co., Ltd.			105,713,157.76	
Yiyuan Xinyuan Logistics Co., Ltd.			3,333,300.00	
Shandong Kangzheng Inspection and Testing Co., Ltd.			8,000,000.00	
Sub-total			490,661,325.76	

(IV) Operating income and operating costs

1. Details

Item	Amount in current period		Prior year amount	
	Income	Cost	Income	Cost
Main business	4,187,742,920.61	2,818,903,486.33	3,929,201,441.03	2,778,301,345.34

Other operations	107,372,113.78	70,262,684.30	80,833,773.44	56,845,819.48
Total	4,295,115,034.39	2,889,166,170.63	4,010,035,214.47	2,835,147,164.82

2. Breakdown information of operating income and operating costs

Contract classification	Amount in current period		Prior year amount	
	Operating income	Operating cost	Operating income	Operating cost
Goods type				
Including: Molded bottle series	2,261,333,988.55	1,305,142,561.86	2,146,723,558.20	1,315,148,571.43
Ampoule	68,588,929.90	62,209,949.65	72,948,535.17	69,307,828.97
Tubular bottles	213,339,233.30	227,024,665.39	197,836,499.96	200,968,899.73
Brown bottle series	1,081,534,304.24	857,027,223.13	1,005,573,687.81	833,434,754.58
Butyl rubber stoppers series	286,283,583.59	187,411,269.60	255,665,114.67	194,298,635.63
Aluminum-plastic cap plastic bottle series	55,922,234.58	36,798,428.62	56,263,689.90	37,003,659.91
Others	328,112,760.23	213,552,072.38	275,024,128.76	184,984,814.57
Total	4,295,115,034.39	2,889,166,170.63	4,010,035,214.47	2,835,147,164.82
Classified by operating region				
Including: domestic	2,826,651,634.36	1,885,345,586.66	2,653,173,266.69	1,911,095,303.30
Abroad	1,468,463,400.03	1,003,820,583.97	1,356,861,947.78	924,051,861.52
Total	4,295,115,034.39	2,889,166,170.63	4,010,035,214.47	2,835,147,164.82

(V) Investment income

Item	Amount in current period	Prior year amount
Investment gains from financial assets held for trading during the holding period	11,631,579.36	18,399,071.40
Dividend income from other equity instrument investments during the holding period	1,950.42	
Total	11,633,529.78	18,399,071.40

XV. Supplementary information

Unless otherwise specially indicated, the unit of the data presented in this part shall be RMB.

(I) Non-recurring gains and losses

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

In accordance with the provisions of the "Interpretive Announcement of Information Disclosure of Companies Offering Public Offerings No.1 – Non-Recurring Gains and Losses (Revised in 2023)" issued by the China Securities Regulatory Commission, the Company's non-recurring gains and losses during this period are as follows (profits are listed as +, and losses are listed as -):

Item	Amount	Notes
Gains and losses from disposal of non-current assets include the written-off part of provision for asset impairment	-1,330,555.34	
The governmental subsidy included into current profit and loss, except	10,872,070.22	

for the governmental subsidy which is closely related to the Company's normal business operations, complies with regulations of national policies, is owned according to established standards and exerts sustainable influence on the Company's profit and loss		
Changes in fair value recognized in profit and loss generated by financial assets and financial liability owned by non-financial enterprises and the profit and loss generated by disposing financial assets and financial liability, except for the effective hedging business related with Company's normal business operations	36,094,816.67	
Reversal of impairment provision of accounts receivable for independent impairment test	1,416,975.32	
Other non-operating income and expenses, except the aforesaid items	-295,662.32	
Other profit and loss items in line with the definition of non-recurring gains and losses	161,620.96	Refund of handling charges on individual income tax
Sub-total	46,919,265.51	
Less: Income tax impacted amount (fill in "-" for decrease of income tax expense)	7,500,464.15	
Impacted amount of minority interests (after-tax)		
Net non-recurring gains and losses attributable to shareholders of parent company	39,418,801.36	

(II) Return on equity for net assets and earnings per share

1. Details

In accordance with the provisions of the Corporate Information Disclosure and Compilation Rules for Public Offering of Securities No.9 –Calculation and Disclosure of Return on Net Assets and Earnings Per Share (2010 Revision) issued by China Securities Regulatory Commission, the Company's annual weighted average net assets yield, basic earnings per share and diluted earnings per share during this period are as follows:

Net profit during the reporting period	Weighted average return on equity (%)	Earnings per share (Yuan/Share)	
		Basic EPS	Diluted EPS
Net profit attributable to the company's ordinary shareholders	12.09	1.42	1.42
Net profit attributable to the company's ordinary shareholders after the deduction of non-recurring gains and losses	11.59	1.36	1.36

2. Calculation process

(1) The calculation process of weighted average return on net assets

Item	SN	Amount in
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		current period
Net profit attributable to the company's ordinary shareholders	1	942,991,305.41
Non-recurring gains and losses	2	39,418,801.36
Net profit attributable to the Company's ordinary shareholders after the deduction of non-recurring gains and losses	3=1-2	903,572,504.05
The opening net assets attributable to the equity shareholders of the Company	4	7,534,508,778.17
weighted amount of the net assets attributable to the company's ordinary shareholders due to the issuance of new shares or increase of debt-to-equity during the reporting period	5	
weighted amount of the net assets attributable to the company's ordinary shareholders due to repurchase or the decrease of cash dividend during the reporting period	6	204,614,351.51
Weighted number of changes in net assets resulting from other transactions or events	7	-2,600,256.97
Weighted average net assets	8=4+1*0.5+5-6+7	7,798,789,822.40
Weighted average return on equity	9=1/8	12.09
Weighted average return on equity after deducting non-recurring gains and losses	10=3/8	11.59

[Note 1] The weighted number of changes in net assets during the reporting period is calculated based on the proportion of cumulative months from the following month of net asset changes to the end of the reporting period to the number of months in the reporting period.

[Note 2] The Company distributed dividends twice during this period. The first dividend of RMB 265,445,645.20 was approved by the shareholders general assembly on May 16, 2024; the second dividend of RMB 199,084,233.90 was approved by the first interim shareholders general assembly of 2024 on September 12, 2024. The weighted average net assets need to be calculated separately. Calculation process of weighted average return on net assets after deducting non-recurring gains and losses

Item	SN	Amount in current period
Net profit attributable to the Company's ordinary shareholders after the deduction of non-recurring gains and losses	1	903,572,504.05
Weighted average net assets	2	7,798,789,822.40
Net assets of the merged party of a business merger under the same control attributable to common shareholders of the Company at the beginning of the period	3	
Weighted number of changes in net assets of the merged party of a business merger under the same control attributable to common shareholders of the Company from the beginning of the period to the date of merger	4	
Weighted number of net assets of the merged party of a business merger under the same control attributable to common shareholders of the Company on the date of merger	5	

Weighted average net assets of combination of enterprises under the same control during the reported period.	6=2-3-4+5	7,798,789,822.40
Weighted average return on equity after deducting non-recurring gains and losses	7=1/6	11.59

(2) The calculation process of basic earnings per share

Item	SN	Amount in current period
Net profit attributable to the company's ordinary shareholders	1	942,991,305.41
Non-recurring gains and losses	2	39,418,801.36
Net profit attributable to the Company's ordinary shareholders after the deduction of non-recurring gains and losses	3=1-2	903,572,504.05
Sum of shares at the beginning of the period	4	663,614,113.00
Number of shares increased due to capital reserve capitalization or stock dividend distribution during the reporting period	5	
Weighted average number of shares increased due to new share issuances or debt-to-equity swaps, etc. during the reporting period	6	
Weighted average number of shares decreased due to share buybacks, etc. during the reporting period	7	
Number of shares decreased during the reporting period	8	
Weighted average of outstanding ordinary shares	9=4+5+6-7-8	663,614,113.00
Basic EPS	10=1/9	1.42
Basic earnings per share after deducting non-recurring gains and losses	11=3/9	1.36

[Note] The weighted average of the number of shares increased by issuing new shares or debt-to-equity swaps during the reporting period, and the weighted average of the number of shares decreased by repurchases, are calculated by weighting the cumulative number of months from the month following the share change to the end of the reporting period relative to the number of months in the reporting period.

(3) The calculation process of diluted earnings per share

The calculation process of diluted earnings per share is the same as that of the basic earnings per share

Shandong Pharmaceutical Glass Co., Ltd.

April 23, 2025