IMPORTANT NOTICE

NOT FOR DISTRIBUTION INTO THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer (as defined in the Offering Circular) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

*In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Confirmation of your Representation:

In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to the Joint Lead Managers (as defined in the Offering Circular) and the Issuer (as defined in the Offering Circular) (1) that you and any customers you represent are not, and that the electronic mail address that you gave the Issuer and to which this e-mail has been delivered is not, located in the United States and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person. You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

The materials relating to any offering of securities described in the Offering Circular do not constitute, and may not be used in connection with, an offer or solicitation by or on behalf of any of the Issuer or the Joint Lead Managers in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers are licensed brokers or dealers in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers or any person who controls the Joint Lead Managers or any director, officer, employee or agent of the Joint Lead Managers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The Offering Circular is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Circular.

Actions that you may not take: If you receive this notice by e-mail, you should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

STRICTLY CONFIDENTIAL

漳州市九龍江集團有限公司
ZHANGZHOU JIULONGJIANG GROUP CO., LTD.

(Incorporated with limited liability in the People's Republic of China)

U.S.$500,000,000 4.70 per cent. Sustainability Bonds due 2025

Issue Price: 99.448 per cent.

The U.S.$500,000,000 4.70 per cent. Sustainability Bonds due 2025 (the "**Bonds**") will be issued by Zhangzhou Jiulongjiang Group Co., Ltd. (漳州市九龍江集團有限公司) (the "**Issuer**" or "**Company**"), a company incorporated in the People's Republic of China (the "**PRC**") with limited liability.

The Bonds will bear interest on their outstanding principal amount from and including 27 July 2022 (the "**Issue Date**") at the rate of 4.70 per cent. per annum. Interest on the Bonds is payable semi-annually in arrear on 27 January and 27 July in each year, commencing on 27 January 2023. Payments on the Bonds will be made without deduction for or on account of taxes of the PRC or any authority therein or thereof having power to tax to the extent described under "*Terms and Conditions of the Bonds – Taxation*".

The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4.1 (*Negative Pledge*) of the terms and conditions of the Bonds (the "**Terms and Conditions**")) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Neither the Zhangzhou Municipal Government nor any other PRC governmental entity has any payment or other obligations under the Bonds or the Trust Deed and will not provide a guarantee of any kind for the Bonds. The Bondholders shall have no recourse to the Zhangzhou Municipal Government or any other PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds or the Trust Deed. The Bonds are solely to be repaid by the Issuer and the obligations of the Issuer under the Bonds or the Trust Deed shall solely be fulfilled by the Issuer as an independent legal person. See risk factor titled "*The PRC government shall under no circumstances have any obligation arising out of or in connection with the Bonds or the transaction documents in relation to the Bonds, which are solely to be fulfilled by the Issuer*".

The Issuer undertakes that it will (i) within 15 Registration Business Days (as defined in the Terms and Conditions) after the Issue Date, register or cause to be registered with the State Administration of Foreign Exchange of the PRC or its local branch ("**SAFE**") the Bonds pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines, effective as at 13 May 2013 and amended on 4 May 2015, the Guidelines for the Foreign Exchange Business under the Capital Account (資本項目外匯業務指引) and the Circular of the People's Bank of China on Issues Concerning the Overall Macro Prudential Management System for Cross-Border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the "**Cross-Border Financing Circular**") (the "**Foreign Debt Registration**"), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline (being the day falling 120 Registration Business Days after the Issue Date), and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds, including but not limited to the Cross-Border Financing Circular and any implementing measures promulgated thereunder from time to time.

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the "**NDRC Circular**") issued by the National Development and Reform Commission of the PRC or its local counterparts ("**NDRC**") on 14 September 2015 which came into effect on the same day, the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from NDRC on 24 November 2021 evidencing such registration and intends to provide the requisite information and documents on the issuance of the Bonds to the NDRC within 10 Registration Business Days after the Issue Date.

Unless previously redeemed, or purchased and cancelled, the Issuer will redeem each Bond at its principal amount on 27 July 2025 (the "**Maturity Date**"). At any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (as defined below) (which notice shall be irrevocable), the Issuer may redeem the Bonds in whole, but not in part, at their principal amount, together with any interest accrued to (but excluding) the date fixed for redemption, if (i) the Issuer satisfies the Trustee (as defined herein) immediately prior to giving such notice that the Issuer has or will become obliged to pay Additional Tax Amounts (as defined herein) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 20 July 2022, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it. At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions), each holder of Bonds (each a "**Bondholder**") will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of that Bondholder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 101 per cent. (in the case of a redemption for a Change of Control (as defined in the Terms and Conditions)) or 100 per cent. (in the case of a redemption for a No Registration Event (as defined in the Terms and Conditions)) of their principal amount, together in each case with accrued interest up to (but excluding) such Put Settlement Date. See "*Terms and Conditions — Redemption and Purchase*".

For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*" beginning on page 51.

The Bonds will be issued under the Sustainable Finance Framework of the Issuer. See "*Sustainable Finance Framework*" on page 74.

The Bonds will be issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Investing in the Bonds involves risks. See "*Risk Factors*" beginning on page 13 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*".

The Issuer is rated BBB- by Fitch Ratings Ltd. ("**Fitch**"). The Bonds are expected to be rated BBB- by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Professional Investors**")) only and such permission is expected to become effective on 28 July 2022. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong Investors: The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer, the Group or the quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

The Bonds will be represented initially by interests in a global bond certificate (the "**Global Bond Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Bond Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Bond Certificate.

Sole Green Structuring Adviser

Guotai Junan International

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Guotai Junan International **Industrial Bank Co., Ltd. Hong Kong Branch**

Joint Lead Managers and Joint Bookrunners

Bank of China **CEB International** **China Galaxy International** **China Industrial Securities International** **China International Capital Corporation** **China Securities International** **CLSA** **CMB International**

CMB Wing Lung Bank Limited **CMBC Capital** **CNCB Capital** **Hua Xia Bank Co., Limited Hong Kong Branch** **Huatai International** **Luso Bank Ltd.** **Shanghai Pudong Development Bank Hong Kong Branch**

Offering Circular dated 20 July 2022

NOTICE TO INVESTORS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR ANY OF ITS SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. Investors are advised to read and understand the contents of the Offering Circular before investing. If in doubt, investors should consult their advisers.

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries (the Issuer and its subsidiaries, taken as a whole, the "**Group**") and the Bonds which is material in the context of the issue, offering, sale or distribution of the Bonds (including all information which is required by applicable laws and which, according to the particular nature of the Issuer and the Bonds, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Group and the rights attaching to the Bonds); (ii) the statements contained in this Offering Circular are true, accurate and not misleading in all material respects; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly and reasonably made or held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Group or the Bonds, the omission of which would, in the context of the issue and offering of the Bonds make any statement, opinion or intention expressed in this Offering Circular misleading in all material respects; (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular; (vi) this Offering Circular does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (vii) the statistical, industry and market-related data and forward-looking statements included in this Offering Circular are based on or derived or extracted from sources which the Issuer believes to be accurate and reliable in all material respects.

The Issuer has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of Guotai Junan Securities (Hong Kong) Limited and Industrial Bank Co., Ltd. Hong Kong Branch (the "**Joint Global Coordinators**"), and Bank of China Limited, CEB International Capital Corporation Limited, China Galaxy International Securities (Hong Kong) Co., Limited, China Industrial Securities International Brokerage Limited, China International Capital Corporation Hong Kong Securities Limited, China Securities (International) Corporate Finance Company Limited, CLSA Limited, CMB International Capital Corporation Limited, CMB Wing Lung Bank Limited, CMBC Securities Company Limited, CNCB (Hong Kong) Capital Limited, Hua Xia Bank Co., Limited Hong Kong Branch, Huatai Financial Holdings (Hong Kong) Limited, Luso International Banking Ltd. and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (the "**Joint Bookrunners**", and together with the Joint Global Coordinators, the "**Joint Lead Managers**") or the Issuer to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, the PRC, Singapore and Japan and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see "*Subscription and Sale*". By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Joint Lead Managers, the Trustee or the Agents (as defined herein) or their respective affiliates, directors, officers, employees, agents, representatives or advisers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the merits and risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers accept any responsibility for the contents of this Offering Circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or on their behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, agents, representatives or advisers accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers undertakes to review the results of operations, financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

*In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

IN CONNECTION WITH THIS OFFERING, ANY ONE OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN THE CAPACITY AS THE STABILISATION MANAGER (A "STABILISATION MANAGER") OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER, PROVIDED THAT CHINA CITIC BANK INTERNATIONAL LIMITED SHALL NOT PARTICIPATE IN SUCH STABILISATION IN ANY EVENT, MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT AND EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS.

Any of the Joint Lead Managers and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Group.

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

Industry and Market Data

Market data and certain industry forecasts used throughout this Offering Circular (if any) have been obtained based on internal surveys, market research, public information and industry publications. Industry publications (if any) generally state that the information that they contain has been obtained from sources believed by the Issuer to be reliable and accurate but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research (if any), while believed to be reliable, have not been independently verified, and none of the Issuer, the Joint Lead Managers or their respective affiliates, directors, officers, employees, agents, representatives and advisers makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information (if any) should not be unduly relied upon.

Presentation of Financial Information

This Offering Circular contains the consolidated financial information of the Group as at and for the year ended 31 December 2019, which has been extracted from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020 (the "**2020 Audited Consolidated Financial Statements**") and the consolidated financial information of the Group as at and for the years ended 31 December 2020 and 2021, which has been extracted from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2021 (the "**2021 Audited Consolidated Financial Statements**" and together with the 2020 Audited Consolidated Financial Statements, the "**Group's Audited Consolidated Financial Statements**"). The Group's Audited Consolidated Financial Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises in the PRC (the "**PRC GAAP**") and have been audited by Huaxing Certified Public Accountants LLP ("**Huaxing**"), the independent auditor of the Issuer in accordance with Auditing Standards for Chinese Certified Public Accountants.

PRC GAAP is substantially in line with the International Financial Reporting Standards ("**IFRS**"), except for certain modifications which reflect the PRC's unique circumstances and environment, see "*Summary of Certain Differences between PRC GAAP and IFRS*".

Only the English translation of the Group's Audited Consolidated Financial Statements has been included in this Offering Circular. Should there be any inconsistency between the Chinese version and the English translation of the Group's Audited Consolidated Financial Statements, the Chinese version shall prevail. The Joint Lead Managers have not independently verified or checked the accuracy of the English translation of the Group's Audited Consolidated Financial Statements and can give no assurance that the information contained therein is accurate, truthful or complete.

The Chinese version of the auditor's reports containing the 2020 Audited Consolidated Financial Statements and 2021 Audited Consolidated Financial Statements are available at the following website: www.chinamoney.com.cn.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "**PRC**" and "**China**" are to the People's Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan); all references to the "**United States**" and "**U.S.**" are to the United States of America; all references to "**PRC Government**" are to the people's government of the PRC; all references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; all references to "**Renminbi**" and "**RMB**" are to the lawful currency of the PRC; and all references to "**USD**", "**U.S.$**" and "**U.S. dollars**" are to the lawful currency of the United States of America. Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all.

This Offering Circular contains translation of certain Renminbi amounts into U.S. dollars at a specified rate solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Issuer has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB6.3726 to U.S.$1.00 (the noon buying rate as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York on 30 December 2021). Further information regarding exchange rate is set forth in "*Exchange Rates*" in this Offering Circular. No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

FORWARD-LOOKING STATEMENTS

The Issuer has made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute "**forward-looking statements**". Some of these statements can be identified by forward-looking terms, such as "**anticipate**", "**target**", "**believe**", "**can**", "**would**", "**could**", "**estimate**", "**expect**", "**aim**", "**intend**", "**may**", "**plan**", "**will**", or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue and profitability, planned projects and other matters as they relate to the Issuer and/or the Group discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer or by any third party) involve known and unknown risks, including those disclosed under the caption "*Risk Factors*", uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

The factors that could cause the actual results, performances and achievements of the Issuer, the Group or any member of the Group to be materially different include, among others:

- the Issuer's ability to successfully implement its business plans and strategies;
- various business opportunities that the Issuer may pursue;
- financial condition, performance and business prospects of the Issuer;
- the Issuer's capital expenditure plans and its ability to carry out those plans;
- access and cost of capital and financing;
- changes in the competition landscape in the industries where the Group operates;
- any changes in the laws, rules and regulations of the PRC Government and the Zhangzhou Municipal Government and the rules, regulations and policies of the governmental authorities relating to all aspects of the Issuer's business;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Issuer operates;
- macroeconomic measures taken by the PRC Government to manage economic growth;
- changes in the global economic conditions; and
- other factors, including those discussed in "*Risk Factors*".

The Issuer does not undertake any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

TABLE OF CONTENTS

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including the section entitled 'Risk Factors', before making an investment decision.

Overview

The Group is headquartered in Zhangzhou city of Fujian Province in the PRC. As at the date of this Offering Circular, the Company is owned by Zhangzhou State-owned Assets Supervision and Administration Commission ("**Zhangzhou SASAC**") and Fujian Provincial Department of Finance, the shareholdings of which are 90 per cent. and 10 per cent. respectively. The Company traces its history back to 1956. In January 1993, Zhangzhou Pientzehuang Pharmaceutical Group Limited (漳州片仔癀集團公司) was formed. In March 2011, Zhangzhou SASAC approved the restructuring of Zhangzhou Pientzehuang Pharmaceutical Group Limited (漳州片仔癀集團公司) into a wholly state-owned enterprise, changing its name to Zhangzhou Jiulongjiang Construction Co., Ltd. (漳州市九龍江建設有限公司). In March 2014, as part of its enactment of reform policies aimed at strengthening state-owned enterprises, Zhangzhou SASAC approved the name change of Zhangzhou Jiulongjiang Construction Co., Ltd. (漳州市九龍江建設有限公司) to Zhangzhou Jiulongjiang Group Co., Ltd. (漳州市九龍江集團有限公司). In June 2019, the Company increased its registered capital to RMB4 billion and subsequently in July 2021, Zhangzhou SASAC transferred 10 per cent. of equity interests it held in the Company to Fujian Provincial Department of Finance.

The Group is one of the four largest state-owned enterprises in terms of total assets and profitability in Zhangzhou city, with total assets of RMB100.8 billion, net assets of RMB35.7 billion, operating income of RMB34.5 billion, operating profit of RMB3.7 billion and net profits of RMB3.0 billion as at and for the year ended 31 December 2021. The Group's total assets, net assets, operating income, operating profit, gross profit and net profit as at and for the year ended 31 December 2021 accounted for 38.13 per cent., 41.16 per cent., 42.78 per cent., 54.22 per cent., 86.67 per cent. and 53.29 per cent. of the total assets, net assets, operating income, operating profit, gross profit and net profit of all municipal state-owned enterprises in Zhangzhou city, respectively. As at 31 December 2019, 2020 and 2021, total assets of the Group amounted to RMB78.9 billion, RMB86.5 billion and RMB100.8 billion respectively. For the year ended 31 December 2021, the Group recorded an operating profit margin of 10.7 per cent. and a net profit margin of 8.7 per cent. The Group ranked the first in terms of all the financial information listed above among all the municipal-level key state-owned enterprises in Zhangzhou city.

The Group has also enjoyed continuous growth in its revenue in the past three years. For the years ended 31 December 2019, 2020 and 2021, its revenue amounted to RMB18.67 billion, RMB21.72 billion and RMB34.47 billion respectively.

As at 31 March 2022, the Group received a total of RMB35,122 million of bank credit, with unused credit line amounted to RMB10,335 million.

The Group has established its core business in five segments, namely (i) pharmaceutical manufacturing, (ii) investment, (iii) machinery manufacturing, (iv) trading and (v) others. There are two listed entities within the Group, namely Zhangzhou Pientzehuang Pharmaceutical Co., Ltd. (漳州片仔癀藥業股份有限公司) ("**Zhangzhou Pientzehuang Pharmaceutical**") (600436.SH), in which the Group holds 55.04 per cent. of the share capital as at the date of this Offering Circular, and Fujian Longxi Bearing (Group) Co., Ltd. (福建龍溪軸承(集團)股份有限公司) ("**Fujian Longxi Bearing**") (600592.SH), in which the Group holds 37.85 per cent. of the share capital as at the date of this Offering Circular. The market capitalisation of the aforementioned two listed entities was RMB215.22 billion and RMB3.16 billion respectively as at 30 June 2022.

Key Competitive Strengths

- The Group is an important state-owned capital investment entity of the Zhangzhou Municipal Government
- The Group is a leading state-owned enterprise, owned and directly supervised by Zhangzhou SASAC and Fujian Provincial Department of Finance, and enjoys governmental subsidies and favourable policies
- Sound corporate governance with experienced and committed management team
- The Group has diversified business portfolio
- The Group enjoys access to diversified financing avenues

Strategies

- Explore innovation of financing models
- Focus on the further development of its core business and the expansion of new business

Recent Developments

Financial performance as at and for the three months ended 31 March 2022

The Group has prepared its unaudited and unreviewed financial information as at and for the three months ended 31 March 2022 (the "**March 2022 Financial Information**"). For the avoidance of doubt, the March 2022 Financial Information is not and shall not be deemed to be incorporated by reference or otherwise included in this Offering Circular. Such information has not been subject to an audit or review and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review.

As at 31 March 2022, the Group's short-term borrowings and long-term borrowings have increased primarily due to the adjustment of its debt structure, as compared with 31 December 2021. As at 31 March 2022, the Group's non-current liabilities due within one year has increased primarily due to the adjustment of the maturity of its interest-bearing indebtedness, as compared with 31 December 2021. For the three months ended 31 March 2022, the Group's operating cost has significantly increased primarily due to the substantial increase in trade volume, as compared with the corresponding period in 2021. For the three months ended 31 March 2022, the Group's operating revenue has significantly increased primarily due to the increase in the revenue generated from its trading business, as compared with the corresponding period in 2021.

Bonds Issuance in the PRC after 31 December 2021

See descriptions under the "*Capitalisation and Indebtedness*".

THE OFFERING

The following is a brief summary of the offering and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" and "Summary of Provisions Relating to the Bonds in Global Form" shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Bonds, see "Terms and Conditions of the Bonds" in this Offering Circular.

Issuer	Zhangzhou Jiulongjiang Group Co., Ltd.
Bonds	U.S.$500,000,000 4.70 per cent. Sustainability Bonds due 2025.
Issue Price	The Bonds will be issued at 99.448 per cent. of their principal amount.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Issue Date	27 July 2022.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 27 July 2022, at the rate of 4.70 per cent. per annum, payable semi-annually in arrear on 27 January and 27 July in each year, commencing on 27 January 2023.
Maturity Date	27 July 2025.
Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4.1 (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 4.1 (*Negative Pledge*) of the Terms and Conditions.
Use of Proceeds	The net proceeds of the issue of the Bonds will be used as further described in *"Use of Proceeds"*.
Events of Default	The Bonds will contain certain events of default as further described in Condition 9 (*Events of Default*) of the Terms and Conditions.
Cross-Default	The Bonds are subject to a cross-default provision as further described in Condition 9.3 (*Cross-Default*) of the Terms and Conditions.

Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the PRC or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the aggregate rate applicable on 20 July 2022 (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required. If Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Tax Amounts shall be payable in the circumstances set out in Condition 8 (*Taxation*) of the Terms and Conditions.
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
Redemption for Relevant Events	Following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date, as further described in Condition 6.3 (*Redemption for Relevant Events*) of the Terms and Conditions. A "**Change of Control**" occurs when: (A) the Controlling Persons together, cease to directly or indirectly hold or own 80 per cent. of the issued share capital of the Issuer; or (B) the Issuer consolidates with or merges into any other person or persons, acting together, whose issued share capital is/are not directly or indirectly 80 per cent. held or owned by the Controlling Persons (whether singly or in combination).

	"**Controlling Persons**" means (i) the State-owned Assets Supervision and Administration Commission of the State Council or any successor entity thereto, (ii) the State-owned Assets Supervision and Administration Commission of Zhangzhou City, (iii) Fujian Provincial Department of Finance and (iv) the government of the PRC, or any entity wholly-owned by the government of the PRC.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) at their principal amount, together with any interest accrued up to but excluding the date fixed for redemption, if: (A) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 20 July 2022; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds were then due, as further described in Condition 6.2 (*Redemption for Taxation Reasons*) of the Terms and Conditions.
Further Issues	The Issuer is at liberty from time to time, without the consent of the Bondholders and in accordance with the Trust Deed, to create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the timing for complying with the Registration Conditions, for completing the NDRC Post-Issue Filing and for making the Foreign Debt Registration) and so that the same shall be consolidated and form a single series with the outstanding Bonds, as further described in Condition 15 (*Further Issues*) of the Terms and Conditions.
Trustee..	The Hongkong and Shanghai Banking Corporation Limited.
Principal Paying Agent, Registrar and Transfer Agent ..	The Hongkong and Shanghai Banking Corporation Limited.

Clearing Systems	The Bonds will be represented initially by beneficial interests in the Global Bond Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream.
Clearance and Settlement	The Bonds have been accepted for clearance through Euroclear and Clearstream with a Common Code of 249705128 and an ISIN Code of XS2497051289.
Legal Entity Identifier	30030040TUNWHOUW2348.
Notices and Payment	So long as the Bonds are represented by the Global Bond Certificate and the Global Bond Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the Global Bond Certificate), any notice to the Bondholders shall be validly given by the delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Terms and Conditions.
Governing Law	English law.
Sustainable Finance Framework	The Bonds will be issued under the Sustainable Finance Framework (as defined below). See "*Sustainable Finance Framework*".
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "*Subscription and Sale*".
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only as described in this Offering Circular and it is expected that the dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will become effective on or about 28 July 2022.
Ratings	The Issuer is rated BBB- by Fitch. The Bonds are expected to be rated BBB- by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including the section entitled "Risk Factors", before making an investment decision.

The summary consolidated financial information of the Group as at and for the year ended 31 December 2019 set forth below is derived from the 2020 Audited Consolidated Financial Statements. The summary consolidated financial information of the Group as at and for the years ended 31 December 2020 and 2021 is derived from the 2021 Audited Consolidated Financial Statements. Such financial information should be read in conjunction with the 2020 Audited Consolidated Financial Statements, the 2021 Audited Consolidated Financial Statements and their respective notes thereto. The Group's Audited Consolidated Financial Statements were prepared and presented in accordance with the PRC GAAP and have been audited by Huaxing, the independent auditor of the Issuer in accordance with Auditing Standards for Chinese Certified Public Accountants.

PRC GAAP is substantially in line with the IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment, see "Summary of Certain Differences between PRC GAAP and IFRS".

Only the English translation of the Group's Audited Consolidated Financial Statements has been included in this Offering Circular. Should there be any inconsistency between the Chinese version and the English translation of the Group's Audited Consolidated Financial Statements, the Chinese version shall prevail. The Chinese version of the auditor's reports containing the 2020 Audited Consolidated Financial Statements and 2021 Audited Consolidated Financial Statements are available at the following website: www.chinamoney.com.cn.

Historical results of the Group are not necessarily indicative of results that may be achieved for any future period.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December		
	2019	**2020**	**2021**
		(RMB) **(audited)**	
I. Total operating income	**18,673,957,683.18**	**21,715,409,450.47**	**34,472,735,492.93**
Including: Operating income	18,673,957,683.18	21,715,409,450.47	34,472,735,492.93
II. Total operating costs	**16,069,387,772.06**	**18,790,510,477.89**	**30,734,563,804.24**
Including: Operating costs	14,000,777,162.83	16,867,817,213.05	28,081,344,405.31
Taxes and surcharges	99,912,270.41	133,973,215.53	203,129,843.71
Selling expenses	632,482,185.22	791,306,570.23	750,932,792.77
Administrative expenses	509,684,056.78	571,754,525.48	660,375,445.26
Research and development expenses	210,476,169.00	205,537,171.73	308,247,194.50
Finance expenses	616,055,927.82	220,121,781.87	730,534,122.69
Including: Interest expenses	679,789,748.70	565,780,420.55	731,119,560.34
Interest income	155,347,663.11	156,891,387.13	209,198,186.09
Add: Other income	228,334,570.83	246,411,018.32	233,529,142.83
Gains from investment	709,213,126.04	(624,863,940.51)	(411,932,137.06)
Gains from changes in fair value	122,592,072.52	80,994,130.44	57,537,790.92
Credit losses	(487,590.90)	(6,319,735.20)	(50,972,556.24)
Impairment of assets	(42,505,388.31)	(52,428,665.33)	(104,576,714.52)
Gains from disposal of assets	5,749,870.40	87,697,468.05	219,742,020.23
III. Operation profit	**3,627,466,571.70**	**2,656,389,248.35**	**3,681,499,234.85**
Add: Non-operating income	56,445,972.31	45,980,449.13	38,293,120.27
Less: Non-operating expense	34,456,474.19	38,841,207.26	43,748,329.60
IV. Total profits	**3,649,456,069.82**	**2,663,528,490.22**	**3,676,044,025.52**

	Year ended 31 December		
	2019	2020	2021
		(RMB) (audited)	
Less: Income taxes expense	606,533,623.76	553,724,813.66	664,598,093.28
V. Net profit	**3,042,922,446.06**	**2,109,803,676.56**	**3,011,445,932.24**
(I) Classified by going concern			
1. Net profit of going concern	3,042,922,446.06	2,109,411,134.04	3,011,445,932.24
2.Net profit of discontinuing operation	18,065,953,380.65	392,542.52	
(II) Classified by attribution of ownership			
1. Net profits attributable to shareholders of the parent	2,296,232,655.60	1,230,791,753.60	1,609,145,791.69
2.Minority shareholders' profit or loss	746,689,790.46	879,011,922.96	1,402,300,140.55
VI. Net amount of other comprehensive income after tax	**252,424,318.80**	**116,571,659.64**	**(26,402,932.90)**
Net amount of other comprehensive income after tax owned by parent company's owners	188,206,893.86	90,922,694.28	1,534,129.87
(I) Other comprehensive income not to be reclassified	47,180,426.02	3,206,536,332.00	2,246,960.85
1. Change as a result of remeasurement of the net defined benefit plan	(1,583,138.19)	3,183,587.47	64,208.23
2. Other comprehensive income under the equity method that will not he reclassified to profit or loss		(3,625,180.70)	(42,209,185.17)
3. Fair value changes of other investments in equity instruments	48,763,564.21	32,506,956.75	44,391,937.79
4. Changes in lair value of the company's own credit risk			
(II) Other comprehensive income to the reclassified to profit and loss	141,026,467.84	58,657,330.76	(712,830.98)
1. Other comprehensive incomes of the investee to be reclassified into profit and loss under equity method	30,218,799.81		
2. Changes in fair value of other debt investment			
3. Gain/Loss from change in the fair value of available-for-sale financial assets	110,115,261.81	60,444,247.29	
4. Amount of financial assets reclassified into other comprehensive income			
5. Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets			
6. Provision for credit impairment of other debt investment			
7. Cash flow hedging reserve			
8. Translation difference in the foreign currency financial statements	604,406.58	(1,564,644.55)	(747,186.36)
9. Others	87,999.64	(22,271.98)	34,355.38
Net amount of other comprehensive incomes after tax attributable to minority interests	64,217,424.94	25,648,965.36	(27,937,062.77)
VII. Total comprehensive income	**3,295,346,764.86**	**2,226,375,336.20**	**2,985,042,999.34**
Total comprehensive income attributable to shareholders of the parent	2,484,439,549.46	1,321,714,447.88	1,610,679,921.56
Total comprehensive income attributable to minority interests	810,907,215.40	904,660,888.32	1,374,363,077.78
VIII. Earnings per share:			
(I) Basic earning per share (Yuan/share)			
(II) Diluted earnings per share (Yuan/share)			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2019	2020	2021
		(RMB) (audited)	
Current assets:			
Cash and cash equivalents	8,121,137,532.94	10,357,608,206.12	14,167,901,345.92
Financial assets held for trading	358,254,608.39	567,871,219.96	646,082,774.50
Financial assets at fair value through profit or loss (FVTPL)	3,497,613.53	2,400,642.76	
Notes receivable	208,860,690.74	433,332,439.05	38,982,814,956.00
Accounts receivable	970,153,765.40	957,745,173.23	1,129,691,193.21
Receivable financing	6,460,909.45	74,470,653.79	168,296,569.51
Prepayments	1,202,173,070.15	1,032,017,370.12	2,979,833,830.43
Other receivables	624,476,317.09	2,148,286,606.83	1,217,731,943.09
Including: Interest receivable	274,800,867.68	1,776,915,590.95	
Inventories	4,510,875,370.46	4,912,476,657.08	5,223,822,050.43
Assets held-for-sale		1,286,743.36	
Non-current assets due within one year			155,000,000.00
Other current assets	830,190,175.19	189,647,960.57	260,319,971.33

	As at 31 December		
	2019	2020	2021
		(RMB) (audited)	
Total current assets	**16,836,080,053.34**	**20,677,143,672.87**	**26,338,507,827.98**
Non-current assets:			
Loans and advances to customers	172,962,101.69	169,218,972.69	161,018,972.69
Debt investment			47,055,181,563.31
Financial assets available for sale	2,165,514,232.46	2,273,160,859.64	
Held-to-maturity investment	43,846,657,864.49	43,459,357,864.49	
Long-term receivables	20,303,000.00	9,183,000.00	30,241,000.00
Long-term equity investments	6,434,796,340.04	5,911,089,141.33	5,413,367,894.19
Other equity instrument investment	447,841,830.58	470,149,988.79	2,798,998,157.56
Other non-current financial assets:		60,650,458.07	61,687,985.95
Investment properties	504,229,717.45	485,352,718.36	470,646,921.50
Fixed assets	1,879,475,886.71	1,821,365,388.17	3,070,122,935.08
Construction in progress	681,646,686.66	4,954,056,913.21	8,291,615,384.49
Productive biological assets	15,550,265.37	18,306,429.05	18,194,841.16
Use-right assets			108,794,653.15
Intangible assets	1,248,869,103.19	1,245,165,190.47	1,565,803,079.51
Goodwill	2,460,540,936.99	2,460,540,936.99	2,460,540,936.99
Long-term deferred expenses	65,306,868.99	99,454,049.52	120,575,443.99
Deferred income tax assets	117,200,861.54	111,670,671.54	166,791,357.63
Other non-current assets	1,956,563,056.14	2,317,557,808.80	2,635,630,791.98
Total non-current assets	**62,017,458,752.30**	**65,866,280,391.12**	**74,429,211,919.18**
Total assets	**78,853,538,805.64**	**86,543,424,063.99**	**100,767,719,747.16**
Current liabilities:			
Short-term borrowings	11,030,278,700.97	10,379,843,120.02	12,261,257,610.95
Notes payable	308,547,936.57	1,534,720,353.76	4,050,031,305.23
Accounts payable	1,257,668,762.14	958,931,087.04	974,499,199.76
Receipts in advance	1,153,724,294.01	1,173,440,646.56	8,589,177.98
Contract Liabilities		322,493,273.67	1,415,591,602.35
Employee remunerations payable	169,509,202.41	162,217,586.58	180,230,617.06
Taxes payable	471,734,393.73	358,487,843.45	882,245,780.43
Other payables	1,163,481,412.61	1,327,377,051.97	658,416,795.87
Including: Interest payable	636,052,499.62	757,734,861.28	
Dividends payable	2,793,367.33	24,117,200.05	18,151,664.36
Non-current liabilities due within one year	5,309,678,807.31	8,965,034,377.95	12,135,011,591.92
Other current liabilities	6,257,003.69	55,094,542.64	3,256,669,734.16
Total current liabilities	**20,870,880,513.44**	**25,237,639,883.64**	**35,822,543,415.71**

	As at 31 December		
	2019	2020	2021
		(RMB) (audited)	
Non-current liabilities:			
Long-term borrowings	7,418,400,000.00	7,068,492,329.00	8,464,092,196.26
Bonds payable	21,165,654,581.83	21,116,599,079.16	18,891,309,284.92
Lease liability			86,668,180.12
Long-term payables	829,775,010.64	720,554,462.94	831,768,593.74
Long-term employee remunerations payable	54,909,041.95	49,482,962.64	53,062,071.79
Accrued liabilities	174,308.22	276,037.48	1,259,200.00
Deferred income	129,567,135.12	124,476,345.81	370,240,780.51
Deferred tax liabilities	404,125,474.23	427,878,683.16	464,837,088.68
Other non-current liabilities	3,124,086.44	58,399,309.22	35,561,678.33
Total non-current liabilities	**30,005,729,638.43**	**29,566,159,209.41**	**29,198,799,074.35**
Total liabilities	**50,876,610,151.87**	**54,803,799,093.05**	**65,021,342,490.06**
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	4,000,000,000.00	4,000,000,000.00	4,000,000,000.00
Other equity instruments	7,452,557,547.16	8,961,123,584.88	9,876,874,528.28
Perpetual debts	7,452,557,547.16	8,961,123,584.88	9,876,874,528.28
Capital reserve	3,563,536,477.65	3,576,527,658.28	9,238,693,924.91
Other comprehensive incomes	491,237,890.09	582,160,584.37	547,626,178.83
Special reserve	4,730,656.74	6,106,259.57	6,230,373.88
Surplus reserve	524,232,703.17	577,000,925.45	813,538,457.59
General risk provisions			
Undistributed profit	4,715,766,121.45	5,080,174,063.79	5,301,124,812.52
Total equity attributable to shareholders of the parent	20,752,061,396.26	22,783,153,076.34	25,784,088,276.01
Minority interests	7,224,867,257.51	8,956,471,894.60	9,962,288,981.09
Total shareholder's equity	27,976,928,653.77	31,739,624,970.94	35,746,377,257.10
Total liabilities and owners' equity	78,853,538,805.64	86,543,424,063.99	100,767,719,747.16

CONSOLIDATED CASH FLOWS STATEMENT

	Year ended 31 December		
	2019	2020	2021
		(RMB) (audited)	
I. Cash flows from operating activities			
Cash received from sales of goods or rendering services	20,310,799,048.36	22,275,574,068.63	37,207,661,058.19
Tax refunds received	18,735,438.43	11,301,405.76	17,596,683.17
Cash received from other operating activities	9,779,472,923.65	5,621,846,586.28	3,507,324,761.61
Sub-total of cash inflows from operating activities	30,109,007,410.44	27,908,722,060.67	40,732,582,503.97
Cash paid for purchasing goods and services	14,066,373,129.04	17,424,548,298.29	27,297,791,072.56
Cash paid to and for employees	687,818,837.93	761,422,746.82	868,269,274.72
Payments of taxes and levies	1,250,684,957.08	1,447,161,906.28	1,583,926,109.36
Cash paid for other operating activities	9,722,303,808.47	6,007,090,312.46	6,816,550,744.50
Sub-total of cash outflows from operating activities	25,727,180,732.52	25,640,223,263.85	36,566,537,201.14
Net cash flows from operating activities	4,381,826,677.92	2,268,498,796.82	4,166,045,302.83
II. Cash flows from investment activities:			
Cash received from disinvestment	6,454,425,366.13	8,248,982,150.04	18,770,821,964.01
Cash received from investment income	353,126,746.09	132,428,465.00	2,420,734,092.71
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	26,273,487.44	259,739,617.76	30,534,473.56
Net cash received from disposal of subsidiaries and other business entities	(7,007,744.66)		
Cash received relating to other investing activities	112,574,680.41	424,133,129.00	180,670,000.00
Sub-total of cash inflows from investing activities	6,939,392,535.41	9,065,283,361.82	21,402,760,530.28
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	760,836,070.20	4,942,091,031.60	4,955,197,810.21
Cash paid for investments	14,929,498,268.64	7,669,377,081.66	22,444,963,227.72
Net cash paid for acquisition of subsidiaries and other business entities		1,911,904.47	
Cash paid relating to other investment activities	170,873,256.57	9,870,000.00	232,730,000.00
Sub-total of cash outflows from investing activities	15,861,207,595.41	12,623,250,017.73	27,632,891,037.93

	Year ended 31 December		
	2019	2020	2021
		(RMB) (audited)	
Net cash flows from investing activities	(8,921,815,060.00)	(3,557,966,655.91)	(6,230,130,507.65)
III. Cash flows from financing activities:			
Cash received from capital contribution	1,377,290,737.45	1,188,540,000.00	147,680,000.00
Including: Cash contribution to subsidiaries from minority shareholders' investment			15,680,000.00
Cash received from borrowings	20,622,943,938.99	22,092,521,769.39	30,923,905,496.52
Cash received from issue of bonds	12,503,161,026.62	13,583,454,620.41	10,729,133,000.00
Cash received relating to other financing activities	802,804,787.47	28,394,310.54	378,760.38
Sub-total of cash inflows from financing activities	35,306,200,490.53	36,892,910,700.34	41,801,097,256.90
Cash paid for repayment of borrowings	26,221,771,069.46	31,894,093,097.71	34,379,403,931.50
Cash payments for interest expenses and distribution of dividends or profits	3,840,600,216.53	1,653,887,850.98	37,654,923,135.45
Cash paid relating to other financing activities	67,944,875.28	50,709,488.46	69,298,516.86
Sub-total of cash outflows from financing activities	30,130,316,161.27	33,598,690,437.15	38,214,194,803.81
Net cash flows from financing activities	5,175,884,329.26	3,294,220,263.19	3,586,902,453.09
IV. Effects of foreign exchange rate changes on cash and cash equivalent	(1,346,927.23)	(1,193,091.55)	(4,701,980.21)
V. Net increase in cash and cash equivalents	634,549,019.95	2,003,559,312.55	1,518,115,268.06
Add: Opening balance of cash and cash equivalents	4,661,047,674.71	5,295,596,694.66	7,299,156,007.21
VI. Closing balance of cash and cash equivalents	5,295,596,694.66	7,299,156,007.21	8,817,271,275.27

CERTAIN FINANCIAL INDICATORS

The following table includes certain figures relating EBITDA. EBITDA is not a standard measure under PRC GAAP, but is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as revenue and cost and the amount by which EBITDA exceeds capital expenditures and other charges. EBITDA have been included because it is believed that each is a useful supplement to cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definition.

	As at 31 December			
	2019	2020	2021	2021
		(RMB in millions) (audited)		(U.S.$ in millions)
Total interest bearing borrowings	44,924.01	47,529.97	51,751.67	8,120.97
Total capitalisation	57,982.66	61,305.78	64,945.18	10,191.32

	Year ended 31 December		
	2019	2020	2021
		(RMB in millions)	
EBITDA[(1)]	4,556.43	3,610.14	4,777.60
Interest expenses	679.79	565.78	731.12

Note:

(1) EBITDA consists of the sum of EBIT, interest expenses, depreciation and amortisation.

Financial Ratios

	Year ended 31 December		
	2019	2020	2021
Total interest-bearing borrowings/EBITDA	11.36	13.17	10.83
Total interest-bearing borrowings/Total capitalisation	0.77	0.78	0.80
EBITDA/Interest expenses	6.70	6.38	6.53

RISK FACTORS

An investment in the Bonds is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks relating to the Group, its business, the market in which the Group operates and the value of Bonds. Some risks may be unknown to the Issuer and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations or prospects of the Issuer and the Group or the value of the Bonds. The Issuer believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Issuer to pay interest, principal or other amounts on or in connection with any Bonds may be affected by some factors that may not be considered as significant risks by the Issuer on information currently available to them or which they are currently unable to anticipate. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

The Issuer does not represent that the statements below regarding the risk factors of holding any Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP'S BUSINESS

Risks relating to the Group's Pharmaceutical Manufacturing Business

The Group is subject to extensive and changing legal and regulatory requirements in the PRC pharmaceutical industry, and any violation of the relevant laws, rules and regulations or promulgation of new laws, rules and regulations may impose significant compliance burdens on the Group.

The pharmaceutical industry in China is subject to extensive government regulation and supervision as well as monitoring by various government authorities. In particular, the current regulatory framework addresses all aspects of a pharmaceutical company's operations. Any serious violation of the relevant laws, rules and regulations may constitute a criminal offence under certain circumstances. Certain other laws, rules and regulations may affect the pricing, demand and distribution of the products sold by the Group. In addition, pharmaceutical distribution and pharmaceutical retail industries in China are each subject to extensive and changing government regulations and supervision. Any unfavourable regulatory changes in these industries may also increase the Group's compliance burden and materially and adversely affect the Group's business, profitability and prospects.

According to Law of the People's Republic of China against Unfair Competition (中華人民共和國反不正當競爭法) issued by Standing Committee of the National People's Congress on 2 September 1993 and amended on 4 November 2017 and 23 April 2019, business operators shall not make false or misleading commercial promotion for the performance, functions, quality, sales, user evaluation, accolades et cetera in relation to products so as to defraud or mislead consumers. Enterprises found to be in breach of such regulations may be subject to penalties. PRC regulations that govern advertisements for medicine restrict the inclusion in such advertisements the cure rate or effect of the relevant product, comparison of effects and safety with other medicines, as well as the quoting of the opinion of any medical scientific research entity, medical practitioners and industry experts in commercials. Breach of such regulations by any business operator may lead to fines. If the Group were to include any information about its products in their product packaging in breach of the applicable law and regulations in the PRC, the Group may be subject to monetary penalties, which may negatively impact its financial performance. Any such non-compliance may damage the Group's reputation with institutional customers, such as pharmaceutical distributors or hospitals, or individual retail customers.

In December 2016, the PRC government launched the "two-invoice" system (兩票制) in drug distribution on a trial basis in all the comprehensive healthcare reform pilot provinces and public hospital reform pilot cities. The system is expected to be fully implemented in public medical institutions across the country by the end of 2018. The two-invoice system generally requires a drug manufacturer to only invoice once to its distributor followed by the distributor issuing a second invoice to the end customer public medical institution (except for anaesthetics and Class 1 psychotropic drugs). The system also encourages manufacturers to directly settle the payment of drug products with public medical institutions and to directly settle the payment of distributions with distributors. While the implications remain uncertain, should such pilot program become mandatory nationwide, given that a portion of the Group's business is conducted through procurement from other distributors, the Group has adjusted its business model in response to the "two-invoice" system. In response to the implementation of the "two-invoice system", the Group has been gradually transforming its business focus to developing third-party logistics services business for pharmaceutical companies and medical equipment manufacturers. However, there is no assurance that the Group can complete the adjustment to its business modes or transformation of business focus as planned, which could result in a material and adverse effect on the Group's business, financial condition and results of operations.

The existence of counterfeit products in the pharmaceutical distribution and retail markets in China may damage the Group's brand and reputation, expose the Group to liability claims, and have a material adverse effect on the Group's business, financial condition and results of operations.

Certain products distributed or sold in the pharmaceutical distribution and retail markets in China may be fraudulently mislabelled with respect to their content and/or manufacturer. These products are generally referred to as counterfeit pharmaceutical products. The current counterfeit product regulation control and enforcement system in China is not sufficiently mature to completely eliminate the manufacturing and sales of counterfeit pharmaceutical products. Counterfeit pharmaceutical products are generally sold at lower prices than authentic pharmaceutical products, and, in some cases, are very similar in appearance to the authentic pharmaceutical products. Therefore, the presence of counterfeit products of pharmaceuticals manufactured and distributed by the Group can quickly erode the Group's sales volumes and operating income for the relevant products.

Furthermore, counterfeit products may or may not have the same chemical composition as the authentic counterparts, which may make them less effective than the authentic ones, entirely ineffective, or more likely to cause severe adverse side effects. Any sales of counterfeit products by third parties illegally using the Group's brand names, may subject the Group to negative publicity, fines and other administrative penalties, or even result in litigation against the Group. Moreover, the continuing presence of counterfeit products may reinforce the negative image of distributors and retail pharmacies among consumers in general, and may severely harm the reputation and brand names of pharmaceutical companies, including the Group's. Similarly, consumers may buy counterfeit products that are in direct competition with products manufactured by the Group or products distributed in the Group's pharmaceutical distribution business, which may materially and adversely affect the sales volumes of the relevant products in the Group's portfolio and further impact the Group's business, financial condition, results of operations and prospects.

The Group relies on the distribution of national authorities for the continued supply of raw materials for its pharmaceutical manufacturing business.

The Group relies on the distribution of the main raw material from the national forestry authorities to manufacture its products, while it is the authorities to decide the quantity and prices of such raw materials. the Group must obtain sufficient quantities of high-quality raw materials at commercially acceptable prices in a timely manner. The Group may face supply shortages and fluctuations in prices of raw materials. The availability and prices of the raw materials required for the Group's production of pharmaceutical products may be impacted by various factors, such as limited sources of supply, adverse weather conditions and natural disasters, many of which are unforeseeable and beyond the Group's control. Should the prices of the raw materials increase significantly, there can be no assurance that the Group will be able to pass on any increase in raw material costs to its customers. Any substantial fluctuation in the prices of raw materials may significantly increase the Group's costs, resulting in the Group reducing, suspending or ceasing production or sales of certain of its pharmaceutical products, thereby reducing the Group's sales and profit.

The Group's growth relies in part on the continuing expansion and reforms of the PRC healthcare industry, the anticipated growth of which may not be timely achieved, or at all.

The PRC healthcare industry has undergone various stages of reform in recent years. The PRC government promulgated rules and regulations and announced plans aimed at promoting the reforms of the PRC healthcare industry. These reforms were generally referred to as the "healthcare reform plans" in China. These initiatives taken, or to be taken, by the PRC government under the ongoing healthcare reform plans, are expected to significantly contribute to the growth of the PRC healthcare industry. However, there can be no assurance that the healthcare reform plans would benefit the Group's business, or that the relevant PRC government authorities would continue to introduce policies in line with the healthcare reform plans that are favourable to the Group's business.

The continuing expansion and reform of the PRC healthcare industry are subject to factors beyond the Group's control. The reform process may turn out to be significantly more time-consuming or costly than expected due to implementation difficulties or changing circumstances. As it is not clear whether the anticipated results or targets of the PRC healthcare reform plans could be achieved in a timely manner, or at all, the Group's business decisions which are premised on the success of these healthcare reform plans may prove to be inappropriate in hindsight. As such, this may have an adverse effect on the Group's business, financial condition and results of operations.

The Group may not compete effectively in the PRC pharmaceutical industry, and it may fail to sufficiently and promptly respond to rapid changes in government regulations, treatment of diseases and customer preferences.

The pharmaceutical industry is highly competitive. The Group's key competitors are PRC and international hepatobiliary medication manufacturers, distributors of pharmaceutical, cosmetic and healthcare products, and retail pharmacy chains. These companies may have substantially greater financial, technical, research and development, marketing, distribution, retail and other resources than the Group. They may also have longer operating histories, a larger customer base or broader and deeper market coverage. Furthermore, when the Group expands into other markets, it will face competition from new competitors, domestic or foreign, who may also enter markets where the Group currently operates.

The technologies that the Group and its competitors employ are evolving rapidly, and new developments frequently result in price competition, product obsolescence and altered market landscape. In addition, the Group may face competition from substitute products. Any significant increase in competition may have a material adverse effect on the Group's operating income and profitability as well as on the Group's business and prospects. There can be no assurance that the Group will be able to continually distinguish its products and services from its competitors', preserve and improve its supplier and customer relationships, or increase or even maintain its existing market share. The Group may lose market share, and its financial condition and results of operations may deteriorate significantly if it fails to compete effectively.

The Group's ability to market the products it sells successfully depends, in part, upon the acceptance of the products by its customers.

The Group's ability to successfully market the products it sells depends, in part, on the acceptance of such products by independent third parties, including wholesalers, distributors, physicians, hospitals, pharmacies, Group Purchasing Organisations (GPOs), government representatives and other retailers, as well as patients. The Group relies to a significant extent on the reputation and market acceptability of the products or brands. Unanticipated side effects or unfavourable publicity concerning any such products or brands, could have an adverse effect on its ability to achieve acceptance by prescribing physicians, managed care providers, pharmacies and other retailers, customers and patients.

Market acceptability of the products depends upon a variety of factor, many of which are beyond the Group's control, including:

- acceptance by payers, physicians, pharmacists and end-customers of each product as a safe and effective treatment;
- whether a physician is receptive to its product and how quickly the physician adopts such product as an accepted treatment;
- the cost of treatment in relation to alternative treatments, including numerous generic drug products;
- the safety and efficacy of the product;
- the effectiveness of its sales force;
- the product's perceived advantages and disadvantages relative to competing products or treatments; and
- the prevalence and severity of side effects.

If the products sold by the Group are approved by the regulatory authorities but do not achieve an adequate level of acceptance by its customers, the Group may be unable to generate any or sufficient revenue from the sale and distribution of these products. Failure to maintain significant market acceptance could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's marketing activities are critical to its success, and if the Group fails to enhance its marketing capabilities or maintain adequate spending on marketing activities, the Group's market share could be adversely affected.

The success and lifespan of the products sold and distributed by the Group are dependent on the Group's efforts in marketing these finished products. The Group's in-house sales and marketing teams directly market and promote its pharmaceutical products to wholesalers, hospitals, other medical institutions, retail pharmacies, distributors and dealers. Such marketing professionals regularly visit our customers to explain the therapeutic value of the Group's pharmaceutical products and keep health care professionals up-to-date as to any developments relating to such products. The Group organises in-person product presentations and seminars for physicians and other health care professionals and participate in trade shows to generate market awareness of the Group's existing and new finished products. The Group also conducts market research and after-sales visits to evaluate and promote customer satisfaction. These various marketing activities are critical to the success of the Group. However, there can be no assurance that the Group's current and planned spending on marketing activities will be adequate to support the

Group's future growth. Any factors adversely affecting the Group's ability to enhance its marketing capabilities or the Group's ability to maintain adequate spending on marketing activities could have an adverse effect on the market share and reputation of the products sold and distributed by the Group, which may result in decreased demand for such products and the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group relies on the sale of a number of key products for the majority of its revenue. If the supply and market prices of the key products are adversely affected, the Group's business, financial condition, results of operations may be materially and adversely affected.

The Group relies on the sale of a number of key products for the majority of its revenue from the sales of pharmaceutical manufacturing business. At the same time, the pharmaceutical industry is in a period of robust innovation and new products are frequently being introduced or developed. It is possible that such innovations will render obsolete the key products for which the Group currently heavily relies on, which may affect the Group's viability and competitiveness. As of 31 December 2021, the Group's total operating income amounted to RMB34.47 billion, while the income generated from trade business amounted to RMB21.19 billion, representing 61.47 per cent. of the Group's total operating income. The pharmaceutical products Zhangzhou Pientzehuang Pharmaceutical produces and sells involve areas including liver disease, cardiovascular system and respiratory system, and the revenue of the Pien Tze Huang series of pharmaceutical products for the year ended 31 December 2021 accounts for 55.8 per cent. of the Group's pharmaceutical product revenue for the year ended 31 December 2021. The proportion of pharmaceutical products other than Pien Tze Huang series is relatively low. Thus, should there be any pharmaceutical developments which overshadow the Group's Pien Tze Huang products, the Group's product portfolio could be directly and adversely affected. For more information, please refer to "*Description of the Group — Pharmaceutical Manufacturing Business — Product Portfolio*".

If the supply and market prices of these key products are adversely affected by factors out of the Group's control, such as heightened or new regulatory restrictions and strict storage requirements, or any shortages, fluctuations or shocks in the supply of the raw materials of these key products, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group relies on its manufacturing and storage facilities. Any disruption to the operation of its current facilities, or to the development of its new facilities, could reduce or negatively impact sales and have a material adverse effect on the Group's business, financial condition and results of operations.

The Group relies on its manufacturing and storage facilities for the continuing operation of its pharmaceutical manufacturing business. Natural disasters or other unanticipated catastrophic events, including power interruptions, water shortage, storms, fires, earthquakes, terrorist attacks and wars, as well as changes in governmental planning for the land underlying these facilities, could significantly impair its ability to manufacture products and operate its business and destroy any inventory located in these facilities. The Group may not be able to replace these facilities and equipment in a timely manner, should any of the foregoing occur.

In addition, the Group's pharmaceutical manufacturing facilities are required to be designed, equipped and certified in accordance with applicable GMP standards for producing particular pharmaceutical products. Consequently, manufacturing facilities for one pharmaceutical product generally may not be converted to produce another product without being re-tooled, re-equipped and re-certified in accordance with the relevant GMP standards, which could be time-consuming, costly and impractical. Therefore, if the Group is required to change the output of pharmaceutical products manufactured at its production facilities, the operations of such facilities may be substantially disrupted, which may materially and adversely affect the Group's business, financial condition and results of operations.

Incidents that cast doubts over the quality or safety of pharmaceutical products may materially and adversely affect the Group's business, financial condition and results of operations.

Incidents that cast doubt over the quality or safety of pharmaceutical products manufactured, distributed or sold by other participants in the pharmaceutical industry, particularly the PRC pharmaceutical industry, including the Group's competitors, have been, and may continue to be, subject to widespread media attention. Such incidents may damage the reputation of not only the parties involved, but also the pharmaceutical industry in general, even if such parties or incidents have no relation to the Group or its management, employees, suppliers or distributors. Such negative publicity may indirectly and adversely affect the Group's reputation and business operations. In addition, incidents not related to product quality or safety, or other negative publicity or scandals implicating the Group or its employees, regardless of merit, may also have an adverse impact on the Group and its reputation and corporate image.

The Group is susceptible to product liability claims and product recalls which may adversely affect its reputation and could result in significant expenses.

From time to time, the pharmaceutical industry has experienced difficulties in obtaining the desired product liability insurance coverage, and product liability insurance may become prohibitively expensive in the future. The Group faces the risk of losses resulting from, and the adverse publicity associated with, product liability lawsuits, whether or not such claims are valid. Even unsuccessful product liability claims would likely require the Group to expend financial resources on litigation, divert management's time, adversely affect its goodwill and impair the marketability of the products it sells. In addition, the Group cannot be certain that its product liability insurance will, in fact, be sufficient to cover such claims or that the Group will be able to maintain adequate insurance coverage in the future at acceptable costs.

The Group is also exposed to risks inherent in marketing, distributing and selling pharmaceutical and healthcare products in the PRC and other jurisdictions where the products are marketed and sold. In recent years, pharmaceuticals manufactured by several companies have caused illness or even the deaths of end-users, because they were manufactured using incorrect chemicals or they became contaminated. The companies involved were subject to substantial monetary fines and received substantial negative press coverage as a result.

In addition, any defects in the products that the Group sells or distributes could require the Group to undertake product recalls. This could require the Group to expend considerable resources and time to go through a series of complicated product recall procedures in correcting the problems, which could adversely affect the demand for such products. Such product recalls may cause the Group's business, financial condition and results of operations to suffer.

Any product liability claims against the Group or recalls could result in the incurrence of substantial costs and/or reputational damage. Improperly manufactured or contaminated products distributed and sold by the Group could lead to direct financial losses for the Group and may tarnish its brand.

The Group has not been the subject of any material product liability claims. However, there can be no assurance that the Group will not be subject to similar claims in the future, which may materially and adversely affect the business, financial condition and results of operations of the Group.

The Group's business, financial condition and results of operations may be materially and adversely affected by adverse news, scandals or other incidents associated with the PRC pharmaceutical industry.

Incidents that reflect doubt as to the quality or safety of pharmaceutical products manufactured, distributed or sold by other participants in the pharmaceutical industry, particularly the PRC pharmaceutical industry, including the Group's competitors, have been, and may continue to be, subject to widespread media attention. Such incidents may damage the reputation of not only the parties involved, but also the pharmaceutical industry in general, even if such parties or incidents have no relation to the Group, its management, its employees, its suppliers, its distributors or its retail pharmacies. Such negative publicity may indirectly and adversely affect the Group's reputation and business operations. In addition, incidents not related to product quality or safety, or other negative publicity or scandals implicating the Group or its employees, regardless of merit, may also have an adverse impact on the Group and its reputation and corporate image.

Risks relating to the Group's Investment Business

The Group's investment business is significantly influenced by central and local government policy.

The Company is directly owned by the Zhangzhou SASAC and Fujian Provincial Department of Finance, in addition, the Group is an important state-owned capital investment entity for the development of the Gulei Port EDZ (as defined below) and High-Tech Zone (as defined below) and the payment of many of the Group's projects sourced from government funding.

Accordingly, the Zhangzhou Municipal Party Committee, the Zhangzhou Municipal Government and Fujian Provincial Department of Finance, which, among other things, approve the Group's projects in the Gulei Port EDZ and High-Tech Zone, are able to influence the Group's major business decisions and strategies significantly in terms of its investment business, including the scope of its activities, investment decisions and future activities. The policies of Zhangzhou Municipal Party Committee, the Zhangzhou Municipal Government and Fujian Provincial Department of Finance on public spending and urban planning and development have had and will continue to have a significant impact on the Group's business, financial condition and results of operations.

The central PRC government, the Zhangzhou Municipal Government and Fujian Provincial Department of Finance may have interests that are different from the interests of the Group. There can be no assurance that the central PRC government, the Zhangzhou Municipal Government, the Zhangzhou Municipal Party Committee or Fujian Provincial Department of Finance would always take actions that are in the Group's best interests. It is possible that the government will unilaterally require the Group to make decisions or modify the scope of its business activities, or impose new obligations on the Group which may not necessarily be in the Group's best interests.

Any amendment, modification or repeal of existing policies of the central PRC government, the Zhangzhou Municipal Government, the Zhangzhou Municipal Party Committee and/or Fujian Provincial Department of Finance could result in a modification of the existing regulatory regime affecting the Group's business which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's investment business requires substantial capital and any failure to obtain the capital needed on acceptable terms may adversely affect its expansion plans and growth prospects.

The Group requires significant capital to fund its infrastructure construction projects and the Group may need to continue incurring significant capital expenditure in the future. Any increase in capital expenditure may place significant stress on the Group's cash flows and financial condition.

In relation to debt financing, the Group's ability to arrange adequate financing for infrastructure construction projects on terms that will allow the Group to achieve a favourable return on investment may depend on a number of factors, including, among others, general economic conditions, the Group's financial strength and performance, the availability of credit from financial institutions, the value of security pledged and the monetary policies in the PRC. In recent years, the PRC government has implemented a number of measures to prevent the PRC economy, and the property market in particular, from overheating, including policy initiatives aimed at using taxation, bank credit and land policies to regulate housing demand. Such regulations may limit the amount commercial banks can make available for lending to the Group and may thereby adversely affect the Group's ability to obtain financing from, or renew existing credit facilities granted by, financial institutions.

There can be no assurance that the Group will be able to continue to obtain sufficient proceeds to fund the Group's current and future property developments. Any difficulties recouping the costs of its infrastructure development projects, including future changes in development agenda and strategy of the local government, could extend the time required to recover the Group's capital outlay and could thereby require the Group to seek alternative means to finance the Group's infrastructure construction projects at commercially acceptable costs and/or defer planned expenditures, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Any material negative impact on the third parties who is managing the projects which the Group has provided funds may impede its ability to pay the interest, which could in turn have a material adverse effect on the Group's business, financial condition and results of operations.

The Group provides funds to a number of infrastructure construction projects, which are part of its investment business. Although the Group is not involved in the management of the projects, the third parties who are managing such projects may be materially and adversely affected by many factors, including:

- delays in obtaining necessary licences, permits or approvals from PRC government agencies or authorities;
- changes in property market conditions;
- changes in PRC government policies, regulations and/or measures;
- relocation of existing residents and/or demolition of existing structures;
- shortages or increased costs of materials, equipment, contractors and skilled labour;
- labour disputes;
- construction accidents;
- epidemics and pandemics, such as the COVID-19 pandemic;
- floods, earthquakes, natural disasters or catastrophes; and
- adverse weather conditions.

Any such event could have a material adverse effect on the third parties' business, which could in turn have a material adverse effect on the Group's business, financial condition and results of operations.

Risks Relating to the Group's Machinery Manufacturing Business

The Group's machinery manufacturing business may be impaired if the Group experiences capacity constraints of its production facilities and workforce or if the Group fails to develop products that meet the evolving needs of its customers.

The Group's ability to undertake projects and manufacture products is limited by the capacity of its production facilities and workforce. To expand its capacity, the Group must either upgrade its existing production facilities and equipment or acquire new equipment and hire additional skilled workers. Many operations in its machinery manufacturing business are highly specialised and capital-intensive, requiring expensive and specialised equipment. Acquisition of new equipment may require significant capital expenditures, which the Group may not be able to fund, and installation and operation of such equipment may require highly qualified personnel. Moreover, many of the specialised equipment may not be readily available in the market and the Group may have to allow for a long delivery time after it places an order. There can be no assurance that equipment will be available in a timely manner or at a reasonable cost or that the Group will have access to a sufficient number of skilled employees to upgrade, install or operate the equipment.

In addition, the Group needs to improve its ability to manufacture, process and produce complete sets of equipment to strengthen its overall capabilities to industrialize its core technologies. The success of the Group's machinery manufacturing business also depends on its ability to develop and offer, on a continuous basis, products that meet the evolving demand of customers. This requires the Group to continue to innovate and enhance its technological capabilities and to adapt to rapidly changing industrial standards and trends. There can be no assurance that the Group's efforts in this regard will succeed continuously or at all.

If the Group is unable to increase its production capacity effectively or in a timely manner or if it fails to develop or offer products that meet the evolving needs of its customers, its ability to contract for and perform new projects and maintain and expand customer base will be significantly impaired and the Group may lose projects and other business opportunities to its competitors, which would have a material and adverse effect on its business, financial condition and results of operations.

The Group operates in a competitive industry and faces intense competition from its competitors.

The Group faces intense competition from both domestic and foreign competitors and there is no assurance that the Group will be able to effectively compete with them. To the extent that the Group's competitors, whether domestic or foreign, gain a competitive advantage in terms of pricing, product quality, brand name recognition and financial and technical resources, the market share and profitability of the Group may be adversely affected. Additionally, new technologies continue to be developed and the Group will continue to face new competition from these expanding technologies. In recent years, particularly, the social awareness of environmental protection has been increasing and more stringent laws and regulations have been promulgated as a result. These developments have resulted in an increase in the investment and development of new energy and related technologies, including by machinery manufacturers such as the Group. The ability to compete depends on the Group's ability to offer sufficient quantities of high quality products that are suitable for its customers at a more competitive proposition than that of domestic and foreign competitors. In addition, the Group's competitiveness depends on the Group's ability to maintain its track record of timely deliveries and superior customer service. The failure to compete effectively could materially and adversely affect the Group's business, financial condition and results of operations.

The Group's profitability could be negatively affected by the fluctuation in the pricing of its products.

The Group's profitability may be affected by a material fluctuation in the average selling prices of the products sold. The average selling prices of the Group's products are affected by a combination of factors, including changes in product mix and lowered product prices of certain products to expand the market and attract new customers. If there is a decrease in the average selling prices of the Group's products, coupled with an increase in the costs of raw materials, labour, equipment, processing or research and development costs, the Group's profit margins for certain periods could decline, which could adversely affect the Group's profitability and financial condition. In the event that the Group fails to increase its sales volume, reduce its costs and expenses or introduce new competitive products with higher margins, the Group's business, financial condition or results of operations may be materially and adversely affected.

The Group's business is subject to operational risks.

The Group's production is exposed to hazards inherent to manufacturing industries, including but not limited to fires, unexpected wear and tear or degradation, mechanical failure or misuse and power outages, unscheduled downtimes, performance below expected levels of output or efficiency, transportation interruptions, other industrial accidents, environmental risks and terrorist acts. For the years ended 31 December 2019, 2020 and 2021, the Group has not experienced any material operational problems at its production facilities. However, any future occurrence of material operational problems at the Group's facilities may materially reduce the Group's productivity and profitability during and after the period of such operational difficulties. Some hazards may interrupt the operations, cause personal injury, loss of life, severe damage to or destruction of property and equipment and environmental damage and result in legal and regulatory liabilities and/or the imposition of civil or criminal penalties, which may not be fully covered by insurance policies. Furthermore, the Group may be subject to claims with respect to workplace, workers' compensation and other matters. Consequently, the Group's business, financial condition or results of operations could be materially and adversely affected.

The Group relies on a small number of customers for a large portion of its revenue.

Relatively few customers account for a large portion of the Group's revenue. For the year ended 31 December 2021, revenue from the Group's five largest customers were RMB9,654.5 million, accounting for 54.34 per cent. of its total revenue of the year.

The Group's customers generally do not enter into long-term agreements obligating them to purchase the Group's products. Its net sales and operating income could fluctuate due to changes in political or economic conditions or the loss of, reduction of business with, or less favourable terms for, any of its significant customers. A reduction or delay in orders from any of its significant customers, or a delay or default in payment by any significant customer could have a material and adverse effect on its business, financial condition and results of operations.

Risks relating to the Group's Trading Business

The Group's trading business is subject to risks associated with fluctuations in the differentials between domestic selling prices and international purchase prices of imported products, the exporting countries, export and import regulations and foreign exchange rates.

The Group is also engaged in the trading business through its subsidiary Xiamen Xiangjiang Import and Export Co., Ltd. (廈門薌江進出口有限公司). The Group's trading business serves to enhance its various business segments, and integrates and expands the Group's supply chains and resource channels. The Group is subject to risks associated with fluctuations in the differentials between domestic selling prices and international purchase prices of imported products, over which it has little control. There is no assurance that the Group will be able to pass on all or part of any increased purchase prices to domestic customers or decreased selling prices to international suppliers in a timely manner or at all, which could have a material and adverse impact on the Group's business, financial condition and results of operations. Changes in exchange rates between Renminbi and other currencies used in the Group's trading business may adversely affect the sales and profit margins. This in turn may have a material adverse impact on the Group's business, financial condition and results of operations.

In addition, the Group's business, financial condition and results of operations may be adversely affected by factors in the countries from which the Group imports products, including international economic and political conditions, geopolitical conflict, pandemic and governmental measures, export licensing requirements and restrictions imposed by various foreign countries, different regulatory structures and unexpected changes in regulatory environments, foreign taxation and potentially negative consequences from changes in tax laws, hostilities, acts of terrorism, disruptions in shipping or reduced availability of freight transportation. PRC government policies, such as tariffs, duties and import restrictions, may also significantly affect the Group's ability to import products or adversely affect the supply and demand for, and prices of, the Group's imported products. See also "*Risk Factors — General Risks relating to the Group's Business — The impacts of the outbreak of the COVID-19 pandemic and the relevant governmental measures are uncertain and may cause a material adverse effect on the Group's business.*" and "*Risk Factors — General Risks relating to the Group's Business — The global financial markets, and therefore PRC markets, have experienced significant slowdown and volatility during the past few years and any continued deterioration may adversely affect our business and results of operations.*"

General Risks relating to the Group's Business

The Group's business, financial condition and results of operations are heavily dependent on the level of economic development in Fujian Province, in particular Zhangzhou city.

The Group's business and assets are highly concentrated in Fujian Province, in particular Zhangzhou city. Therefore, its business, financial condition and results of operations have been, and will continue to be, heavily dependent on the social conditions, local government policies and level of economic activity in Fujian Province, in particular Zhangzhou city. It is difficult to predict how the economic development of Zhangzhou city and Fujian Province will be affected by a slowdown in the growth of the PRC economy, and there can be no assurance that the policies and measures adopted by the PRC government will be effective in stimulating the recovery of the PRC economy. In general, there has been significant volatility in the PRC stock markets since 2016 and the PRC government has had to take unprecedented steps to support the markets. The market volatility may negatively affect PRC consumer confidence and have an adverse impact on investor and consumer confidence in Fujian Province, in particular Zhangzhou city. There has also been a slowdown in the PRC economy. According to the National Bureau of Statistics of China, China's gross domestic product ("**GDP**") growth rate was 8.1 per cent. in 2021, which represents a general downward trend for the PRC, and concerns about its future growth may have an adverse impact on its domestic economies including that of Fujian Province and in particular, Zhangzhou city. There can be no assurance that the level of economic development in Zhangzhou city and Fujian Province will continue to be maintained at the past rate of growth, if at all. The Group may not be able to establish or invest in any new business outside Fujian Province in the future and the Group expects that its future business and operations will continue to be concentrated in Fujian Province, in particular Zhangzhou city. If economic growth slows down, adverse changes in social conditions or local government policies arise or any severe natural disasters or catastrophic events occur in Fujian Province or Zhangzhou city, the Group's business, financial condition and results of operations could be materially and adversely affected.

The Zhangzhou Municipal Government and Fujian Provincial Department of Finance exert significant influence on the Group, and as a result, the Group may not always be able to make decisions, take action or invest or operate in business or projects that are in the Group's best interests or that aim to maximise the Group's profits.

The Company is directly owned by the Zhangzhou SASAC and Fujian Provincial Department of Finance. Accordingly, the Zhangzhou Municipal Government and Fujian Provincial Department of Finance are in a position to exert significant influence on the Group's major business decisions and strategies, including the scope of its activities, investment decisions and dividend policy. There can be no assurance that the Zhangzhou Municipal Government and Fujian Provincial Department of Finance would always take action that are in the Group's best interests or that aim to maximise the Group's profits. The Zhangzhou Municipal Government and Fujian Provincial Department of Finance may use its ability to influence the Group's business and strategy in a manner which is beneficial to Zhangzhou City as a whole but which may not necessarily be in the Group's best interests.

The Zhangzhou Municipal Government and Fujian Provincial Department of Finance may also change its policies, intention, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the economic, political and social environment as well as its employment growth and projections of population growth in Zhangzhou City and any such change may have a material adverse effect on the Group's business, financial condition and results of operations. Any amendment, modification or repeal of existing policies of the Zhangzhou Municipal Government and Fujian Provincial Department of Finance could result in a modification of the existing regulatory regime which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

The PRC government has no legal obligations under the Bonds.

The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds and the Trust Deed in lieu of the Company.

Neither the Zhangzhou Municipal Government, Fujian Provincial Department of Finance nor any other PRC governmental entity has any obligation to repay any amount under the Bonds and will not provide a guarantee of any kind for the Bonds. The Zhangzhou Municipal Government and Fujian Provincial Department of Finance only have limited liability in the form of its equity contribution in the Company and the Bonds are solely to be repaid by the Company and the obligations of the Company under the Bonds or the Trust Deed shall solely be fulfilled by the Company as an independent legal person. In addition, any ownership or control by the PRC government including the Zhangzhou Municipal Government and Fujian Provincial Department of Finance does not necessarily correlate to, or provide any assurance as to, the financial condition of the Issuer and the Group. If the Company does not fulfil its obligations under the Bonds and the Trust Deed, the holders of the Bonds will only have recourse against the Company, and not the Zhangzhou Municipal Government, Fujian Provincial Department of Finance or any other PRC governmental entity.

A discontinuation of favourable government policies could materially and adversely affect the Group's business, financial condition and results of operations.

The Group enjoys favourable government policies such as previously having received government subsidies from the Zhangzhou Municipal Government, particularly in respect of its investment business. The government's continued promulgation of favourable policies also depends on the future fiscal revenue and fiscal policies of the local and central government.

There is no assurance that the PRC government will not in the future restrict financial support to the Group. The Group may not be able to enjoy the same favourable governmental policies in the future. Any discontinuation of favourable government policies could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

Any description of support from the PRC government is on the support given to the Issuer's business operations and should not be read as any indication that the PRC government will provide any financial support to the Issuer in respect of its obligations under the Bonds. See "Risk Factors — The PRC government has no legal obligations under the Bonds."

The impacts of the outbreak of the COVID-19 pandemic and the relevant governmental measures are uncertain and may cause a material adverse effect on the Group's business.

The 2019-nCoV acute respiratory disease ("**COVID-19**") is a global pandemic that has had a significant impact on the global and PRC economy. Some governments and health authorities in affected areas have imposed measures designed to contain the outbreak, including, among others, temporary shutdowns, travel restrictions, quarantines and cancellations of gatherings and events. This, in turn, has resulted in disruptions in global supply chains, reduced trade, lower industrial production and lower consumption generally, even in areas not directly affected by the outbreak, which may negatively impact the Group's business and its customers' business and the demand for logistics and warehousing facilities, which could have a material adverse effect on the Group's business and results of operations.

Although the Group remains operational amidst the COVID-19 pandemic, requirements that entry into offices of the Group's staffs and employees be minimised may lead to a disruption of the Group's business if prolonged. In particular, lockdown measures have been introduced in certain cities such as Beijing, Shanghai and Shenzhen when new confirmed cases relating to COVID-19's variants, such as Omicron, emerged in 2022. Such measures have disrupted business and adversely affect the overall business environment in the PRC. If the COVID-19 pandemic continues and results in a prolonged period of travel, commercial and other similar restrictions, the Group may experience domestic and even global supply disruptions and product cost increases. If such supply disruptions and product cost increases were to occur and/or continue, the Group may not be able to develop alternate sourcing quickly. Any disruption or delay of the Group's production schedule caused by an unexpected shortage of systems, components, raw materials or parts even for a relatively short period of time could cause the Group to alter production schedules or suspend production entirely, which could cause a loss of revenues, which could further materially adversely affect the Group's business, cash flows, financial condition and results of operations.

It is possible that the COVID-19 pandemic will cause a prolonged global economic crisis or recession despite monetary and fiscal interventions by governments and central banks domestically and globally. However, given the uncertainties as to the development of the COVID-19 pandemic at the moment, it is difficult to predict how long these conditions will exist and the extent to which the Group may be affected. The extent to which the COVID-19 pandemic will impact the Group's operations and those of its customers will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the coronavirus or mitigate its impact, and the direct and indirect economic effects of the illness and containment measures, among others.

The global financial markets, and therefore PRC markets, have experienced significant slowdown and volatility during the past few years and any continued deterioration may adversely affect our business and results of operations.

The global financial markets have been affected by a general slowdown of economic growth globally, resulting in substantial volatility in global equity securities markets and tightening of liquidity in global credit markets. Since 2011, the tightening monetary policies and high inflation in the PRC, global economic uncertainties and the euro zone sovereign debt crisis have resulted in adverse market conditions and increased volatility in the PRC and overseas financial markets. While it is difficult to predict how long these conditions will exist and the extent to which the Group may be affected, these developments may continue to present risks to the Group's business operations for an extended period of time, including an increase in interest expenses on the Group's bank borrowings, or a reduction in the amount of banking facilities currently available to the Group. On 23 June 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favoured the exit of the United Kingdom from the European Union ("**Brexit**"). On 31 January 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. In December 2020, the United Kingdom, the European Union and the European Atomic Energy Community concluded the EU-UK Trade and Cooperation Agreement, which has been provisionally applicable since 1 January 2021 and has entered into force since 1 May 2021. Given the lack of precedent and uncertainty of the negotiation, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market. These challenging market conditions have resulted in reduced liquidity, widening of credit spreads in credit markets, a reduction in available financing and a tightening of credit terms.

China's economic growth may also slow down due to weakened exports as a result of tariffs and trade tensions caused by the U.S.-China trade dispute. In 2018 and 2019, the U.S. government, under the administration of the then President Donald J. Trump, imposed several rounds of tariffs on cumulatively U.S.$550 billion worth of Chinese products. In retaliation, the PRC government responded with tariffs on cumulatively U.S.$185 billion worth of U.S. products. On 15 January 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "**Phase I Agreement**"). Despite this reprieve, however, additional concessions are needed to reach a comprehensive resolution of the trade dispute and the U.S. government's approach, under the new administration of President Joseph R. Biden, towards China remains uncertain. Should the trade dispute between the United States and the PRC begin to materially impact the PRC economy, the purchasing power or the operations of the Group's customers in the PRC might be negatively affected. Should there be a further economic downturn or credit crisis for any reason, the Group's ability to borrow funds from current or other funding sources may be further limited, causing the Group's continued access to funds to become more expensive, which would adversely affect the Group's business, financial condition, and results of operations. As such, there can be no assurance that the Group's business operations will not suffer further adverse effects caused by the previous or future credit crisis in the near future.

Furthermore, recent events in Russia and Ukraine have, and are expected to continue to have, significant economic, social, geopolitical and financial implications in the United States, the European Economic Area and globally. While the Group is not expected to have direct exposure to either Russia or Ukraine, the outcome and progression of the Russia/Ukraine conflict is uncertain, and the conflict may escalate and spread. The Russia/Ukraine conflict may deliver an economic shock which will not be limited to Europe. In particular, countries around the world, including the United States and the European Union, have implemented sanctions targeting the Russian government, the Russian central bank and certain Russian individuals and government officials. Such sanctions, and any future sanctions or measures taken by the U.S. and non-U.S. governments, have had, and are likely to continue to have, significant global economic and market consequences, the full effects of which are difficult to predict or determine.

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties.

The Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject it to financial losses and sanctions imposed by governmental authorities, which in turn could affect its reputation. Such misconduct could include:

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable for the Group's customers;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorised or excessive transactions to the detriment of the Group's customers;

- making or accepting the bribery activities;
- conducting any inside dealing; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner, if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity.

The Group is exposed to litigation risks.

The Group may from time to time be involved in disputes with end-users or consumers of its pharmaceutical products, governmental entities, local residents, contractors, suppliers, employees and other third-party service providers during the course of its daily operations. Claims may be brought against members of the Group based on a number of causes, such as side effects as a result of the use of the Group's pharmaceutical products, defective or incomplete work, personal injuries, property damage or delay in the completion and delivery of projects. In addition, the Group may bring claims against third parties for the wrongful use of its brand name on counterfeit products in respect of its pharmaceutical manufacturing business, or against project contractors for additional costs incurred as a result of contractors' underperformance or non-performance, project defects or default by contractors in respect of its infrastructure construction and development activities under its investment business. If the disputes or claims are not resolved or settled through negotiation or mediation, the Group may be involved in lengthy and costly litigation or arbitration proceedings, which may divert and distract the Group's financial and managerial resources.

The outcome of litigation may be difficult to assess or quantify. Plaintiffs in such lawsuits could seek recovery of large or indeterminate amounts, and the magnitude of potential losses relating to such lawsuits may remain unknown for substantial periods of time. There could also be negative publicity associated with litigation, regardless of whether the allegations are found not to be valid or whether the Group is ultimately found liable.

In the event that the Group prevails in those legal proceedings, there is no assurance that the judgment or award will be effectively enforced. If a judgment or an award is rendered against the Group, the amount payable by the Group may not be fully covered by the Group's insurance, and the amount could differ from the provisions made by the Group based on its estimates. Any material charges associated with claims brought against the Group and material write-downs associated with the Group's claims could have a material adverse impact on its business, financial condition and results of operations.

The Group shall be subject to value-added tax in the PRC.

On 19 November 2017, the State Council revised the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例), which stipulates that, organisations and individuals engaging in the sale of goods in the PRC shall be taxpayers of value-added tax and shall pay value-added tax ("**VAT**"). The Group shall be subject to the PRC VAT and the VAT tax rate for the Group range from 3 per cent. to 17 per cent. depending on the business involved, which may adversely affect the business, financial condition and results of operations of the Group.

Labour shortages, labour disputes or increases in labour costs of any third-party contractors engaged for the Group's projects could materially and adversely affect the Group's business, financial condition and results of operations.

The Group relies on its contractors to carry out infrastructure development projects, many of which are labour intensive. As such, labour shortages, labour disputes or increases in labour costs of third-party contractors could materially and adversely affect the Group's business, financial condition and results of operations. Industrial action or other labour unrest could directly or indirectly prevent or hinder the construction progress, and, if not resolved in a timely manner, could lead to delays in completing the Group's projects. These actions are beyond the Group's foreseeability or control. There can be no assurance that labour unrest will not affect general labour market conditions or result in changes to labour laws. In recent years, work stoppages, employee suicide and other similar events in certain cities in the PRC have caused the PRC government to amend labour laws to enhance protection of employees' rights. Increasing awareness of labour protection as well as increasing minimum wages is likely to increase the labour costs of PRC enterprises in general, including contractors participating in the Group's projects. As the Group is responsible for making progress payments to its contractors, any increase in the labour costs of those contractors may negatively affect the Group's cash flow, which could materially and adversely affect the Group's business, financial condition and results of operations.

The Group's labour costs may increase for reasons such as the implementation of the PRC employment regulation.

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 in the PRC and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of completed years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from five to 15 days, depending on the length of that employee's work time. Employees who consent to waive such leave at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. As a result of the PRC Labour Contract Law and the Regulations on Paid Annual Leave for Employees, the Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or reduce its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in a manner that the Group desires, which could result in an adverse effect on the Group's business, financial condition and results of operations.

Further, in the event that there is a labour shortage or a significant increase to labour costs, the Group's business operation costs are likely to increase. In such circumstances, the profit margin may decrease and the financial results may be adversely affected. In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases both the costs of raw materials required by the Group for conducting its business and the costs of labour. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's operations and therefore adversely affect the Group's profitability.

The Group's business may be adversely affected if it is unable to retain and hire qualified employees.

The success of the Group's business is dependent to a large extent on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the industries in which the Group invests or operates. Competition for attracting and retaining these individuals is intense. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's business, financial condition and results of operations. As a result, the Group may be unable to attract or retain these personnel to achieve its business objectives, and failure to do so could severely disrupt its business and prospects. For example, the Group may not be able to hire enough qualified personnel to support its new investment projects or business expansion. As the Group expands its business or hires new employees, the employees may take time to become accustomed to any new standard procedures and, consequently, may not comply with the standard procedures of any new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected losses to the Group and adversely affect its business, financial condition and results of operations.

Increase in the Group's total indebtedness may restrict the Group's business activities and increase the Group's exposure to various operational risks.

The Group has maintained an increased level of indebtedness to finance its operations and, in particular, to finance the Group's business operation. As at 31 December 2019, 2020 and 2021, the Group's outstanding interest-bearing borrowings (including short-term borrowings, long-term borrowings and non-current liabilities due within one year) were approximately RMB23,758.4 million, RMB26,413.4 million and RMB32,860.4 million, respectively.

Substantial indebtedness could have a number of impacts on the Group's business. For example, it could:

- require the Group to dedicate part of its operating cash flow to service its indebtedness before it receives the government funding;
- increase the Group's finance costs, thus affecting the overall profits of the Group;
- limit the Group's flexibility in planning for or responding to changes in the Group's business and the industries in which it operates;
- limit, together with the financial and other restrictive covenants of the Group's indebtedness, among other things, the Group's ability to borrow additional funds; and
- increase the Group's vulnerability to adverse general economic and industry conditions.

If the Group fails to comply with the restrictions (including restrictions on the Group's future investments) and covenants in its current or future debt obligations and other agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the lenders could terminate their commitments to the Group, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Some of the financing arrangements entered into by the Group may contain cross-acceleration or cross-default provisions. A default by the Group under another financing agreement may cause acceleration of the repayment of the debt outstanding under the agreement which contains a cross-acceleration provision, or result in a default under the agreement which contains a cross-default provision. If the Group defaults under a large amount of debts, there can be no assurance that its cash would be sufficient to remedy those debts or repay in full them as they become due, or that it would be able to find alternative financing on terms that are acceptable to it.

The Group's net cash flow from operating activities may fluctuate significantly from period to period.

For the years ended 31 December 2019, 2020 and 2021, the Group recorded net cash flow from operating activities of approximately RMB4,381.83 million, RMB2,268.50 million, RMB4,166.05 million, respectively, representing a year-on-year decrease of 48.23 per cent. in 2020 and a year-on-year increase of 83.65 per cent. in 2021. The Group's cash flow from operating activities was largely attributable to its trading business. The Group's ability to make payments on and to refinance its indebtedness, including the Bonds, and to fund planned capital expenditures and other project development, will depend on the Group's ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Group's control. There is no assurance whether the Group's cash flow from operating activities will not fluctuate significantly from period to period in the future. The Group's cash flow from operating activities, operating revenue and results of operations for any period may not be directly comparable with other periods and therefore the historical performance of the Group in terms of the cash flow from operating activities may not be a useful indicator of its future performance. In addition, although the Group had not recorded net cash outflows from operating activities during the past three years, there is no assurance whether the Group will not record net cash outflows from operating activities in the future, and any such cash outflows may have a material and adverse effect on the Group's liquidity, business, financial condition and results of operations, and the Group may not have sufficient cash flow to enable it to pay its indebtedness, including the Bonds, or to fund the Group's other liquidity needs. See also "*Risk Factors — General Risks relating to the Group's Business — The impacts of the outbreak of the COVID-19 pandemic and the relevant governmental measures are uncertain and may cause a material adverse effect on the Group's business.*"

The Group has historically experienced negative cash flow from investment activities and any continued or significant fluctuation in the future may materially and adversely affect its business, financial condition and results of operations.

The Group has historically experienced negative cash flow from investment activities. For the years ended 31 December 2019, 2020 and 2021, the Group recorded negative cash flow from investment activities of approximately RMB8.92 billion, approximately RMB3.56 billion and approximately RMB6.23 billion respectively. If the Group continues to experience continued or significant fluctuation in the Group's cash flow, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group has historically maintained low gross profit margin in its trading business and any continued low gross profit margin in the future may adversely affect its profitability, financial conditions and results of operations.

For the years ended 31 December 2019, 2020 and 2021, the Group's gross profit of its trading business contributes approximately 3.14 per cent., 1.64 per cent. and 2.80 per cent. of the Group's total gross profit, respectively, whereas the Group's revenue derived from its trading business represents approximately 44.49 per cent., 48.32 per cent. and 61.47 per cent. of the Group's total revenue, respectively. The relatively low gross profit margin of the Group's trading business was mainly due to the slight difference between the purchasing price for the commodities and selling price to the customers under the Group's trading business model. Substantial portion of the Group's revenue is derived from its trading business, and if the gross profit of the Group's trading business segments continues to be low, the Group's profitability, financial conditions and results of operations may be adversely affected.

The Group has guaranteed the performance of some of its subsidiaries, which may result in substantial costs in the event of non-performance.

The Group has issued certain guarantees for the performance of some of its subsidiaries in certain situations. In the event of non performance by the subsidiaries, the Group could incur substantial cost to fulfil its obligations under these guarantees. Such performance of its obligations under these guarantees may materially adversely affect the Group's business, financial condition and results of operations.

The Group's operating results could be materially harmed if it is unable to accurately forecast market demand for its products or manage its inventory.

The Group's inventory includes raw materials, components and finished products. As at 31 December 2019, 2020 and 2021, the Group recorded inventories of RMB4,510.88 million, RMB4,912.48 million and RMB5,223.82 million, accounting for 5.72 per cent., 5.68 per cent. and 5.18 per cent. of its total assets, respectively.

There is no assurance that the Group will not incur additional related charges given the rapid and unpredictable pace in the industries in which the Group competes. In addition, to avoid any shortage of supplies, the Group may strategically keep a higher level of stock for certain key components and finished products for better management. There is a risk that the Group may forecast incorrectly and order or produce excess or insufficient amounts of raw materials, components or finished products which could adversely affect its business, financial condition and results of operations.

Failure or delay in collecting trade receivables from customers could adversely affect the Group's financial condition.

The Group extends credit to a number of its customers based on factors such as their business type, value of their contracts and their historical cooperation with us. Its claims for payment expose it to credit risks of customers in the event of their delinquency, non-performance, insolvency or bankruptcy. The Group's trade receivables as at 31 December 2019, 2020 and 2021 were RMB970.15 million, RMB957.75 million and RMB1,129.69 million, respectively, representing 1.23 per cent., 1.11 per cent. and 1.12 per cent. of the Group's total assets, respectively.

A low trade receivables turnover rate may increase the risk and uncertainty of payment recovery, negatively affect the Group's liquidity and in turn increase its working capital requirements and levels of debt.

The Group is subject to environmental regulations and may be exposed to liability and potential costs for environmental compliance.

Pharmaceutical manufacturing and distribution, infrastructure construction and machinery manufacturing are highly regulated activities within the PRC, and the Group is subject to certain laws and regulations concerning the protection of the environment in these industries. Compliance with environmental laws and conditions may result in delays, cause the Group to incur substantial compliance and other costs and prohibit or severely restrict the Group's activity in environmentally-sensitive regions or areas.

Any violation of environmental regulations may result in substantial fines, criminal sanctions, revocation of operating permits, shutdown of the Group's facilities and obligation to take corrective measures. Furthermore, any actual or alleged violation of environmental regulations may cause severe reputational damage to the Group. The cost of complying with current and future environmental protection laws and regulations may materially adversely affect the Group's business, financial condition and results of operations.

In the future, the PRC government may adopt more stringent environmental regulations and there can be no assurance that the Group will be at all times in full compliance with these regulatory requirements. As a result, the amount and timing of the Group's environmental expenditures may vary substantially from those currently anticipated. If there is any unanticipated change in the environmental regulations, the Group may need to incur substantial capital expenditures to install, replace, upgrade or supplement its equipment or make operational changes in order to comply with new environmental protection laws and regulations. If such costs become prohibitively expensive, the Group may be forced to modify, curtail or cease certain of its business operations.

The Group's operations are subject to hazards customary to various industries the Group operates in and the Group's insurance policies may be insufficient to cover losses in the future.

The Group participates in operations in various industries through its subsidiaries, and its operation involves many potential risks, including hazardous materials, breakdown, equipment failures, substandard performance of equipment, improper installation or operation of equipment, natural disasters, environmental or industrial accidents, fuel supply disruptions, labour disturbances, disputes with contractors and other business interruptions. The occurrence of any of the above may materially and adversely affect the Group's business or results of operations.

The Group maintains insurance policies covering both its assets and employees in line with general business practices in the PRC in the PRC pharmaceutical industry, machinery manufacturing industry and infrastructure construction business with policy specifications and insured limits which the Group believes are adequate. There are, however, certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) that generally are not insured because they are either uninsurable or not economically insurable. Furthermore, there can be no assurance that the Group will not be sued or held liable for damages due to any tortious acts or other events for which insurance is not generally available on commercially practical terms. Therefore, while the Group believes that its practice is in line with the general practice in the PRC property development industry, there may be instances when the Group will have to bear losses, damage and liabilities because of the Group's lack of insurance coverage. If the Group suffers any losses, damages or liabilities in the course of the Group's business operations, the Group may not have sufficient funds to cover such losses, damages or liabilities or to replace any property under development that has been destroyed. Any such events could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not have maintained sufficient insurance coverage against potential losses or damages with respect to its properties. Its business may be adversely affected due to natural disasters or similar events. Should an uninsured loss or a loss in excess of insured limits occur, the Group could loss all or a significant portion of the capital invested in a property, as well as the anticipated future turnover from the property. Nevertheless, the Group may remain liable for any loans or other financial obligations related to the property. Any material uninsured loss would have a material adverse impact on the Group's financial condition, results of operations and cash flow.

The Group's operations are subject to force majeure events, natural disasters and outbreaks of contagious diseases.

Force majeure events, natural disasters, catastrophe or other events could result in severe personal injury to the Group's staff, property damage and environmental damage, which may curtail the Group's operations, cause delays in estimated completion dates for projects and materially and adversely affect its cash flows and, accordingly, adversely affect its ability to service debt.

The Group's operations are mainly based in Fujian Province, in particular Zhangzhou City, which is exposed to potential natural disasters including, but not limited to, earthquakes, flooding, landslides, mudslides and drought. If any of the Group's developments are damaged by severe weather or any other disaster, accident, catastrophe or other event, the Group's operations may be significantly interrupted. The occurrence or continuance of any of these or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its business effectively, thereby reducing its revenue.

In addition, substantially all of the Group's contracts with suppliers and other counterparties have force majeure provisions that permit such parties to suspend, terminate or otherwise not perform obligations under their contracts upon the occurrence of certain events including, but not limited to, strikes and other industrial or labour disturbances, terrorism, restraints of government, civil disturbances, or any natural disaster; all being circumstances which are beyond the control of the party claiming force majeure. If one or more of the Group's suppliers or other counterparties do not perform under their contracts for any extended period of time, due to the declaration of a force majeure event or otherwise, the Group's business, financial condition and results of operations may be materially and adversely affected.

Risks of substantial costs and liabilities are inherent in the Group's principal operations and there can be no assurance that significant costs and liabilities will not be incurred, including those relating to claims for damages to property or persons. Insurance policies for civil liability and damages taken out by the Group could prove to be significantly inadequate, and there can be no assurance that the Group will always be able to maintain a level of cover at least equal to current cover levels and at the same cost. The frequency and magnitude of natural disasters seen over the past few years, for example, the flooding and landslides in Fujian Province triggered by a tropical storm in July 2016, could have a significant impact on the capacities of the insurance and reinsurance market and on the costs of civil liability and damages insurance cover for the Group. Please see "*Risk Factors — General Risks relating to the Group's Business and Industry — The Group's operations are subject to hazards customary to various industries the Group operates in and the Group's insurance policies may be insufficient to cover losses in the future*" in this section for further information.

In addition, the Group's operations are subject to outbreaks of contagious diseases. For example, the outbreak of SARS that began in the PRC and Hong Kong in early 2003 had an adverse effect on all levels of business in Hong Kong and the PRC. There have been sporadic outbreaks of the H5N1 virus or "Avian Influenza A" among birds, in particular poultry, as well as some isolated cases of transmission of the virus to humans. There have also been outbreaks among humans of the influenza A/H1N1 virus, the Ebola virus, the Middle East Respiratory Syndrome (MERS), and the recent COVID-19 pandemic globally. The outbreak of SARS, the influenza A/H1N1 virus and COVID-19 pandemic led to a significant decline in travel volumes and business activities throughout most of the Asian region, and the outbreak of Ebola and MERS has also seriously disrupted certain particularly affected regions. The occurrence of another outbreak of SARS, the influenza A/H1N1 virus, Ebola, MERS, COVID-19 or of any other highly contagious disease may result in another economic downturn and may have an adverse effect on the overall level of business and travel in the affected areas. It may also disrupt the Group's business.

Some of the Group's members do not possess valid land use rights or building ownership certificates to certain properties.

Some of the Group's members do not possess valid land use rights certificates or building ownership certificates to certain properties. Some of these members are in the process of applying for or will apply for the relevant certificates and permits. In addition, some members lease properties whose owners do not possess valid land use rights certificate or building ownership certificates. There can be no assurance that such certificates and permits will be obtained in a timely manner, or at all. Any delay may result in punishments or a disruption to their business operations and may adversely affect their financial performance and any failure to obtain such certificates may adversely affect the Group's ownership rights in respect of these properties. Furthermore, some of the Group's properties are subject to usage for special purposes and restrictions on transfer. The Group also cannot assure that its use and occupation of the relevant land and buildings will not be challenged.

As the Group engages in infrastructure construction, a number of approvals, certificates, licenses and permits (e.g., project approval, environmental assessment approval, land use right certificate, land use approval, construction land planning permit, construction project planning permit and construction permit) are required to be obtained from different governmental authorities and the Group is obliged to comply with extensive procedural requirements in order to carry on its business activities under PRC laws and regulations. Governmental authorities in the PRC have broad discretion in implementing and enforcing applicable laws and regulations and in determining the grant of approvals, licences, permits and certificates necessary for the Group to conduct its business. As at the date of this Offering Circular, certain approvals, licences and permits have not been obtained from the relevant PRC governmental authorities for some of the projects under construction.

If the Group cannot obtain the relevant certificates or permits in a timely manner and its legal right to use or occupy the relevant land and buildings is challenged, its operations on the affected land or in the affected buildings could be interrupted, which, in turn, may have an adverse effect on its business, financial condition and results of operations. In addition, the Group could be subject to fines or penalties imposed by the relevant government authorities, or be required to cease the construction or operation of certain projects due to non-compliance with the terms of the government approvals, permits and licences. Any such fines, penalties or orders for the cessation of construction or operation could materially and adversely affect the Group's business, financial condition and results of operations.

RISKS RELATING TO THE PRC

PRC economic, political and social conditions, as well as government policies, could affect the Group's business and prospects.

Substantially all of the Group's assets are located in the PRC and substantially all of the Group's revenue is sourced from the PRC. Accordingly, the Group's business, results of operations, financial condition, result of operations and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, the level of development, growth rate, and uniformity in the implementation and enforcement of laws in relation to control of foreign exchange and control over capital investment and allocation of resources.

The PRC economy is in the process of transitioning from a centrally planned economy to a more market-oriented economy. For more than three decades, the PRC Government has implemented economic reform measures to utilise market forces in the development of the PRC economy. In addition, the PRC Government continues to play a significant role in regulating industries and the economy through policy measures. The Group cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will adversely affect its business, financial condition, results of operations or prospects.

In addition, many of the economic reforms carried out by the PRC Government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. Recently, investors have been concerned about the global economic outlook, including trade tensions between the United States and the PRC and their imposition of tariffs on goods from the other country, the level of growth in the PRC and economic recovery in the United States, all of which have adversely affected the global economy in general. This refining and adjustment process may not necessarily have a positive effect on the Group's operations and business development. The Group's business, financial condition and results of operations may be adversely affected by:

- changes in PRC political, economic and social conditions;

- changes in policies of the PRC Government, including changes in policies in relation to the Group's business segments;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures that may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- the imposition of additional restrictions on currency conversion and remittances abroad; and
- a reduction in tariff protection and other import restrictions.

Furthermore, the growth of demand in the PRC for infrastructure industry depends heavily on the economic growth. The Group cannot assure that such growth will be sustained in the future. From time to time, the PRC Government has implemented certain measures to prevent the PRC economy from experiencing excessive inflation. Such governmental measures may have an adverse impact on economic growth in the PRC, and therefore have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Interpretation of PRC laws and regulations involves uncertainty and the current legal environment in the PRC could limit the legal protections available to Bondholders.

The Group's core business is conducted in the PRC and governed by PRC laws and regulations. Its operating subsidiaries are located in the PRC and are subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes and prior court decisions have limited precedential value and can only be used as a reference. In addition, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law. These laws and regulations have not been fully developed and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty and the legal protection available to the Bondholders may be limited. In addition, any litigation in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention. These uncertainties may impede the Group's ability to enforce the contracts it has entered into. Furthermore, such uncertainties, including the potential inability to enforce the Group's contracts, together with any development or interpretation of PRC laws that is adverse to it, may materially and adversely affect its business, financial condition, results of operations and prospects.

It may be difficult to enforce any judgments obtained from non-PRC courts against the Group or its senior management who reside in the PRC.

Substantially all of the Group's assets are located within the PRC. In addition, the Issuer is incorporated in the PRC, and all of the Group's directors and senior management reside within the PRC, and assets of the directors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of the Group's senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the

United Kingdom. Therefore, it may be difficult for investors to enforce any judgments obtained from non-PRC courts against the Group or any of their respective directors or senior management in the PRC.

PRC Employment Contract Law may result in increased labour costs.

The Employment Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 in the PRC and was amended on 28 December 2012 and became effective on 1 July 2013. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. A minimum wage requirement has also been incorporated into the Employment Contract Law. In addition, unless otherwise prohibited by the Employment Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from five to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their daily wage income for each vacation day being waived. As a result of the forgoing laws and regulations, the Group's labour costs, inclusive of those incurred by contractors, may increase.

In the event the Group decides to significantly change the composition of or decrease the Group's workforce, the Employment Contract Law could adversely affect the Group's ability to effect these changes in a cost-effective manner. The Group's costs of production are likely to increase, which could result in an adverse impact on its profit margin, financial condition and results of operations.

Fluctuations in the value of Renminbi may adversely affect the Group's business and the value of distributions by its PRC subsidiaries.

The Bonds are denominated in U.S. dollars, while substantially all of the Group's revenue is generated by its PRC operating subsidiaries and is denominated in Renminbi. The value of Renminbi is subject to changes in the PRC Government's policies and depends to a large extent on domestic and international economic and political developments, as well as supply and demand in the local market. Since 1994, the conversion of Renminbi into foreign currencies has been based on exchange rates published by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates in the PRC and current exchange rates on the world financial markets. Since 1994, the official exchange rate for the conversion of Renminbi into U.S. dollars has generally been stable. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. The PBOC authorised the China Foreign Exchange Trading Centre, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 a.m. each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over the counter exchange rate for that business day. On 18 May 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. On 19 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012, the band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the U.S. dollar was expanded to 1.0 per cent. and the spread between the Renminbi and U.S. dollar buying and selling prices offered by the designated foreign exchange banks to their clients was expanded from 1.0 per cent. to 2.0 per cent. The PBOC announced on 15 March 2014 that from 17 March 2014, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the U.S. dollar was further expanded from 1 per cent. to 2 per cent. On each business day, the spread between the Renminbi and U.S. dollar buying and selling prices offered by the designated foreign exchange banks to their clients shall be within 3 per cent. of the published central parity of U.S. dollars on that day, instead of 2 per cent. Subsequently, the Renminbi depreciated 4.3 per cent. from 30 June 2015 to 31 December 2015. The exchange rate between the Renminbi and the U.S. dollar experienced further fluctuation between 1 January 2016 and the date of this Offering Circular. In August 2019, the PBOC on 5 August 2019 set the Renminbi's daily reference rate below 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. There remains significant international pressure on the PRC Government to adopt an even more flexible currency policy, which could result in further and more significant appreciation of the Renminbi against the U.S. dollar. If further reforms are implemented and result in devaluation of the Renminbi against the U.S. dollar, the Group's business, financial condition, results of operations and prospects could be adversely affected because of the Group's U.S. dollar denominated indebtedness and other obligations. Such devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of the Group's earnings and ability to satisfy its obligations under the Bonds.

The Issuer is a PRC resident enterprise under PRC law, which may subject it to PRC income tax on its worldwide income, require it to withhold taxes on interest paid on the Bonds and require Bondholders to pay taxes on gain realized on the sale of the Bonds.

Pursuant to the Enterprise Income Tax Law of the PRC (the "**EIT Law**") which took effect on 1 January 2008 and further revised on 24 February 2017 and 29 December 2018 respectively and its implementation regulations, the Issuer is a PRC tax resident enterprise. PRC tax resident enterprises are normally subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside the PRC.

Since the Issuer is a PRC resident enterprise, interest payments on the Bonds may be considered to be sourced within the PRC. In that case, PRC income tax at the rate of 10 per cent. will be withheld from interest payments to investors in the Bonds that are "non-PRC resident enterprises" so long as such "non-PRC resident enterprise" investors do not have an establishment or place of business in the PRC or, if despite the existence of such establishment or place of business in the PRC, the relevant income is not effectively connected with such establishment or place of business in the PRC. In the case of interest payments to individuals, such PRC tax would be withheld at 20 per cent. Any gain realized on the transfer of the Bonds by such investors may be subject to a 10 per cent. PRC enterprise income tax for the non-PRC resident enterprise or 20 per cent. individual income tax for the non-PRC resident individuals (unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax) if such gain is regarded as income derived from sources within the PRC.

On 23 March 2016, MOF and the State Administration of Taxation issued the Circular 36, which introduced a new VAT from 1 May 2016. VAT is applicable where entities or individuals provide or receive certain services within the PRC. The services potentially subject to VAT include the provision of financial services such as the provision of loans. Circular 36 further clarifies that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of the Bonds may be treated as the Bondholders providing financial services in the form of loans to the Issuer for VAT purposes. In the event the Bondholders may be regarded as providing financial services within the PRC and consequently, the Issuer will be obligated to withhold VAT at a rate of 6 per cent., on payments of interest and certain other amounts on the Bonds paid by the Issuer to holders that are non-PRC resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new and the interpretation and enforcement of such laws and regulations involve uncertainties.

If the Issuer is required under Circular 36, the EIT Law, the PRC Individual Income Tax Law (the "**IIT Law**") which took effect on 1 September 2011 and was amended on 1 January 2019, and the implementation regulations in relation to both the EIT Law and IIT Law to withhold PRC income tax or VAT on interest or any other payments under the Bonds to the Bondholders who are "non-PRC resident enterprises" or "non-PRC resident individuals," the Issuer will be required (subject to certain exceptions) to pay such additional amounts as will result in receipt by a holder of Bonds of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of payments on the Bonds, and could have a material adverse effect on the Issuer's ability to pay interest, and repay the principal amount of the Bonds, as well as the Issuer's profitability and cash flow. In addition, if a holder is required to pay PRC income tax or VAT on the transfer of the Bonds, the value of such holder's investment in the Bonds may be materially and adversely affected. It is unclear whether Bondholders might be able to claim the benefit of income tax treaties or agreements entered into between the PRC and other countries or areas.

The Group's business may be affected by an outbreak, or threatened outbreak, of any severe contagious disease which may in turn significantly reduce demand for its services and have an adverse effect on its financial condition and results of operations.

The business of the Group is subject to general economic and social conditions in the PRC. Natural disasters, epidemics, pandemics and other acts of God which are beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC are under the threat of earthquake, sandstorm, snowstorm, fire, drought, epidemics or pandemics such as MERS, SARS, H5N1 avian flu, human swine flu, H7N9 or the recent COVID-19 pandemic. For instance, two serious earthquakes hit Sichuan Province in May 2008 and April 2013 and resulted in significant loss of lives and destruction of assets in the region. In addition, past occurrences of epidemics and pandemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC. A recurrence of SARS or an outbreak of any other epidemics in the PRC, such as the H5N1 or the H7N9 avian flu, especially in the cities where the Group has operations, may result in material influence of its related business, which in turn may adversely affect the Group's financial condition and results of operations. See also "*Risk Factors — General Risks relating to the Group's Business — The impacts of the outbreak of the COVID-19 pandemic and the relevant governmental measures are uncertain and may cause a material adverse effect on the Group's business.*"

RISKS RELATING TO THE BONDS

The PRC government shall under no circumstances have any obligation arising out of or in connection with the Bonds or the transaction documents in relation to the Bonds, which are solely to be fulfilled by the Issuer.

Notwithstanding the Group's extensive relationships with the PRC government (including the Zhangzhou City government, Zhangzhou SASAC and any other entities controlled by them), the Issuer is not part of the PRC government. The PRC government (including the Zhangzhou City government and Zhangzhou SASAC) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds or the transaction documents in lieu of the Issuer.

This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知 財金[2018]23號) (the "**MOF Circular**") promulgated on 28 March 2018 and took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知，發改外資[2018]706號) (the "**Joint Circular**") promulgated on 11 May 2018 and took effect on the same day.

According to the Circular of the General Office of the National Development and Reform Commission on the Requirements for Application for Filing and Registration of Foreign Debt Issuance by Local State-owned Enterprises (國家發展改革委辦公廳關於地方國有企業發行外債申請備案登記有關要求的通知，發改辦外資[2019]666號) (the "**Circular 666**") promulgated on 6 June 2019 and took effect on the same day, PRC Government and their departments shall not directly repay, or promise to repay, the Bonds with government funds, nor shall they provide guarantees for the issuance of the Bonds. The detailed description of the relationships between the Issuer and the Zhangzhou City government in this Offering Circular does not imply in any way any explicit or implicit credit support of the Zhangzhou City government in respect of the Bonds, the repayment of which remains the sole responsibilities of the Issuer.

The PRC government as the ultimate shareholder of the Issuer only has limited liability in the form of its equity contribution in the Issuer. As such, the PRC government does not have any payment obligations under the Bonds or the transaction documents. The Bonds are solely to be repaid by the Issuer as an obligor under the relevant transaction documents and as an independent legal person. The Bondholders do not have any recourse against the PRC Government in respect of any obligation arising out of or in connection with the Bonds or the transaction documents.

Any failure to complete the relevant filings under the NDRC Circular and the relevant registration under SAFE within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds.

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. The Issuer has obtained the NDRC pre-issuance registration certificate on 24 November 2021. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. In the worst case scenario, such non-compliance with the post-issue notification requirement under the NDRC Circular may result in it being unlawful for the Issuer to perform or comply with any of its obligations under the Bonds and the Bonds might be subject to enforcement as provided in Condition 9 (Events of Default) of the Terms and Conditions.

Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. The Issuer has undertaken to notify the NDRC of the particulars of the issue of the Bonds within 10 Registration Business Days after the Issue Date.

In accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) (the "**Foreign Debt Registration Measures**") issued by the SAFE on 28 April 2013, which came into effect on 13 May 2013 and amended on 4 May 2015, the Issuer shall complete the Foreign Debt Registration in respect of the issue of the Bonds with SAFE in accordance with laws and regulations. According to the Operation Guidelines for Administration of Foreign Debt Registration (外債登記管理操作指引) and the Foreign Debt Registration Measures and the Guidelines for Foreign Exchange Business under the Capital Account (資本項目外匯業務指引), the Issuer is required to register the Bonds with SAFE within fifteen Registration Business Days after the Issue Date and complete such registration in accordance with the

Foreign Debt Registration Measures. Before such registration of the Bonds is completed, it is uncertain whether the Bonds are enforceable as a matter of PRC law and it may be difficult for Bondholders to recover amounts due from the Issuer, and the Issuer may not be able to remit the proceeds of the offering into the PRC or remit money out of the PRC in order to meet its payment obligations under the Bonds. Pursuant to article 27(5) of the Foreign Debt Registration Measures, a failure to comply with registration requirements may result in a warning and fine as set forth under article 48 of the Foreign Exchange Administrative Regulations (外匯管理條例) promulgated by the State Council in 2008. However, pursuant to article 40 of the Foreign Debt Administration Provisional Rules (外債管理暫行辦法) promulgated by MOF, the NDRC and SAFE, a failure by a domestic entity to register a foreign debt contract will render the contract not legally binding and unenforceable. Under the Terms and Conditions, the Issuer has undertaken to use its best endeavours, and it intends, to complete the Foreign Debt Registration and obtain a registration record from SAFE within 120 Registration Business Days of the Issue Date. The Issuer does not foresee any obstacle in completing the registration within the abovementioned period. In the unlikely event that having exercised its best endeavours, the Issuer is still unable to complete such registration within the abovementioned period, a No Registration Event may be triggered. Following the occurrence of a No Registration Event, the Issuer shall redeem on the Put Settlement Date all but not some only, of the Bonds at 100 per cent. of their principal amount, together with accrued interest up to, but excluding, the Put Settlement Date.

In addition, on 29 April 2016, the People's Bank of China (the "**PBOC**") issued the Circular of the PBOC on Implementing Overall Macro Prudential Management System for Nationwide Cross-border Financing (中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知), which came into effect on 3 May 2016. This circular has since been replaced by the Cross-Border Financing Circular issued by the PBOC on 12 January 2017 and came into effect on the same date. The Issuer is also required to file the issue of the Bonds with SAFE in accordance with the Cross-Border Financing Circular.

The Bonds are unsecured obligations.

As the Bonds are unsecured obligations of the Issuer, the repayment of the Bonds may be compromised if:

- the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's indebtedness.

If any of these events were to occur, the Issuer's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Bonds.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the Bondholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Reciprocal Recognition Arrangement**"), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Reciprocal Recognition Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited.

The Bonds may not be a suitable investment for all investors.

The Bonds may be purchased as a way to reduce risk or enhance yield with a measured and appropriate addition of risk to the investor's overall portfolios. A potential investor should not invest in the Bonds unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Bonds are legal investments for it, (b) Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible economic scenarios, such as interest rate and other factors which may affect its investment and the ability to bear the applicable risks.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. Although application will be made for the listing of the Bonds on the Hong Kong Stock Exchange, no assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to limited investors. None of the Joint Lead Managers is obligated to make a market in the Bonds, and if the Joint Lead Managers do so, they may discontinue such market making activity at any time at their sole discretion. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

Investors in the Bonds may be subject to foreign exchange risks.

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Issuer has no control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Issuer's turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

Developments in other markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

The Issuer may be unable to redeem the Bonds upon the due date for redemption thereof.

On the Maturity Date, the Bonds will be redeemed at their principal amount, or following the occurrence of a Relevant Event, the Issuer may, at the option of any Bondholder, be required to redeem all, but not some only, of such Bondholder's Bonds. On the Maturity Date or if any of such Relevant Event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds on the Maturity Date or in any of such events may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's other indebtedness.

The Bonds will be structurally subordinated to the existing and future indebtedness and other liabilities and commitments of the Issuer's existing and future subsidiaries and effectively subordinated to the Issuer's secured debt to the extent of the value of the collateral securing such indebtedness.

The Bonds will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's existing or future subsidiaries, whether or not secured. The Bonds will not be guaranteed by any of the Issuer's subsidiaries, and the Issuer may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer is subject to various restrictions under applicable laws. For instance, the Issuer's subsidiaries are subject to certain restrictive covenants in loan agreements between them and certain creditors. Some loan agreements with certain commercial banks may restrict the Issuer's subsidiaries from paying dividends to their shareholders without prior consent from the lenders. If the Issuer's subsidiaries fail to abide by these provisions, such lenders may be entitled to accelerate repayment of the relevant loans or borrowings. In any event, the Issuer's subsidiaries will be separate legal entities that have no obligation to pay any amounts due under the Bonds or make any funds available therefore, whether by dividends, loans or other payments. The Issuer's right to receive assets of any of the Issuer's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer is creditor of that subsidiary). Consequently, the Bonds will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any subsidiaries that the Issuer may in the future acquire or establish.

The Bonds are the Issuer's unsecured obligations and will (i) rank at least equally in right of payment with all the Issuer's other present and future unsecured and unsubordinated obligations; (ii) be effectively subordinated to all of the Issuer's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's present and future subordinated obligations, subject in all cases to exceptions as may be provided by applicable legislation. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. Some of the Issuer's present indebtedness is secured. For instance, as at 30 June 2019, 81,060,000 shares of Zhangzhou Pientzehuang Pharmaceutical held by the Issuer were pledged to PICC Capital Investment Management Company Limited to guarantee a loan agreement of the Issuer in an amount of RMB1.2 billion. In the event of the Issuer's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Bonds, these assets will be available to pay obligations on the Bonds only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Bondholders rateably with all of the Issuer's other unsecured and unsubordinated creditors, including trade creditors. If there are insufficient assets remaining to pay all these creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

The insolvency laws of the PRC may differ from those of another jurisdiction with which the Bondholders are familiar.

The Issuer is incorporated under the laws of the PRC. Any bankruptcy proceeding relating to the Issuer would likely involve PRC bankruptcy laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Bondholders are familiar.

If the Issuer or any of its subsidiaries is unable to comply with the restrictions and covenants in their respective debt agreements (if any), or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the Issuer's debt, or the Bonds, to be accelerated.

If the Issuer or any of its subsidiaries is unable to comply with the restrictions and covenants in the Bonds, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer or the relevant subsidiaries, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements entered into by the Issuer or its subsidiaries contain cross-acceleration or cross-default provisions. As a result, the default the Issuer or any of its subsidiaries under one debt agreement may cause the acceleration of not only such debt but also other debt, or result in a default under other debt agreements. If any of these events occur, there can be no assurance that the Group's assets and cash flows would be sufficient to repay all of such indebtedness in full, or that the Group would be able to find alternative financing. Even if the Group could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Group.

A change in English law which governs the Bonds may adversely affect Bondholders.

The Terms and Conditions are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change English law or administrative practice after the date of issue of the Bonds.

Modifications and waivers may be made in respect of the Terms and Conditions and the Trust Deed by the Trustee or less than all of the Bondholders, and decisions may be made on behalf of all Bondholders that may be adverse to the interests of the individual Bondholder.

The Terms and Conditions contain provisions for calling meetings of the Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of Bondholders may be adverse to the interests of the individual Bondholder.

The Terms and Conditions also provide that the Trustee may, without the consent of the Bondholders, agree to any modification of the Trust Deed or the Terms and Conditions (other than in respect of a reserved matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of the Bondholders and to any modification of the Terms and Conditions or the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law.

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any proposed breach or breach of the Bonds or the Trust Deed (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

The Trustee may request Bondholders to provide an indemnity and/or security and/or pre funding to its satisfaction.

In certain circumstances (including without limitation the giving of notice pursuant to Condition 9 (*Events of Default*) of the Terms and Conditions and the taking of enforcement steps pursuant to Condition 13 (*Enforcement*) of the Terms and Conditions), the Trustee may (in its discretion) request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

Gains on the transfer of the Bonds and interest payable by the Issuer to overseas Bondholders may be subject to income tax and value-added tax under PRC tax laws.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-PRC resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-PRC resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate for the non-PRC resident enterprise and 20 per cent. individual income tax rate the non-PRC resident individuals will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**Arrangement**") which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied. As Bonds will be held in the Clearing System, it is not possible to ascertain the jurisdiction of the Bondholders.

Pursuant to the EIT Law, the IIT Law and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-PRC resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-PRC resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-PRC resident enterprise Bondholders and at a rate of 20 per cent. for non-PRC resident individual Bondholders (or a lower treaty rate, if any).

On 23 March 2016, MOF and the State Administration of Taxation issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (Caishui [2016] No. 36) ("**Circular 36**"), which introduced a new value-added tax ("**VAT**") from 1 May 2016. VAT is applicable where entities or individuals provide services within the PRC. The Issuer will be obligated to withhold VAT of 6 per cent. for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-PRC resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located in the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

If a Bondholder, being a non-PRC resident enterprise or non-PRC resident individual, is required to pay any PRC income tax on interest or gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

The Bonds will be represented by a Global Bond Certificate and holders of a beneficial interest in a Global Bond Certificate must rely on the procedures of the Clearing Systems.

The Bonds will be represented by beneficial interests in a Global Bond Certificate. Such Global Bond Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream (the "**Clearing Systems**"). Except in the circumstances described in the Global Bond Certificate, investors will not be entitled to receive definitive Certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Bond Certificate. While the Bonds are represented by the Global Bond Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Bond Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the relevant Clearing System for distribution to their account Bondholders.

A holder of a beneficial interest in a Global Bond Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bond Certificate.

Bondholders of beneficial interests in the Global Bond Certificate will not have a direct right to vote in respect of the Bonds. Instead, such Bondholders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

Bondholders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive certificate in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Bonds are issued, holders should be aware that a definitive certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The Bonds may be redeemed by the Issuer prior to maturity.

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount, together with interest accrued to the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer has or will become obliged to pay Additional Tax Amounts, as further described in Condition 6.2 (*Redemption for Taxation Reasons*) of the Terms and Conditions.

If the Issuer redeems the Bonds prior to their Maturity Date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

The ratings assigned to the Bonds may be downgraded or withdrawn in the future.

The Bonds are expected to be assigned a rating of BBB- by Fitch. The ratings represent only the opinions of the rating agencies and their assessment of the ability of the Issuer to perform their respective obligations under the Bonds, the Trust Deed and the Agency Agreement and credit risks in determining the likelihood that payments will be made when due under the Bonds. Ratings are not recommendations to buy, sell or hold the Bonds and may be subject to revision, qualification, suspension, reduction or withdrawn at any time. The Issuer cannot assure investors that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. Each rating should be evaluated independently of any other rating of the Bonds or other securities of the Issuer (if any). A revision, qualification, suspension or withdrawal at any time of any rating assigned to the Bonds may adversely affect the market price of the Bonds.

The Issuer may issue additional Bonds in the future.

The Issuer may, from time to time, and without prior consultation of the Bondholders, create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the timing for complying with the Registration Conditions, for completing the NDRC Post-Issue Filing and for making the Foreign Debt Registration (see "*Terms and Conditions of the Bonds — Further Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

Changes in market interest rates may adversely affect the value of the Bonds.

The Bonds will carry fixed interest rates. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

The Bonds being issued as sustainability bonds may not be a suitable investment for all investors seeking exposure to green, social or sustainable assets.

In connection with the issue of the Bonds, the Issuer has requested S&P Global Ratings to deliver the second party opinion (the "**Second Party Opinion**") confirming that the sustainable finance framework of the Issuer (the "**Sustainable Finance Framework**") is aligned with the Group's green and sustainability strategy and performance, and aligned with the core components of the Social Bond Principles, ICMA, 2021 (SBP), Social Loan Principles, LMA/LSTA/APLMA, 2021 (SLP), Green Bond Principles, ICMA, 2021 (GBP), Green Loan Principles, LMA/LSTA/APLMA, 2021 (GLP), and Sustainability Bond Guidelines ICMA, 2021 (SBG).

The Second Party Opinion is not incorporated into, nor does it form part of, the Offering Circular. The Second Party Opinion (including the section headed the "*Sustainable Finance Framework*" in this Offering Circular) is not a recommendation to buy, sell or hold securities and is only current as of the date of issue and are subject to certain disclaimers set out therein. The Bonds may not be a suitable investment for all investors seeking exposure to green, social or sustainable assets. The Second Party Opinion is for information purposes only and none of the Issuer or S&P Global Ratings accepts any form of liability for the substance of the Second Party Opinion and/or any liability for loss arising from the use of the Second Party Opinion and/or the information provided in it.

Whilst the Issuer has agreed to certain obligations relating to reporting and use of proceeds as described under the sections headed "*Sustainable Finance Framework*" and "*Use of Proceeds*", it would not be an Event of Default under the Terms and Conditions if (i) the Issuer was to fail to comply with such obligations or were to fail to use the proceeds of the issue of the Bonds, in the manner specified in this Offering Circular and/or (ii) the Second Party Opinion issued in connection with such Bonds was to be withdrawn. Any failure to use the net proceeds of the issue of the Bonds in connection with green and/or social projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with environmental concerns with respect to such Bonds, may affect the value and/or trading price of the Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green and/or social projects. In the event that the Bonds are included in any dedicated "green", "environmental", "social", "sustainable" or other equivalently-labelled index, no representation or assurance is given by the Issuer or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates.

None of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them makes any representation as to the suitability for any purpose of the Second Party Opinion or whether the Bonds will fulfil the relevant environmental and/or sustainable criteria. Each potential purchaser of the Bonds should have regard to the relevant projects and eligibility criteria described under the section headed "*Sustainable Finance Framework*" and determine for itself the relevance of the information contained in this Offering Circular regarding the use of proceeds, and its purchase of any Bonds should be based upon such investigation as it deems necessary.

EXCHANGE RATE INFORMATION

The PBOC sets and publishes on a daily basis a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2 per cent. against the U.S. dollar. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar.

During 2016, along with the progressive interest rate increased by the U.S. Federal Reserve, the Renminbi accumulatively depreciated by 7.2 per cent. against the U.S. dollar. Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of the Renminbi into foreign currency for capital items, such as foreign direct investment, loans or security, requires the approval of SAFE and other relevant authorities. From 1 January 2017, according to the sampling rule of "CNY versus FX currency pair listed on CFETS", CFETS will add 11 currencies newly listed on CFETS in 2016 and the number of basket currencies will increase from 13 to 24. Following the gradual appreciation against the U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against the U.S. dollar followed by a fluctuation in 2018 and early 2019. On 5 August 2019, the PBOC set the Renminbi's daily reference rate above RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. The PRC Government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods presented:

	Renminbi per U.S. Dollar Noon Buying Rate			
Period	**End**	**Average[(1)]**	**High**	**Low**
	(CNY per U.S.$1.00)			
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1348	6.5250
2021	6.3726	6.4382	6.5716	6.3435
January				
February	6.3610	6.3556	6.3822	6.3206
March	6.3084	6.3436	6.3660	6.3084
April	6.3393	6.3436	6.3720	6.3116
May	6.6080	6.4310	6.6243	6.3590
June	6.6981	6.5400	6.7530	6.3796
July (through 8 July)	6.6945	6.7042	6.7192	6.6945

Note:

(1) Annual and semi-annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

TERMS AND CONDITIONS OF THE BONDS

The following are the terms and conditions of the Bonds (as defined below) substantially in the form in which they (other than the text in italics) will be endorsed on the definitive Certificates and referred to in the Global Bond Certificate:

The US$500,000,000 4.70 per cent. bonds due 2025 (the ***Bonds***, which expression, unless the context requires otherwise, includes any further securities issued pursuant to Condition 15 and to be consolidated and forming a single series therewith) of Zhangzhou Jiulongjiang Group Co., Ltd. (漳州市九龍江集團有限公司) (the ***Issuer***) are constituted by a trust deed (as amended or supplemented from time to time, the ***Trust Deed***) dated on or about 27 July 2022 (the ***Issue Date***) made between the Issuer and The Hongkong and Shanghai Banking Corporation Limited (the ***Trustee***, which expression shall include its successor(s)) as trustee for the holders of the Bonds). The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed.

The issue of the Bonds was authorised by resolutions of the board of directors of the Issuer dated 23 May 2022 and by an approval of the State-owned Assets Supervision and Administration Commission of Zhangzhou City as shareholder of the Issuer on 30 June 2022.

Copies of the Trust Deed and the agency agreement dated on or about 27 July 2022 (as amended or supplemented from time to time, the ***Agency Agreement***) made between the Issuer, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as principal paying agent (the ***Principal Paying Agent***, which expression shall include its successors(s) as principal paying agent of the Bonds), as registrar (the ***Registrar***, which expression shall include its successors(s) as registrar of the Bonds) and as transfer agent (the ***Transfer Agent***, which expression shall include its successors(s) as transfer agent of the Bonds) and any other Agents appointed thereunder are available for inspection at all reasonable times during normal business hours by the holders (as defined below) of the Bonds at the principal office for the time being of the Trustee, being at the date of issue of the Bonds at Level 24, HSBC Main Building, 1 Queen's Road Central, Hong Kong and at the specified office of the Principal Paying Agent following prior written request and proof of holding satisfactory to the Trustee or, as the case may be, the Principal Paying Agent. References herein to ***Paying Agents*** includes the Principal Paying Agent, and ***Agents*** means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions of the Agency Agreement applicable to them.

All capitalised terms that are not defined in these terms and conditions (these ***Conditions***) will have the meanings given to them in the Trust Deed.

1. FORM, SPECIFIED DENOMINATION AND TITLE

(a) The Bonds are issued in the specified denomination of US$200,000 and integral multiples of US$1,000 in excess thereof. The Bonds are represented by registered certificates (the ***Certificates***) and, save as provided in Condition 3.3, each Certificate shall represent the entire holding of Bonds by the same holder.

(b) Title to the Bonds shall pass by transfer and registration in the Register as described in Condition 3. The holder of any Bond shall (except where otherwise ordered by a court of competent jurisdiction or otherwise required by law) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate (other than the endorsed form of transfer) representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

(c) In these Conditions, ***Bondholder, holder of the Bonds*** or, in respect of a Bond, holder means the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

(d) Upon issue, the Bonds will be represented by a global bond certificate (the ***Global Bond Certificate***) registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV (***Euroclear***) and Clearstream Banking S.A. (***Clearstream***). The Conditions are modified by certain provisions contained in the Global Bond Certificate while any of the Bonds are represented by the Global Bond Certificate. See "*Summary of Provisions relating to the Bonds in Global Form*".

2. STATUS

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4.1) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

3. TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

3.1 Register

The Issuer will cause a register of the Bonds (the ***Register***) to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement, on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds. Each holder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

3.2 Transfer

(a) Subject to the Agency Agreement and Conditions 3.5 and 3.6 herein, a Bond may be transferred by surrendering the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate duly completed and signed, at the specified office of the Registrar or any Transfer Agent and any other evidence as the Registrar or such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer.

(b) In the case of a transfer of only part of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of the Bonds to a person who is already a holder of the Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Bond Certificate will be effected in accordance with the rules of the relevant clearing systems.

3.3 Delivery of New Certificates

(a) Each new Certificate to be issued upon transfer of Bonds pursuant to Condition 3.2 shall be made available for delivery within seven business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify.

(b) In this Condition 3.3, ***business day*** means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

Except in the limited circumstances described herein (see "Summary of Provisions relating to the Bonds in Global Form"), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

3.4 Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any Agent but upon (a) payment (or the giving of such indemnity and/or security and/or pre-funding as any Agent may require) in respect of any taxes, duties or other governmental charges which may be imposed in relation to such transfer, (b) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application, and (c) the relevant Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.

3.5 Closed Periods

No holder may require the transfer of a Bond to be registered (a) during the period of seven days ending on (but excluding) the due date for redemption of that Bond, (b) after notice of redemption has been given pursuant to Condition 6.2, (c) after any such Bond has been put for redemption pursuant to Condition 6.3, or (d) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7.1).

3.6 Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the Bondholders and at the Issuer's expense) by the Registrar to any Bondholder who requests one in writing.

4. COVENANTS

4.1 Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and the Issuer will ensure that none of its Subsidiaries (other than any Listed Subsidiary and its Subsidiaries) will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (a) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (b) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

4.2 Undertakings Relating to Foreign Debt Registration

The Issuer undertakes that it will (a) within 15 Registration Business Days after the Issue Date, register or cause to be registered with SAFE the Bonds pursuant to the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as of 13 May 2013 and amended on 4 May 2015, the Guidelines for the Foreign Exchange Business under the Capital Account (資本項目外匯業務指引) and the Circular of the People's Bank of China on Issues Concerning the Overall Macro Prudential Management System for Cross-Border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the ***Cross-Border Financing Circular***) (the ***Foreign Debt Registration***), (b) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline and (c) comply with all applicable PRC laws and regulations in relation to the Bonds, including but not limited to the Cross-Border Financing Circular and any implementing measures promulgated thereunder from time to time.

4.3 Notification to NDRC

The Issuer undertakes that it will within 10 Registration Business Days after the Issue Date file or cause to be filed with the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號))issued by the NDRC and effective 14 September 2015 and any implementation rules, regulations and guidelines thereunder (the ***NDRC Post-Issue Filing***).

4.4 Notification of Completion of the Foreign Debt Registration and the NDRC Post-Issue Filing

(a) The Issuer shall before the Registration Deadline and within ten Registration Business Days after the later of (i) submission of the NDRC Post-Issue Filing and (ii) receipt of the registration certificate from SAFE (or any other document evidencing the completion of the Foreign Debt Registration issued by SAFE), provide the Trustee with (A) a certificate in English substantially in the form scheduled to the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) or a director of the Issuer confirming (I) the submission of the NDRC Post-Issue Filing; (II) the completion of the Foreign Debt Registration and (III) no Event of Default or Potential

Event of Default has occurred; (B) certified true copies of the relevant documents evidencing (I) the NDRC Post-Issue Filing and (II) the Foreign Debt Registration, each certified in English by an Authorised Signatory or a director of the Issuer (the items specified in (A)(II) and (B)(II) together, the ***Registration Documents***). In addition, the Issuer shall, within five Registration Business Days after the documents comprising the Registration Documents are delivered to the Trustee, provide the Agents with a notice for dissemination to the Bondholders (in accordance with Condition 16) confirming the completion of the NDRC Post-Issue Filing and the Foreign Debt Registration, and give instruction to the Principal Paying Agent to arrange for publication of such notice to the Bondholders (in accordance with Condition 16).

(b) The Trustee shall have no obligation to monitor or ensure the Foreign Debt Registration with SAFE is completed as required by Condition 4.2 or the NDRC Post-Issue Filing is made as required by Condition 4.3 or to assist with either the NDRC Post-Issue Filing or the Foreign Debt Registration or to verify the accuracy, validity and/or genuineness of any Registration Documents or to give notice to the Bondholders confirming the completion of the NDRC Post-Issue Filing and the Foreign Debt Registration, and shall not be liable to Bondholders or any other person for not doing so.

4.5 Financial Information

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will furnish the Trustee with (a) a Compliance Certificate (on which the Trustee may rely as to such compliance) and a copy of the relevant Audited Financial Reports within 180 days of the end of each Relevant Period prepared in accordance with the Accounting Standards for Business Enterprises in China (***PRC GAAP***) (audited by a nationally or internationally recognised firm of independent accountants) of the Issuer and (b) a copy of the Unaudited Financial Reports within 120 days of the end of each Relevant Period prepared on a basis consistent with the audited consolidated financial statements of the Issuer;

and in each case, if such statements shall be in the Chinese language, together with an English translation of the same and translated by (i) a nationally or internationally recognised firm of independent accountants or (ii) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory or a director of the Issuer certifying that such translation is complete and accurate.

4.6 Ratings

For so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution of the Bondholders, the Issuer will use its reasonable endeavours to maintain a rating on the Bonds from at least one Rating Agency.

4.7 Definitions

In these Conditions:

Audited Financial Reports means the annual audited consolidated balance sheet, income statement, cash flows statement and statement of owners' equity changes of the Issuer together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

Compliance Certificate means a certificate of the Issuer in English signed by an Authorised Signatory or a director of the Issuer that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the ***Certification Date***) not more than five days before the date of the certificate:

(a) no Event of Default (as defined in Condition 9) or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(b) the Issuer has complied with all its obligations under the Trust Deed and the Bonds;

Issue Date means 27 July 2022;

Listed Subsidiary means, at any time, any Subsidiary of the Issuer, the ordinary voting shares of which are at such time listed on a nationally or internationally recognised stock exchange, and "**Listed Subsidiaries**" shall be construed accordingly;

NDRC means the National Development and Reform Commission of the PRC or its local counterparts;

person means any individual, company, corporation, firm, partnership, undertaking, joint venture, association, trust, unincorporated organisation or government or any agency or political subdivision thereof;

PRC means the People's Republic of China, which shall for the purposes of these Conditions only, exclude the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;

Potential Event of Default means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement become an Event of Default;

Rating Agency means (1) Fitch Ratings and its successors; (2) S&P Global Ratings and its successors; (3) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors; or (4) any other reputable credit rating agency of international standing;

Registration Business Day means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing;

Registration Deadline means the day falling 120 Registration Business Days after the Issue Date;

Relevant Indebtedness means any indebtedness incurred outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

Relevant Period means (a) in relation to the Audited Financial Reports, each period of twelve months ending on the last day of the Issuer's financial year (being 31 December of that financial year) and (b) in relation to the Unaudited Financial Reports, each period of six months ending on the last day of the Issuer's first half financial year (being 30 June of that financial year);

SAFE means the State Administration of Foreign Exchange of the PRC or its local branch;

Subsidiary means, with respect to any person, (a) any corporation, association or other business entity of which more than 50 per cent. of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such person; or (b) any corporation, association or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person;

Unaudited Financial Reports means the semi-annual unaudited and unreviewed consolidated balance sheet, income statement, cash flows statement and statement of owners' equity changes of the Issuer together with any statements, reports (including any directors' and auditors' review reports, if any) and notes attached to or intended to be read with any of them, if any; and

Voting Stock means, with respect to any person, capital stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such person.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

(a) The Bonds bear interest on their outstanding principal amount from and including 27 July 2022 (the ***Issue Date***) at the rate of 4.70 per cent. per annum, payable semi-annually in arrear in equal instalments of US$23.5 per Calculation Amount (as defined below) on 27 January and 27 July in each year (each an ***Interest Payment Date***) commencing on 27 January 2023.

(b) Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holders, and (ii) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(c) If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an ***Interest Period***.

(d) Interest in respect of any Bond shall be calculated per US$1,000 in principal amount of the Bonds (the ***Calculation Amount***). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6. REDEMPTION AND PURCHASE

6.1 Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 27 July 2025 (the ***Maturity Date***). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

6.2 Redemption for Taxation Reasons

(a) The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a ***Tax Redemption Notice***) to the Bondholders in accordance with Condition 16 (which shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with any interest accrued to (but excluding) the date fixed for redemption) if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 20 July 2022, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

(b) Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6.2, the Issuer shall deliver to the Trustee (A) a certificate in English signed by any Authorised Signatory or any director of the Issuer stating that the obligation referred to in (a)(i) above of this Condition 6.2 cannot be avoided by the Issuer taking reasonable measures available to it, and (B) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (a)(i) and (a)(ii) above of this Condition 6.2, in which event the same shall be conclusive and binding on the Bondholders.

6.3 Redemption for Relevant Events

(a) Following the occurrence of a Relevant Event, the holder of any Bond will have the right (the ***Relevant Event Put Right***), at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined below in this Condition 6.3) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a ***Put Exercise Notice***), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16.

(b) The ***Put Settlement Date*** shall be the 14th day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above.

(c) A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

(d) The Issuer shall give notice in writing to Bondholders in accordance with Condition 16 and to the Trustee and the Principal Paying Agent by not later than 14 days (in the case of a redemption for a Change of Control) or five days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of a Relevant Event, which notice shall specify the procedure for exercise by Bondholders pursuant to this Condition 6.3.

(e) For the purpose of these Conditions:

a ***Change of Control*** occurs when:

(i) the Controlling Persons together, cease to directly or indirectly hold or own 80 per cent. of the issued share capital of the Issuer; or

(ii) the Issuer consolidates with or merges into any other person or persons, acting together, whose issued share capital is/are not directly or indirectly 80 per cent. held or owned by the Controlling Persons (whether singly or in combination);

Controlling Persons means (i) the State-owned Assets Supervision and Administration Commission of the State Council or any successor entity thereto, (ii) the State-owned Assets Supervision and Administration Commission of Zhangzhou City, (iii) Fujian Provincial Department of Finance and (iv) the government of the PRC, or any entity wholly-owned by the government of the PRC;

a ***No Registration Event*** occurs when the Registration Conditions are not satisfied on or before the Registration Deadline;

Registration Conditions means the receipt by the Trustee of the Registration Documents relating to the Foreign Debt Registration as set forth in Condition 4.4; and

a ***Relevant Event*** will be deemed to occur if there is a Change of Control or a No Registration Event.

6.4 Purchase

The Issuer or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Conditions 9, 12.1 and 13.

6.5 Notice of Redemption

All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6.2 and any Put Exercise Notice given by a Bondholder pursuant to Condition 6.3), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption and shall not be liable to Bondholders, the Issuer or any other person for not doing so.

6.6 Cancellation

All Certificates representing Bonds purchased by or on behalf of the Issuer and its Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

7. PAYMENTS

7.1 Method of Payment:

(a) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of the Principal Paying Agent or any other Paying Agent if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7.1(b) below.

(b) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the ***Record Date***). Payments of interest on each Bond shall be made in US dollars by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Bond at its address appearing on the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in US dollars maintained by the payee with a bank.

(c) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

7.2 Payments Subject to Fiscal Laws:

Payments will be subject in all cases to (a) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the Code) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

7.3 Payment Initiation:

Where payment is to be made by transfer to an account in US dollars, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed on the due date for payment, or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on the first Payment Business Day on which the Principal Paying Agent is open for business and on or following which the relevant Certificate is surrendered. Appointment of Agents: The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (a) a Principal Paying Agent, (b) a Registrar with a specified office outside the United Kingdom, (c) a Transfer Agent and (d) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders.

7.4 Delay in Payment:

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so or if a cheque mailed in accordance with Condition 7.1(b) arrives after the due date for payment). **Non-Payment Business Days**: If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, ***Payment Business Day*** means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets are generally open for business in Hong Kong, New York City and the place in which the specified office of the Principal Paying Agent is located.

8. TAXATION

(a) All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the PRC or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law

(b) Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the aggregate rate applicable on 20 July 2022 (the ***Applicable Rate***), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required.

(c) If the Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Issuer shall pay such additional amounts (***Additional Tax Amounts***) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

(i) ***Other connection***: to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the PRC other than the mere holding of the Bond; or

(ii) ***Surrender more than 30 days after the Relevant Date***: in respect of which the Certificate representing it is presented or surrendered (where presentation or surrender is required) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on presenting or, as the case may be, surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days.

References in these Conditions to principal, premium and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Relevant Date in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further presentation or, as the case may be, surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation or surrender.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the PRC, references in these Conditions to the PRC shall be construed as references to the PRC and/or such other jurisdiction.

9. EVENTS OF DEFAULT

If an Event of Default (as defined below) occurs the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have first been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest.

An ***Event of Default*** occurs if:

9.1 **Non-Payment:** there has been a failure to pay (a) the principal of or any premium (if any) on any of the Bonds when due or (b) any interest on any of the Bonds within seven days of the due date for payment thereof; or

9.2 **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations under the Bonds or the Trust Deed (other than where such default gives rise to a redemption pursuant to Condition 6.3), which default is, in the opinion of the Trustee, incapable of remedy or, if such default is, in the opinion of the Trustee, capable of remedy, is not remedied within 45 days after the Trustee has given written notice thereof to the Issuer; or

9.3 **Cross-Default:** (a) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (c) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9.3 have occurred, whether individually or in the aggregate, equals or exceeds US$50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this Condition 9.3 operates); or

9.4 **Unsatisfied Judgment:** one or more judgment(s) or order(s) from which no further appeal or judicial review is permissible under applicable law for the payment of an amount in excess of US$50,000,000 (or its equivalent in any other currency or currencies), whether individually or in the aggregate, is rendered against the Issuer or any of its Principal Subsidiaries and continues unsatisfied and unstayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment; or

9.5 **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any substantial part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries, and is not discharged within 45 days of being levied, enforced or sued out on or against; or

9.6 **Insolvency:** the Issuer or any of its Principal Subsidiaries (i) is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, (ii) stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts, (iii) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or (iv) a moratorium is agreed or declared in respect of or affecting all or any substantial part of the debts of the Issuer or any of its Principal Subsidiaries; or

9.7 **Winding-up:** an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except (a) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved an Extraordinary Resolution of the Bondholders, or (b) in the case of a Principal Subsidiary, (i) whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer and/or any of its Subsidiaries, in any combination, (ii) on a solvent winding-up basis or (iii) a disposal on an arm's length basis whereby the undertaking and assets resulting from such disposal are vested in the Issuer and/or any of its Subsidiaries, in any combination; or

9.8 **Nationalisation:** any step is taken by any person acting under the authority of any national, regional or local government with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or substantially all part of the undertaking, assets or revenues of the Issuer or any of its Principal Subsidiaries; or

9.9 **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Global Bond Certificate, the Certificates and the Trust Deed admissible in evidence in the courts of Hong Kong and the PRC is not taken, fulfilled or done; or

9.10 **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds and/or the Trust Deed; or

9.11 **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Condition 9.4 (Unsatisfied judgment) to Condition 9.10.

In this Condition 9, "**Principal Subsidiary**" means any Subsidiary of the Issuer:

(i) whose total revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total revenue, as shown by its latest audited income statement are at least three per cent. of the consolidated total revenue as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries, taken as a whole; or

(ii) whose gross profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least three per cent. of the consolidated gross profit as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of gross profit of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(iii) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least three per cent. of the consolidated total assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries including, for the avoidance of doubt, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or

(iv) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (x) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (y) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (i), (ii) or (iii) above of this definition,

provided that, in relation to paragraphs (i), (ii) and (iii) above of this definition:

(A) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(B) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, total revenue, gross profit or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by the Issuer;

(C) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total revenue, gross profit or total assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and

(D) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

A certificate prepared by a director or an authorised signatory of the Issuer certifying that, in its opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties. The certificate would, if requested by the Trustee, be accompanied by a report by a nationally or internationally recognised firm of independent accountants addressed to the directors of the Issuer as to proper extraction of the figures used by the Issuer in determining the Principal Subsidiaries of the Issuer, and the mathematical accuracy of the calculation.

10. PRESCRIPTION

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer or the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

12.1 Meetings of Bondholders

(a) The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Trustee upon request in writing from Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the Maturity Date of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders, whether or not they were present at the meeting at which such resolution was passed.

(b) The Trust Deed provides that a resolution in writing signed by or on behalf of the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

12.2 Modification, Waiver, Authorisation and Determination

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (a) any modification of the Bonds, any of these Conditions or any of the provisions of the Trust Deed and the Agency Agreement which, in its opinion, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law and (b) any other modification of the Bonds (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed and the Agency Agreement which is, in its opinion, not materially prejudicial to the interests of the Bondholders. Any such modification, waiver or authorisation shall be binding on the Bondholders and, unless the Trustee agrees otherwise, such modification, waiver or authorisation shall be notified to the Bondholders by the Issuer as soon as practicable thereafter in accordance with Condition 16.

12.3 Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13. ENFORCEMENT

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and/or the Bonds, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14. INDEMNIFICATION OF THE TRUSTEE

(a) The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/ or any entity related to the Issuer without accounting for any profit.

(b) None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction or request of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

(c) Neither the Trustee nor any of the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions or to monitor whether an Event of Default, a Potential Event of Default or a Relevant Event or any event which could lead to the occurrence of an Event of Default or a Relevant Event has occurred, and shall not be liable to the Bondholders or any other person for not doing so.

(d) Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received.

(e) The Trustee may rely without liability to Bondholders on any report, confirmation or certificate or any opinion or advice of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, opinion or advice and, in such event, such report, confirmation, certificate, opinion or advice shall be binding on the Issuer and the Bondholders.

15. FURTHER ISSUES

(a) The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the timing for complying with the Registration Conditions, for completing the NDRC Post-Issue Filing, for making the Foreign Debt Registration) and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any further securities shall be constituted by a deed supplemental to the Trust Deed.

(b) Such further securities may only be issued if (i) the Rating Agency which has provided credit ratings in respect of the Bonds has been informed of such issue; (ii) such issue will not result in any adverse change in the then credit rating of the Bonds, and (iii) such supplemental documents are executed and further opinions are obtained as the Trustee may require, all as further set out in the Trust Deed.

16. NOTICES

All notices to the Bondholders will be valid if mailed to them by uninsured mail at their respective addresses in the Register and published in a leading newspaper having general circulation in Asia. Any notice shall be deemed to have been given, on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are represented by the Global Bond Certificate and the Global Bond Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the form of the Global Bond Certificate), notices to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18. GOVERNING LAW AND JURISDICTION

18.1 Governing Law

The Trust Deed and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

18.2 Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Bonds and the Trust Deed (***Proceedings***) may be brought in such courts. The Issuer has in the Trust Deed, irrevocably submitted to the jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

18.3 Agent for Service of Process

The Issuer has irrevocably appointed in the Trust Deed an agent in Hong Kong to receive service of process in any Proceedings in Hong Kong relating to the Bonds.

18.4 Waiver of Immunity

The Issuer has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Bond Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions set out in this Offering Circular. The following is a summary of certain of those provisions.

Terms defined in the Terms and Conditions set out in this Offering Circular have the meaning in the paragraphs below.

The Bonds will be represented by a Global Bond Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Bond Certificate, the Issuer, for value received, will promise to pay such principal sum to the registered holder of the Global Bond Certificate (the "**Holder**") on such date or dates as the same may become payable in accordance with the Terms and Conditions.

The Global Bond Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual Bond certificates ("**Individual Bond Certificates**") if (i) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (ii) any of the circumstances described in Condition 9 (*Events of Default*) of the Terms and Conditions occurs.

Whenever the Global Bond Certificate is to be exchanged for Individual Bond Certificates, such Individual Bond Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Bond Certificate within five business days of the delivery, by or on behalf of the Holder, Euroclear and/or Clearstream to the Registrar of such information as is required to complete and deliver such Individual Bond Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Bond Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Bond Certificate at the Specified Office (as defined in the Terms and Conditions) of the Registrar. Such exchange shall be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Bonds scheduled thereto and, in particular, shall be effected without charge to any Holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange. In this paragraph, "**business day**" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar has its Specified Office.

In addition, the Global Bond Certificate will contain provisions which modify the Terms and Conditions as they apply to the Bonds evidenced by the Global Bond Certificate. The following is a summary of certain of those provisions:

Payments Business Day: In relation to payments made in respect of the Global Bond Certificate, "**business day**" means any day which is a day on which banks are open for general business (including dealings in foreign currencies) in New York City.

Payment Record Date: Each payment made in respect of the Global Bond Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Bond Certificate is being held is open for business.

Exercise of Put Option: In order to exercise the option contained in Condition 6.3 (the "**Put Option**"), the Holder must, within the period specified in the Terms and Conditions for the deposit of the relevant Global Bond Certificate and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Bonds in respect of which the Put Option is being exercised. Any such notice shall be irrevocable and may not be withdrawn.

Notices: So long as the Bonds are represented by the Global Bond Certificate and the Global Bond Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to Holders of Bonds represented by the Global Bond Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream or (as the case may be) such Alternative Clearing System.

USE OF PROCEEDS

The Issuer estimates that the total net proceeds from the offering of the Bonds, after deducting commissions to be charged by the Joint Lead Managers and other estimated expenses payable in connection with the offering of the Bonds, will be approximately U.S.$498,432,411. The net proceeds will be used for refinancing outstanding offshore indebtedness in accordance with the NDRC Certificate and the Sustainable Finance Framework.

SUSTAINABLE FINANCE FRAMEWORK

BACKGROUND

Established in Oct 1980, the Group is a state-owned company with 90% of its equity owned by the Zhangzhou SASAC and 10% by the Fujian Province Finance Bureau. The Group, as an important state-owned capital investment entity of the Zhangzhou Municipal Government, is one of the key state-owned enterprises supported by the Zhangzhou Government's favorable policies. The group is mainly engaged in the production of proprietary Chinese medicines and manufacture of bearings, and also participates in the development of industrial parks and investment in industrial projects of Zhangzhou City.

In accordance with the State Council's overall guidance on green development and the national "14th Five-Year" Strategic Plan of "Environmental Protection and Development of Low-Carbon Economy", the Group is committed to ensuring that its economic performance is conducive to the sustainable development of the environment and society. The Group regards sustainable development as its business foundation and ensures that its economic development is beneficial to the environment and society. The company adheres to a positive sense of environmental and social responsibility, and integrates the spirit of sustainability into its rules, regulations and business development plans. The Group actively integrates sustainability into the economic development of Zhangzhou City and is committed to making contributions in the fields of green building and sustainable infrastructure. Meanwhile, the Group also insists on reducing the negative impact on the environment during the engineering design and construction process, in doing so, ensuring it applies its principle of environmental protection to every work stage.

THE RATIONALE OF THE GROUP'S SUSTAINABLE FINANCE FRAMEWORK

The Group adheres to high environmental standards with sustainable development at low carbon emissions and regards environmental protection and sustainable development as its core values. The Group is acutely aware of the need to control and mitigate the impact of its actions on the environment and the communities in order to fulfill its green commitment towards creating long-lasting value. The Group's Board is responsible for leading and guiding the Group's policies on sustainable development at low carbon emissions and working together with management to identify, evaluate and address environmental issues on an ongoing basis. The Group's Board also oversees environmental and social affairs and plans the Group's long-term environmentally-friendly sustainable development goals. As the important stated owned company in Zhangzhou City, the Group will shoulder its social responsibility and follow its sustainable development strategy targeting to ensure local community access to adequate, safe and affordable housing and basic services and upgrade slums by 2030.

In order to have an enhanced dialogue with Socially Responsible Investors, the Group's Sustainable Finance Framework ("**SFF**") will be an opportunity to emphasize the Group's core strategy in terms of sustainable development and combating climate change, and to diversify the Group's investor base, and will also help ensure the State Council and national vision of sustainable development as well as carbon peaking and neutrality goals under the 14th Five-Year Plan and beyond, is fulfilled.

FRAMEWORK OVERVIEW

The SFF aims to describe how the Group could, with Sustainable Financing Transactions (each an "**SFT**", the issuance of Sustainable Financing Instruments, each an "**SFI**", including green bonds, social bonds, sustainability bonds, green loans, social loans, or any other debt-like sustainable financing instruments), to finance the projects that have positive environmental and/or social impact and align with it business strategy and goals (the “**Eligible Projects**”, including “**Eligible Green Projects**” and “**Eligible Social Projects**”). The net proceeds of SFTs will be applied exclusively to the Eligible Projects that will deliver environmental and/or social benefits, and support the Group’s business strategy and sustainability commitment.

– With respect to bonds, bonds issued under the SFF will be in alignment with the Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP) [(1)] released by the International Capital Market Association (ICMA).

– With respect to bonds, bonds issued under the SFF will also be in alignment with the Green Bond Endorsed Projects Catalogue (2021 Edition) [(2)] or as they may be subsequently amended.

– With respect to loans, loans issued under the Framework will be aligned to the Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA), Loans Syndicated and Transactions Association (LSTA), Green Loan Principles 2021[(3)] (GLP) and Social Loan Principles 2021[(4)] (SLP) or as they may be subsequently amended.

– Other forms of financing may conform to other well-established green and/or social and/or sustainable finance principles as may have been established at the time.

SFTs do not place restriction on the tenor and currency and can include other terms and conditions (including covenants) to reflect the financing strategy and plans of the Group, as well as the outcome of the commercial discussions between the Issuer/Borrower and the Manager/Arranger/Lender.

SFTs may be issued in any jurisdiction and market reflecting the Group’s current and future business needs.

In accordance with the above principles and guidelines, the Group’s SFF is presented through four core components as well as its recommendations for external review and amendments to the SFF as necessary from time to time:

1. Use of Proceeds

2. Process for Project Evaluation and Selection

3. Management of Proceeds

4. Reporting

5. External Review

---

(1) In alignment with ICMA Green Bond Principles and Social Bond Principles, June 2021, https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/, https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/

(2) In alignment with the Green Bond Endorsed Projects Catalogue (2021 Edition) http://www.gov.cn/zhengce/zhengceku/2021-04/22/content_5601284.htm

(3) In alignment with LMA Green Loan Principles, February 2021, https://www.lsta.org/content/green-loan-principles/

(4) In alignment with LMA Social Loan Principles, April 2021, https://www.lsta.org/content/social-loan-principles-slp/

1. Use of Proceeds

The Group will allocate an amount at least equivalent to the net proceeds of the SFTs issued under the SFF to finance and/or re-finance, in whole or in part, new and/or existing projects which meet the eligibility criteria of the following Eligible Green/Social Project Categories ("**Eligible Green/Social Projects**"), as defined below.

A maximum 3-year look-back period would apply for refinanced projects and the Group expects each issuance under the SFF to be fully allocated within 2 years from the date of issuance.

Eligible Green Project Categories and Description/Conditions of Eligible Green Projects.

Eligible Green Projects Categories	Criteria of Eligible Green Projects	Goals
Green Building 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION	**Acquisition, construction, maintenance and renovation of building that have received, or expect to receive certified the below recognized green building certifications:** – Chinese Green Building Evaluation Label – 1 Star or above (Design/ Operations Label); or – Building Research Establishment Environmental Assessment Method (BREEAM) – Excellent or above; or – U.S. Leadership in Energy and Environmental Design (LEED) – Gold or above; or – Hong Kong BEAM Plus – Gold or above; or – Building and Construction Authority (BCA) Green Mark – Gold or above; or – Construction of Ultra-Low Energy Consumption Buildings: Construction of public and residential buildings adapted to climate characteristics and site-specific conditions that reduce the demand for heating, air conditioning and lighting through passive building designs, and adopt active technical measures to improve the efficiency of building energy equipment and systems in the public and residential building as well as the acquisition of consumption. The technical indicators of the building shall meet the requirements of the "*Technical Standard for Near-Zero Energy Building*" (GB/T 51350) which is commonly used in China and broadly equivalent to the international standards; or – Green Warehousing Logistics: Construction, operation and renovation of logistics warehouses in accordance with the national green building codes and standards, for which they have obtained national green building evaluation marks. For example, the technical indicators of green logistics warehouse building shall meet the requirements of 1 Star or above of the "*Green Warehouse Requirements and Evaluation*" (SB/T 11164) which is commonly used in China and broadly equivalent to the international standards; or – Any other green building label, that is an equivalent standard of the above; – A maximum 3-year timeframe would be required for properties/buildings to obtain the green certification under this framework. All eligible properties/buildings will have a pre-design green certification.	**GBP environmental objectives:** Climate change mitigation, pollution prevention and control. **Project Benefits:** Reduce the use of fossil energy and carbon emissions, improve the utilization rate of clean energy in buildings, and achieve harmonious coexistence between human and nature.

Eligible Social Project Categories and Description/Conditions of Eligible Social Projects.

Eligible Social Projects Categories	Example of Eligible Social Projects	Goals	Targeted Population
Affordable housing	**Construction and Operation of affordable houses:** – Construction, maintenance, and upgrading of affordable houses or resettlement housing projects according to government policies. – The government will decide the price and financing terms and ensure that they will be in line with the market. The Group will not gain profit from such projects	**SBP social objectives:** Make cities and human settlements inclusive, safe, resilient and sustainable. **Project benefits:** Help local community expand access to adequate, safe and affordable housing and basic services and upgrade slums.	Populations who are eligible for affordable housing or general public who are living in poor conditions and defined by the local authority, such as Housing and Urban-Rural Development Administration of Fujian Province. More specifically the local government defines eligible group as the ones who (1) have permanent residence registration (Hukou) in Zhangzhou City; (2) and have no housing or households with extreme housing difficulties; (3) and meet the low-income standard announced by the municipal government in the current year.

* Target Population will be the exclusive recipients/beneficiaries of the proceeds applied towards the social projects.

Exclusion Criteria

Eligible Green/Social Projects will exclude the type of activities listed in the latest International Finance Corporation Exclusion List:

Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone-depleting substances, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Production or trade in weapons and munitions.

Production or trade in alcoholic beverages (excluding beer and wine).

Production or trade in tobacco.

Gambling, casinos, and equivalent enterprises.

Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where any international financial company considers the radioactive source to be trivial and/or adequately shielded.

Production or trade in unbonded asbestos fibres. This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 per cent.

Drift net fishing in the marine environment using nets over 2.5 kilometres in length.

Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.

Commercial logging operations for use in primary tropical forest.

Production or trade in wood or other forestry products other than from sustainably managed forests.

2. Process for Project Evaluation and Selection

In terms of the process for project evaluation and selection, the Group has established a relatively refined control system. The process for green/social project evaluation and selection consists of two parts, namely project screening and project review.

The Group's Sustainable Finance Working Group ("**SFWG**") collect compliance documents of the proposed green/social projects and check whether the documents are complete, thereafter examining the compliance documents to assess the green/social features of the projects against the Green Bond Principles 2021 (GBP) and the Social Bond Principles 2021 (SBP) released by International Capital Market Association (ICMA) or the Green Bond Endorsed Projects Catalogue (2021 Edition), or the Green Loan Principles 2021 (GLP) and Sustainable Loan Principles 2021 (SLP) published by the Asia Pacific Loan Market Association (APLMA), the Loan Market Association (LMA) and the Loan Syndications and Trading Association (LSTA). For the potentially qualified green/social projects, the SFWG will perform a preliminary calculation on its environmental and social impact, and submit the compliance documents and preliminary calculation results to the SFWG for project review.

Accountability Mechanism for the Group's Sustainable Finance

The SFWG is responsible for the management of this SFF and the compliance of all financing instruments issued under the SFF. The SFWG consists of representative of senior management at the Group's level and senior representatives from the following departments, including

- Investment Department: Responsible for the Company's investment project planning and feasibility plans, and establish and improve the internal control system for investment and external guarantee management.

- General Department: Responsible for the Company's administrative logistics service guarantee and office secretarial work.

- Finance Department: Responsible for the Company's financial management and planning.

- General Office, Discipline Inspection and Supervision Office: Responsible for implementing the national guidelines, policies, laws and regulations, formulating and organizing the implementation of the Company's administrative supervision annual or phased work plans and work measures.

The SFWG may be supplemented from time to time, or expanded, by the inclusion of representatives from other relevant teams.

The SFWG will:

- Meet at least two times each year, endeavored to be distributed evenly throughout the year

- Ratify Eligible Green/Social Projects, which are initially proposed and submitted by the members from other departments of the Group

- Undertake regular monitoring of the asset pool to ensure the eligibility of Green/Social Projects with the criteria set out in the Group's SFF Section 1, Use of Proceeds, whilst replacing any ineligible Green/Social Projects with eligible new Green/Social Projects

- Facilitate regular reporting on any Green, Social or Sustainable issuance in alignment with our Reporting commitments

- Manage any future updates to this Framework

- Ensure that the approval of Eligible Green/Social Projects will follow the Company's existing credit/loan/investment approval processes

The SFWG has standard process for project evaluation and selection of eligible green/social projects.

The SFWG will

- Discuss and select Eligible Green/Social Projects according to the eligibility and exclusion criteria defined in section 1 of this Framework.

- Prioritize selecting projects that comply with Energy Saving Regulation of the People's Republic of China, Green Building Evaluation Standard and other related Policies and Regulations enforcing sustainability considerations.

- Measure each project by its feasibility report. The feasibility report measures project by assessing its investment necessity, feasibility in terms of both technical and financial aspects, the ratio of return against cost, potential social impact and metrics in the framework section 1 to measure eligibility of green/social projects. The feasibility report is usually conducted by the third party agent or professional consultant team. The report scope will generally cover the sections included above.

- Identify and manage the social and environmental risks related to eligible green/social projects based on the feasibility reports mentioned above.

- Nominate green/social projects for the Board of Directors' final decision. The shortlisted projects will be presented to the Board of Directors for final approval to take into effect. After receiving the Board of Directors' assessment and approval, the projects which are selected will become the Eligible Green/Social Projects.

3. Management of Proceeds

The proceeds of each of the Group's SFT can be managed through using an earmarked account or keeping a SFT Register. Under the SFT Register method, the proceeds will be deposited in the general funding accounts and earmarked for allocation towards the Eligible Green/Social Projects. The Group will maintain a SFT Register to track the use of proceeds for the SFT. Sustainable Finance Allocation Register will be established to ensure and monitor the allocation of green and/or social finance proceeds.

The Register will contain, for each SFT launched, information including:

1. SFT Details: ISIN (if applicable), Pricing Date, Maturity Date and etc.

2. Eligible Green/Social Project Allocation List: Information including:

- The Eligible Green/Social Projects List, including for each Eligible Green/Social Project, the Eligible Green/Social Project Category, project description, project location, Group's ownership percentage, total project cost, amount allocated, settled currency, etc.

- Amount of unallocated proceeds

It is Group's intention to deploy proceeds of each Group's SFT to Eligible Green/Social Projects within 2 years. Any balance of issuance proceeds not allocated to Eligible Green/Social Projects will be temporarily held in cash deposits. Specifically, The Group will reallocate proceeds to another Eligible Green/Social Project as soon as practical when a project ceases to be eligible.

4. Reporting

Allocation Reporting

The Group will consolidate information on the allocation of the net proceeds of its SFIs. Such information will be prepared on an annual basis until all the net proceeds have been allocated. The information will contain at least the following details:

1) List of Eligible Green/Social Projects for the current year

2) The amount of proceeds allocated to each Eligible Green/Social Project category

3) When possible, descriptions of the Eligible Green/Social Projects financed, such as project locations, amount allocated, etc.

4) Selected examples of projects financed

5) Percentage of financing vs. refinancing

6) Amount of unallocated proceeds

Furthermore, the Group will confirm that the use of proceeds of the SFT conforms to this SFF.

Impact Reporting

The Group will report on the environmental and social benefits of the Eligible Green and/or Social Projects potentially with the following environmental and social impact indicators. In addition, calculation methodologies and key assumptions will be disclosed, subject to data availability. Such information will be prepared on an annual basis until all the net proceeds have been allocated and such information will be project portfolio-based. The Group commits to disclosing the expected and actual qualitative impact of projects financed and/or refinanced and quantitative impact when data is available.

Eligible Green Project Categories	Environmental Impact Indicators
Green Building	■ Type and level of green building certifications obtained ■ Annual energy savings (in MW) ■ Annual greenhouse gas (GHG) emissions reduced/avoided (in t CO_2 eq p.a.) ■ Annual reduction in water consumption (in m^3)

Eligible Social Project Categories	Social Impact Indicators
Affordable housing	■ Number of affordable housing units constructed ■ Rental cost/purchase price compared to private market

The allocation and impact reporting mentioned above will be disclosed to the Group's stakeholders in annual reports, and abstracts of which will be published on the Group's website.

5. External Review

The Group has engaged S&P Global Ratings to assess this SFF and its alignment with Green Bond Principles, ICMA 2021 (GBP)/Green Loan Principles, LMA/LSTA/APLMA, 2021 (GLP)/Social Bond Principles, ICMA 2021 (SBP)/Social Loan Principles, LMA/LSTA/APLMA, 2021 (SLP)/Sustainability Bond Guidelines, ICMA 2021 (SBG), and issue a Second-party Opinion (SPO).

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total borrowings (both current and non-current portions), total equity and total capitalisation of the Issuer as at 31 December 2021 on an (i) actual basis and (ii) adjusted to give effect to the issue of the Bonds. The summary consolidated financial information below should be read in conjunction with the Group's Audited Consolidated Financial Statements and the notes to those statements included elsewhere in this Offering Circular.

	As at 31 December 2021(2)			
	Actual (audited)		As Adjusted	
	(RMB in millions)	(U.S.$ in millions)	(RMB in millions)	(U.S.$ in millions)
Short-term borrowings				
Short-term borrowings	12,261	1,924	12,261	1,924
Non-current liabilities due within one year	12,135	1,904	12,135	1,904
Total	24,396	3,828	24,396	3,828
Long-term borrowings				
Long-term borrowings	8,464	1,328	8,464	1,328
Bonds payable	18,891	2,964	18,891	2,964
Bonds to be issued	–	–	3,186.3	500
Total	27,355	4,293	33,727.6	5,292
Total borrowings	51,752	8,121	58,123.6	9,120
Equity				
Total owners' equity attributable to equity holders of the Company	25,785	4,046	25,785	4,046
Minority interests	9,962	1,563	9,962	1,563
Total equity	35,746	5,609	35,746	5,609
Total capitalisation(1)	87,498	13,730	93,869.6	14,729

Notes:

(1) Total capitalisation equals the sum of total borrowings and total equity.

(2) From time to time, the Issuer may issue corporate bonds or other debt securities in different markets depending on market conditions. In particular:

On 18 January 2022, the Issuer issued a series of corporate bonds (Tranche 1) in an aggregate principal amount of RMB1.5 billion with annual coupon rate of 3.08 per cent. and a tenor of 3+2 years.

On 18 January 2022, the Issuer issued a series of corporate bonds (Tranche 2) in an aggregate principal amount of RMB0.5 billion. with annual coupon rate of 3.55 per cent. and a tenor of 5+2 years.

On 14 April 2022, the Issuer issued a series of corporate bonds (Tranche 3) in an aggregate principal amount of RMB1.0 billion with annual coupon rate of 3.35 per cent. and a tenor of 3+2 years.

On 18 April 2022, the Issuer issued a series of supply chain ABS (Tranche 1) in an aggregate principal amount of RMB888 million with annual coupon rate of 2.8 per cent. and a tenor of one year.

On 18 April 2022, the Issuer issued a series of corporate bonds (Tranche 5) in an aggregate principal amount of RMB1.0 billion with annual coupon rate of 3.23 per cent. and a tenor of 3+2 years.

On 25 April 2022, the Issuer issued a series of corporate bonds (Tranche 1) in an aggregate principal amount of RMB1.39 billion with annual coupon rate of 3.33 per cent. and an initial tenor of two years with the Issuer's option to extend the tenor for another two years at the end of each tenor period.

On 14 June 2022, the Issuer issued a series of short-term corporate bonds (Tranche 1) in an aggregate principal amount of RMB1 billion with annual coupon rate of 2.6 per cent. and a tenor of one year.

On 27 June 2022, the Issuer issued a series of corporate bonds (Tranche 6) in an aggregate principal amount of RMB1 billion with annual coupon rate of 3.09 per cent. and a tenor of 3+2 years.

On 29 June 2022, the Issuer issued a series of corporate bonds (Tranche 3) in an aggregate principal amount of RMB1.61 billion with annual coupon rate of 3.27 per cent. and an initial tenor of two years with the Issuer's option to extend the tenor for another two years at the end of each tenor period.

Except as disclosed above, there has been no material change in the consolidated capitalisation and indebtedness of the Issuer since 31 December 2021.

DESCRIPTION OF THE GROUP

The Group is headquartered in Zhangzhou city of Fujian Province in the PRC. As at the date of this Offering Circular, the Company is owned by Zhangzhou State-owned Assets Supervision and Administration Commission ("**Zhangzhou SASAC**") and Fujian Provincial Department of Finance, the shareholdings of which are 90 per cent. and 10 per cent. respectively. The Company traces its history back to 1956. In January 1993, Zhangzhou Pientzehuang Pharmaceutical Group Limited (漳州片仔癀集團公司) was formed. In March 2011, Zhangzhou SASAC approved the restructuring of Zhangzhou Pientzehuang Pharmaceutical Group Limited (漳州片仔癀集團公司) into a wholly state-owned enterprise, changing its name to Zhangzhou Jiulongjiang Construction Co., Ltd. (漳州市九龍江建設有限公司). In March 2014, as part of its enactment of reform policies aimed at strengthening state-owned enterprises, Zhangzhou SASAC approved the name change of Zhangzhou Jiulongjiang Construction Co., Ltd. (漳州市九龍江建設有限公司) to Zhangzhou Jiulongjiang Group Co., Ltd. (漳州市九龍江集團有限公司). In June 2019, the Company increased its registered capital to RMB4 billion and subsequently in July 2021, Zhangzhou SASAC transferred 10 per cent. of equity interests it held in the Company to Fujian Provincial Department of Finance.

The Group is one of the four largest state-owned enterprises in terms of total assets and profitability in Zhangzhou city, with total assets of RMB100.8 billion, net assets of RMB35.7 billion, operating income of RMB34.5 billion, operating profit of RMB3.7 billion and net profits of RMB3.0 billion as at and for the year ended 31 December 2021. The Group's total assets, net assets, operating income, operating profit, gross profit and net profit as at and for the year ended 31 December 2021 accounted for 38.13 per cent., 41.16 per cent., 42.78 per cent., 54.22 per cent., 86.67 per cent. and 53.29 per cent. of the total assets, net assets, operating income, operating profit, gross profit and net profit of all municipal state-owned enterprises in Zhangzhou city, respectively. As at 31 December 2019, 2020 and 2021, total assets of the Group amounted to RMB78.9 billion, RMB86.5 billion and RMB100.8 billion respectively. For the year ended 31 December 2021, the Group recorded an operating profit margin of 10.7 per cent. and a net profit margin of 8.7 per cent. The Group ranked the first in terms of all the financial information listed above among all the municipal-level key state-owned enterprises in Zhangzhou city.

The Group has also enjoyed continuous growth in its revenue in the past three years. For the years ended 31 December 2019, 2020 and 2021, its revenue amounted to RMB18.67 billion, RMB21.72 billion and RMB34.47 billion respectively.

As at 31 March 2022, the Group received a total of RMB35,122 million of bank credit, with unused credit line amounted to RMB10,335 million.

The Group has established its core business in five segments, namely (i) pharmaceutical manufacturing, (ii) investment, (iii) machinery manufacturing, (iv) trading and (v) others. There are two listed entities within the Group, namely Zhangzhou Pientzehuang Pharmaceutical Co., Ltd. (漳州片仔癀藥業股份有限公司) ("**Zhangzhou Pientzehuang Pharmaceutical**") (600436.SH), in which the Group holds 55.04 per cent. of the share capital as at the date of this Offering Circular, and Fujian Longxi Bearing (Group) Co., Ltd. (福建龍溪軸承(集團)股份有限公司) ("**Fujian Longxi Bearing**") (600592.SH), in which the Group holds 37.85 per cent. of the share capital as at the date of this Offering Circular. The market capitalisation of the aforementioned two listed entities was RMB215.22 billion and RMB3.16 billion respectively as at 30 June 2022.

In respect of the Group's pharmaceutical manufacturing business segment, the Pien Tze Huang series of products contributed 49.63 per cent. of the Group's pharmaceutical product revenue for the year ended 31 December 2021. Pien Tze Huang is a protected "national treasure" Chinese medicine. Its manufacturing process has been included in the national intangible cultural heritage list of the PRC. Pien Tze Huang is also referred to as "Fujian San Bao" (福建三寶), meaning one of the three treasures of Fujian Province. For the three years ended 31 December 2019, 2020 and 2021, revenue from the Group's pharmaceutical manufacturing business segment was RMB5,705.94 million, RMB6,492.50 million and RMB8,004.26 million respectively, contributing approximately 30.56 per cent., 29.90 per cent. and 23.22 per cent. to the Group's total revenue in each respective period. For the three years ended 31 December 2019, 2020 and 2021, gross profit from the Group's pharmaceutical manufacturing business segment was RMB2,516.50 million, RMB2,923.07 million and RMB4,060.90 million respectively, contributing approximately, 53.85 per cent., 60.30 per cent. and 63.54 per cent. to the Group's total gross profit in each respective period.

In respect of the Group's investment business segment, the Group is primarily involved in the development of (i) the Zhangzhou Gulei Port EDZ Economic Development Zone (古雷港經濟開發區) ("**Gulei Port EDZ**"), which is the site of one of the seven major petrochemical bases in the PRC, and (ii) the High-Tech Development Zone (高新區) (the "**High-Tech Zone**"), which is a national-level high-tech development zone. As at 31 March 2022, the Group has invested RMB95.93 billion in the development of the Gulei Port EDZ and RMB16.96 billion in the development of High-Tech Zone. With respect to Gulei Port EDZ, the Group mainly engages in the investment of (i) infrastructure construction projects including the construction of processing and logistical hubs as well as their surrounding supporting infrastructure, including roads used for transportation of goods from the Gulei Port EDZ area, and (ii) marine reclamation land projects in the surrounding areas of Gulei Port EDZ. With respect to High-Tech Zone, the Group is primarily responsible for arranging the financing and funds for infrastructure development projects for the local government.

For the three years ended 31 December 2019, 2020 and 2021, the Group's revenue earned from its investment business segment was RMB3,357.58 million, RMB3,409.42 million and RMB3,207.93 million respectively, contributing approximately 17.98 per cent., 15.70 per cent. and 9.31 per cent. to the Group's total revenue in each respective period. For the three years ended 31 December 2019, 2020 and 2021, the Group's gross profit earned from the investment business segment was RMB1,599.46 million, RMB1,478.12 million and RMB1,485.15 million respectively, contributing approximately 34.23 per cent., 30.49 per cent. and 23.24 per cent. to the Group's total gross profit in each respective period.

The Group's machinery manufacturing business segment encompasses the manufacture and distribution of bearings and diesel engines. The Group's bearings manufacturing and distribution business includes the research and development, manufacture and sale of bearings products which have been used in various types of machinery and equipment, large-scale modern buildings, bridges and wind power, nuclear power and photovoltaic facilities in various industries relevant to the national economy, and are also used in national defence, national key scientific research and for key national projects (including space engineering projects). The Group is in an advantageous position in terms of the applications of its products to various industries, with successful application in national key scientific research and space engineering projects such as new aircrafts and large airplanes, electron-positron colliders developed by the Chinese academy of sciences, Chang'e Lunar Exploration Project, Tiangong Project, Tianyan Project, Long March 5 Rocket Project and FAST radio telescopes. As at 31 December 2021, joint bearings (關節軸承) are one of the Group's main products in its bearings manufacturing and distribution business. The Group's joint bearings are well recognised domestically and internationally, and are exported to more than 40 countries and regions overseas.

For the three years ended 31 December 2019, 2020 and 2021, the Group's revenue of the machinery manufacturing business was RMB860.46 million, RMB1,158.71 million and RMB1,403.28 million respectively, contributing approximately 4.61 per cent., 5.34 per cent. and 4.07 per cent. of the Group's total revenue in each respective period. For the three years ended 31 December 2019, 2020 and 2021, the Group's gross profit of the machinery manufacturing business was RMB231.75 million, RMB295.56 million and RMB351.99 million respectively, contributing approximately 4.96 per cent., 6.10 per cent. and 5.51 per cent. of the Group's total gross profit in each respective period.

In respect of the Group's trading business segment, the Group principally engages in the import and export business of various commodities and technologies, including, but not limited to, steel, mineral products, light textile, chemical industry. The Group's trading business scale has increased in recent years by virtue of the unparalleled business environment in Gulei Port EDZ and Xiamen city, and the Group's trading counterparties are scattered in more than 50 countries and regions (e.g., Europe, the U.S., Southeast Asia, Africa and Australia). For the three years ended 31 December 2019, 2020 and 2021, the Group's revenue of its trading business was RMB8,307.94 million, RMB10,492.23 million and RMB21,190.94 million respectively, contributing approximately 44.49 per cent., 48.32 per cent. and 61.47 per cent. of the Group's total revenue in each respective period.

The Group is also engaged in other business activities:

- In the Gulei Port EDZ, the Group participates in the Huaneng Cogeneration Project, Zhongsha Gulei Ethylene Project, the provincial key water conservancy project "Gulei Water Diversion Project", the Public Pipe Gallery Project, Gulei Industrial Waste Disposal Site Project, Catalyst project, Gulei Bihai Property Project, Gulei South No. 10 and No. 11 Wharf Project, Fusheng Binhai New City Store Project, Century Jinyuan Underground Parking Space Project and other business in the Gulei Port EDZ, holds 50 per cent. equity interests in Zhangzhou Gulei Water Development Co., Ltd., takes advantage of the reorganization of PX petrochemical project to expand new petrochemical business and invests in the development of fine chemical industry parks.

- In the Yuanshan High-Tech Zone, the Group participates in the construction of "One Medicine and One Intelligence Industrial Park", the "Nanhu Mass Entrepreneurship and Innovation Base" in the middle of the Yuanshan High-Tech Zone, the "Zhanqian Area" in the east of the Yuanshan High-Tech Zone, the EOD ecological treatment project and the general third-class hospital in the Yuanshan High-Tech Zone.

- Taking advantage of the opportunity of serving the Gulei Port EDZ and Yuanshan High-Tech Zone, the Group has shown greater achievements in the cultivation and development of nine enterprises of hundred billion level and five over-50-billion industrial clusters by investing in infrastructure construction, contributing to core enterprises, participating in the industrial chain economy, promoting regional tax growth and ensuring investment income, so as to accelerate the quality and efficiency improvement of enterprise operations.

- The Group cooperates with many other large state-owned enterprises in Fujian Province in other industries such as financial leasing, environmental protection and power distribution. In cooperation with Fujian Petrochemical Group Co., Ltd. (福建石油化工集團有限責任公司), the Group has established several subsidiaries, namely Fujian Fuhua Gulei Petrochemical Co., Ltd. (福建福化古雷石油化工有限公司) (in which the Group holds a 49 per cent. shareholding), Fujian Fuhua Environmental Protection Technology Co., Ltd. (福建省福化環保科技有限公司) (in which the Group holds an 18 per cent. shareholding) and Zhangzhou Fuhua Environmental Protection Technology Co., Ltd. (漳州市福化環保科技有限公司) (in which the Group holds a 30 per cent. shareholding).

- Furthermore, in cooperation with Fujian Energy Group Co., Ltd. (福建省能源集團有限責任公司), the Group has established Zhangzhou Distribution and Power Distribution Sales Co., Ltd. (漳州市配電售電有限責任公司) (in which the Group holds a 49 per cent. shareholding) and Funeng (Zhangzhou) Finance Leasing Co., Ltd. (福能(漳州)融資租賃股份有限公司) (in which the Group holds a 49 per cent. shareholding).

- Fujian Fuhua Gulei Petrochemical Company (福建福化古雷石油化工有限公司) took over the running of the Gulei Tenglong Xianglu Petrochemical Project (古雷騰龍翔鷺石化項目), commencing improvement works such that the project has been fully resumed through the production company Fujian FuHaiChuang Petrochemical Co., Ltd. ("**FuHaiChuang**"), with the Purified Terephthalic Acid ("**PTA**") project aspect officially resuming production in November

2017 and the PX project aspect resuming trial production on 26 December 2018. FuHaiChuang has an annual production output of 4.5 million tonnes of PTA and 1.6 million tonnes of PX. As at 31 December 2021, the Group holds a 37.24 per cent. shareholding in FuHaiChuang. FuHaiChuang further holds a 100 per cent. shareholding in Fuhua Industry and Trade (Zhangzhou) Co., Ltd. From January 2022 to June 2022, FuHaiChuang achieved an operating revenue of 21.05 billion, and produced 1.54 million tonnes of PTA and 0.65 million tonnes of PX.

- The Group is engaged in the investment of other construction business activities generally, such as the construction of the Gulei Regional Water Diversion Project (古雷區域引水工程) where a total of RMB518 million has been invested. The Group has also acquired the number 10 and number 11 ports in the Gulei Port EDZ and participated in the development of key construction projects in Zhangzhou city. In 2020, the Group acquired the Public Pipe Gallery Project with a total project investment of RMB1,342 million and the Company has accumulatively invested RMB1,244 million. The Group also invested in Huaneng (Fujian Zhangzhou) Energy Co., Ltd. in 2020.

- The Group is engaged in preservation projects, including the construction of the Linxi Ecological Park (林下生態園) and Bohai Cultural Park (荔海文化園) projects.

- The Group is engaged in financial equity investment involving Xiamen International Bank, Industrial Securities, Industrial Bank Co., Ltd., Rural Commercial Bank of Zhangzhou, China Merchants Bank, Rural Commercial Bank of Longhai and Rural Commercial Bank of Zhangpu.

- Finally, the Group oversees the management of five government policy funds in Zhangzhou city with a value of up to RMB900 million as at 31 December 2021.

Key Competitive Strengths

The description of support from the PRC government in this section is on the support given to the Issuer's business operations and should not be read as any indication that the PRC government will provide any financial support to the Issuer in respect of its obligations under the Bonds. See "Risk Factors — The PRC government has no legal obligations under the Bonds."

The Group believes the competitive strengths which contribute to its success are as follows:

The Group is an important state-owned capital investment entity of the Zhangzhou Municipal Government

The Group is an important and the biggest state-owned capital investment entity of the Zhangzhou Municipal Government. The Group strongly supports the construction and development of the Gulei Port EDZ and Yuanshan High-Tech Zone, in which the Group has invested more than RMB100 billion in emerging industries in the past five years.

As a pillar enterprise of Zhangzhou city's economy, the Group ranked 256th in the list of "Top 500 Chinese Service Enterprises in 2021" released by China Enterprise Confederation and China Entrepreneurs Association. The Group has excellent credit standings, with AAA ratings awarded by Dagong Global Credit Rating Co., Ltd. and Dongfang Jincheng International Credit Evaluation Co., Ltd., and BBB- rating awarded by Fitch Rating Ltd. The Group oversees the management of five government policy funds in Zhangzhou city with a value of up to RMB900 million as at 31 December 2021.

Entrusted by the Zhangzhou Municipal Government, the Group's main functions are to invest, operate and manage state-owned assets in Zhangzhou city, and also participate in the investment of infrastructure construction and industrial projects in Zhangzhou city and undertake the management of Zhangzhou city's state-owned asset. The Group mainly participates in the development of Zhangzhou Industrial Park and investment in industrial projects, including the development of the Gulei Port EDZ, High-Tech Zone and related industry investment. As at 31 March 2022, the Group has invested approximately RMB95.93 billion in the development of the Gulei Port EDZ and RMB16.96 billion in the development of the High-Tech Zone. The Group focuses on supporting the construction of the Gulei Port EDZ, and has embarked on investing in many projects in the Gulei Port EDZ. The Group also invests and supports the construction and development of projects in all districts/counties in Zhangzhou city. Furthermore, the Group manages two state-owned enterprises, Zhangzhou Pientzehuang Pharmaceutical and Fujian Longxi Bearing. The prescription and manufacturing process of the Pien Tze Huang series produced by Zhangzhou Pientzehuang Pharmaceutical are protected and considered a national secret by the National Administration of Traditional Chinese Medicine of the PRC (中華人民共和國國家中醫藥管理局) and the State Secrets Bureau of the PRC (中華人民共和國國家保密局). Fujian Longxi Bearing is a leading enterprise in the segmented market of joint bearings, with the variety, production and sales of the joint bearings ranking first in the world.

The Group is also responsible for the investment of the construction of supporting facilities in the Gulei Port EDZ, which, after completion, will be operated by the Group. The Group owns a franchise for these facilities. Relevant operating projects include, amongst others, water plants, solid waste sites, sewage treatment plants, thermal power plants and pipe galleries.

As regards the Group's invested core construction projects in the Gulei Port EDZ, as at the date of this Offering Circular, the infrastructure construction of such projects has basically been accomplished. The port dredging highway and the coastal channel cross the border. The wharf, water plant, industrial solid waste field, sewage treatment plant, customs declaration and inspection, emergency centre, environmental protection monitoring and other supporting facilities are in place to meet the needs of industrial projects. The projects put into production in the Gulei Port EDZ are mainly comprised of FuHaiChuang PX and PTA projects, Haishunde special oil project, Chunda chemical plasticizer project and CommScope chemical catalyst project, the production of all of which is safe and stable. By 2030, the total refining, ethylene and paraxylene capacity of the Gulei Port EDZ will reach 50 million tons per year, 5 million tons per year and 5.8 million tons per year respectively, and it is expected that a large-scale industrial output value of RMB687.2 billion will be attained. Furthermore, the Group is deeply involved in the FuHaiChuang petrochemical project, which is located in the Gulei Port EDZ and is one of the seven petrochemical bases in the PRC. It is the first closed-door trial operation management park in the PRC. FuHaiChuang completed the project reorganization with its predecessor, a Taiwan-funded enterprise, in 2017 and resumed work in 2018. FuHaiChuang has two sets of PX production units with an annual production capacity of 1.6 million tons and an annual production capacity of PTA of 4.5 million tons. In 2019, the Group confirmed the investment income of FuHaiChuang of RMB1,262 million. With the chemical projects steadily being put into production, the agglomeration of supporting industries for downstream projects will accelerate and the production capacity of FuHaiChuang will continuously be released, which will become a supplemental contribution to the Group's profits in the future.

In the Yuanshan High-Tech Zone, the Group participates in the construction of "One Medicine and One Intelligence Industrial Park", the "Nanhu Mass Entrepreneurship and Innovation Base" in the middle of the Yuanshan High-Tech Zone, the "Zhanqian Area" in the east of the Yuanshan High-Tech Zone. The "One Medicine and One Intelligence Industrial Park" mainly focuses on building the whole industrial chain system. The Group will strictly define the functional zoning, improve the infrastructure of the park by stages and batches, strictly control the investment, output value and tax, accurately carry out investment attraction and business selection, accelerate the settlement of leading pharmaceutical and intelligent manufacturing enterprises, and spare no effort to promote the specialization of park development, intensive park utilization, standardization of park supporting facilities and standardized park operation, and intelligent park management. The total planning area of the pharmaceutical industrial park is 10.8 square kilometres, mainly focusing on Pien Tze Huang series medicine and medical beauty makeup. The total planning area of the intelligent manufacturing industrial park is 10 square kilometres, and the goal is to build it into an intelligent manufacturing industrial cluster. The total planning area of

"Nanhu Mass Entrepreneurship and Innovation Base" is 13.1 square kilometres. The Group will utilise litchi sea, narcissus flower sea, Nanhu ecological park, Nanshan Temple, Qishou Stone, and other human and ecological resources and rely on the branding impact of Pien Tze Huang series, with the aim to build a high-end traditional Chinese Medicine Hospital of Pien Tze Huang and set up a national laboratory. The Group will provide the industrial park with high-end traditional Chinese medicine medical services, traditional Chinese medicine medical care and health care, commercial finance, innovation research and development, enterprise headquarters, high-end hotels, leisure and entertainment and other facilities, vigorously develop the platform economy and digital economy, make every effort to introduce the national famous team of traditional Chinese medicine doctors to sit in and build a traditional Chinese medicine research and development, experience and sales platform, and create a garden-like headquarters base and innovation park. The "Zhanqian Area" is located in the east of the Yuanshan High-Tech Zone, with a total planning area of 12.7 square kilometres. The Group will develop and construct the park in combination with the Longwen Jianyuan area on the opposite bank, and strive to build a noble community and an important portal image community "on both sides of the river", so as to attract villagers and high-end talents across the country to settle there. Simultaneously, with high-speed railway stations, intercity rail transit, expressways, bus passenger stations as hubs, the Group will focus on building regional headquarters bases, business finance, business services, tourism distribution and other modern urban complexes.

The Group is a leading state-owned enterprise, owned and directly supervised by Zhangzhou SASAC and Fujian Provincial Department of Finance, and enjoys governmental subsidies and favourable policies

The Group is one of the four largest state-owned enterprises in Zhangzhou city in terms of total assets and profitability and is the main platform for the market-oriented operation of state-owned capital in Zhangzhou city, and thus it has unique strategic significance for the development of Zhangzhou city. As an important state-owned capital investment entity of the Zhangzhou Municipal Government, the Group is highly valued by the Zhangzhou Municipal Government, and it has received full support from various relevant departments in terms of planning, project construction, and resource allocation. The Zhangzhou SASAC strictly supervises and manages the Group's decision-making process and operation by way of nominating the Group's directors, supervisors and senior management.

Leveraging the Group's position as a state-owned enterprise, the Group also benefits from favourable policies from the PRC government. Its listed subsidiaries, Zhangzhou Pientzehuang Pharmaceutical and Fujian Longxi Bearing are recognized as high-tech enterprises and thus enjoy preferential corporate income taxes of no higher than 15 per cent. In accordance with the Zhangzhou Municipal People's Government Executive Meeting Minutes (23rd), commencing from 2018, the Zhangzhou City Finance Bureau will co-ordinate funds to furnish a full interest subsidy on a yearly basis depending on the actual financing cost of the Group, and the duration of this policy is tentatively set for seven years. For the years ended 2019, 2020 and 2021, the Group has received favourable government subsidies amounting to RMB280 million, RMB280 million and RMB180 million respectively. From 2017 to 2025, the Zhangzhou City Finance Bureau has been and will be extending a subsidy of RMB178.2 million each year to subsidise the Group's investment in the Gulei Tenglong Xianglu Petrochemical Project by means of Zhangzhou city state-owned capital operating budget expenditures. From 2017 to 2020, the Zhangzhou City Finance Bureau has injected RMB100 million of capital each year into the Group, amounting to a total capital injection of RMB417.13 million, by means of Zhangzhou city state-owned capital operating budget expenditures in order to subsidise the Group for its capital contribution to the Gulei Port EDZ. As at 31 December 2021, the Group enjoys preferential loans from policy banks and governments of more than RMB2.46 billion, among which the amount, term and interest rate of the loan furnished by Agricultural Bank of China Development Bank are RMB1.34 billion, 20 years and 4.545 per cent. respectively.

For the avoidance of doubt, the PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer. Each of the Zhangzhou

SASAC and the Fujian Provincial Department of Finance, as the shareholder of the Issuer, only has limited liability in the form of its equity contribution in the Issuer. The Bonds are solely to be repaid by the Issuer as an obligor under the relevant transaction documents and as an independent legal person.

Sound corporate governance with experienced and committed management team

The board of directors of the Issuer consists of seven directors, among which the non-employee representative directors are nominated by the Zhangzhou SASAC, whereas the employee representative director is elected by the Issuer's employee representative meeting. The chairman is nominated by the Zhangzhou SASAC. Separately, the board of supervisors of the Issuer consists of five supervisors nominated by the Zhangzhou SASAC, among which the employee representative supervisors are elected by the Issuer's employee representative assembly. The chairman of the board of supervisors is designated by the Zhangzhou SASAC. The term of office of the supervisors is 3 years, and they can be re-elected upon the end of their term. The Issuer's general manager is appointed or dismissed by the board of directors and the general manager is accountable to the board of directors.

The Group's senior management team and key operating personnel possess strong experience in the pharmaceutical, machinery manufacturing and infrastructure development industries. Further, the Group's senior management team is highly experienced in collaborating with various levels of the PRC government in various projects which are of strategic value to the Group. A number of directors, supervisors and senior management have previously served as senior officials within various state-owned enterprises and government departments of the PRC. Their understanding of the regulatory framework and government policies plays a significant role in the development of the Group's business.

The Group also has sound internal management systems, including but not limited to management system for subsidiaries, financial management system, guarantee management system, budget management system, emergency plan for short-term capital dispatch, emergency management system, information disclosure system, human resource management system, related party transaction management system, investment and financing management system, safety production management system and internal control system of capital operation. Besides, the Group has a complete organizational form of functional business departments, which are mainly comprised of investment department, financing department, general department, finance department, audit department, strategic planning department, general office, discipline inspection and supervision office, legal affairs and risk control department, Party committee department, and Party building and personnel department.

Since 2018, the Group has implemented various talent incentive mechanisms, including without limitation the Action Plan of "Ten Thousand Talents Gathering in Zhangzhou City" (漳州市「萬才聚漳」行動計畫) and other talent introduction policies and measures, the Seven Measures for Further Deepening the Construction of Talent Teams of State-Owned Enterprises (關於進一步深化國有企業人才隊伍建設的七條措施), Several Measures for Promoting the Priority Development of Talents (關於促進人才優先發展的若干措施), Management Measures for the Recruitment of Employees of Zhangzhou Jiulongjiang Group Co., Ltd. (漳州市九龍江集團有限公司員工招用管理辦法), Management Measures for the Selection and Appointment of Non-municipal-level Management Personnel of Zhangzhou Jiulongjiang Group Co., Ltd. (漳州市九龍江集團有限公司非市管管理人員選拔任用管理辦法), which aim to nurture personnel growth and attract talented personnel.

The Group has diversified business portfolio

The Group is a diversified state-owned enterprise group engaged in pharmaceutical manufacturing, machinery manufacturing, daily necessities, cosmetics and other industries in Zhangzhou City, Fujian Province. Its operating income mainly comes from Pien Tze Huang series of traditional Chinese medicines, daily necessities and cosmetics sales, bearings and mechanical products sales, investments and trading business. After years of development, the Group has formed a pharmaceutical manufacturing

(Chinese-patented medicine manufacturing), daily necessities, and cosmetic business platform with Zhangzhou Pientzehuang Pharmaceutical as the core, a bearing manufacturing business platform with Fujian Longxi Bearing as the core, an investment business segment to invest in the Gulei Port EDZ and High-Tech Zone, a trading business segment with the Issuer and its subsidiary Xiamen Xiangjiang Import and Export Co., Ltd. as the core. As at 30 June 2022, the market capitalisation of Zhangzhou Pientzehuang Pharmaceutical reached RMB215.22 billion, ranking first among the listed companies in the Chinese patent medicine manufacturing industry. For the year ended 31 December 2021, the market capitalisation of Zhangzhou Pientzehuang Pharmaceutical ranked third among the 161 listed companies in the Fujian Province. The pharmaceutical manufacturing business of the Group contributes most of the gross profit of the Group. Fujian Longxi Bearing is a leading enterprise in the segmented market of joint bearings and it was awarded "Top 500 Chinese Machinery in 2021", ranking 108 higher than its rank in 2020. The investment and construction tasks of the Gulei Port EDZ and Yuanshan High-Tech Zone are mainly undertaken by the Group. The trading business of the Group relies on and develops in coordination with the pharmaceutical manufacturing business, machinery manufacturing business and investment business of the Group.

With the rapid economic development of Zhangzhou city, relying on the Group's market position and outstanding profitability in the research and development of Pien Tze Huang products and joint bearings, and depending on rich resources and coastal location and other advantages of Zhangzhou city, the Group's diversified industrial operations will be further consolidated.

The Group enjoys access to diversified financing avenues

The Group enjoys access to diversified financing avenues. As at 31 December 2021, the Group obtained various types of financing amounting to approximately RMB54.14 billion, among which, the bank loan, corporate bonds, interbank debt financing facility, offshore bonds and others represent 29.6 per cent., 34.0 per cent., 19.9 per cent., 6.3 per cent. and 10.2 per cent. respectively. As regards the Group's debt maturity structure, for the years ended 31 December 2019, 2020 and 2021, the long-term debts (comprised of long-term borrowings, bonds payable and long-term payables) of the Group amount to RMB36.38 billion, RMB37.88 billion and RMB36.81 billion respectively and the short-term debts (comprised of short-term borrowings and non-current liabilities due within one year) of the Group amount to RMB16.34 billion, RMB17.99 billion and RMB27.22 billion respectively.

As one of the four major state-owned groups in Zhangzhou city, the Group enjoys a good local reputation, and has carried out credit business transactions with a substantial number of financial institutions and established strategic relationship with them. As at 31 March 2022, the Group enjoys favourable lending policies and has received a total of RMB35,122 million of bank credit, with unused credit line amounted to RMB10,335 million, among which, the credit lines offered by large state-owned commercial banks, national joint-stock commercial banks, local commercial banks and policy banks accounted for 32.0 per cent., 34.0 per cent., 18.7 per cent., and 15.4 per cent. respectively. Moreover, the Group has long-term cooperation with certain policy banks (e.g., China Development Bank, Agricultural Development Bank of China and The Export-Import Bank of China), large state-owned commercial banks (e.g., Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China, China Construction Bank and Bank of Communications) and national joint-stock commercial bank (e.g., China Everbright Bank, Shanghai Pudong Development Bank, Industrial Bank Co., Ltd. and China Minsheng Banking Corp. Ltd.).

Strategies

As a state-owned capital investment entity, the Group will focus on strategic core business and completing strategic tasks or major special plans of the Zhangzhou Municipal Party Committee and Zhangzhou Municipal Government. In the future, the Group will mainly invest in and develop advantageous industries and strategic emerging industries, as well as important industries and key fields related to national security, national economy and people's livelihood. The Group will focus on the implementation of corporate strategy and the performance of return on capital.

The Group takes full advantage of its AAA credit rating, takes capital investment as the core (*one core*), drives capital operation and industrial cultivation (*two drives*), focuses on serving the Gulei Port EDZ, Yuanshan High-Tech Zone and the strategic or major special plans of the Zhangzhou Municipal Party Committee and Zhangzhou Municipal Government (*three positions*), develops advantageous industries and strategic emerging industries (*diversified*), promotes industrial agglomeration, transformation and upgrading, and improves the control, influence and risk resistance of state-owned capital, with a view to becoming a stronger and better state-owned enterprise. The Group will promote industrial agglomeration, transformation, upgrading and optimizing the layout structure of state-owned capital through investment and financing, industrial cultivation and capital integration. The Group will, by way of equity operation, value management, and orderly advance and retreat, promote the rational flow of state-owned capital to maintain and increase its value.

The main business of the Group in the future will be divided into development and construction of industrial parks and areas, petrochemical industry, biopharmaceuticals, intelligent manufacturing, information industry, and supply chain operation.

The Group intends to implement the following business strategies:

Explore innovation of financing models

The Group uses a range of financing methods to raise capital for its business operations and working capital. Considering the liquidity, efficiency and risk aspects of available funds, the Group intends to further explore and employ new financing avenues to ensure its funds supply for sustainable and rapid development by combining direct and indirect as well as short-term and long-term financing methods to optimise its financing structure. The Group is also committed to explore the innovation in financing tools and channels, research and utilise asset securitisation, offshore financing with onshore guarantee and other new and diversified financing channels in order to effectively cope with the impact of the tightening funds supply and rising financing costs.

Focus on the further development of its core business and the expansion of new business

The Group plays an important role in Zhangzhou city's development initiatives. The Group will continue to focus on its core business with the goal of strengthening the synergies amongst the Group's different business segments and accelerating its integrated development by strategic investment and business expansion. The Group is committed to the following goals.

- **Exploring new business across the upstream and downstream of the industry chain**: The Group aims to seize the opportunity of the full production recovery of Gulei petrochemical industry, leverage its geographical advantages to meet the market demand on both sides of the Strait, and use imported crude oil and other resources to build an integrated refining and chemical industry chain. Based on oil refining, the Group aims to focus on developing ethylene, aromatics and high-end petrochemical products such as new chemical materials and special chemicals, and to promote the development of industrial agglomeration, strive to achieve the goal of 100 billion output value, build a world-class modern petrochemical industry demonstration zone, and become the world's top 500.

- **Further developing its new main business**: The Group plans to strengthen, optimise and expand its new main business based on the continuous development of its previous investment projects. The Group aims to further accelerate the progress of ongoing projects such as the "Gulei Refining and Chemical Integration Project" in order to form effective assets and generate operating cash flow.

- **Cultivating new business areas**: Under the principal of "marketisation" and "cost-effectiveness", considering the feasibility and practicality and engaging professional teams, the Group is committed to explore new business models such as the establishment of industrial investment funds as well as financial companies to capture the development opportunities in new fields.

- **Implementing a new strategic blueprint of "multi-core drive, two-way development" for Pien Tze Huang business**: The Group aims to further develop the brand of Pien Tze Huang Angong Niuhuang Pills, and to strengthen the development of Pien Tze Huang cosmetics products. On the one hand, the Group plans to improve the quality and efficiency to achieve the high-quality development of Pien Tze Huang products, on the other hand, the Group plans to leverage Pien Tze Huang's brand advantages, capital advantages and resource advantages, actively seek suitable targets and steadily promote external acquisitions, in order to achieve high-quality leap-forward development of the Group.

- **Building a domestic leading and internationally renowned intelligent mechanical manufacturing enterprise**: The Group aims to strengthen the development of Fujian Longxi Bearing's core business on joint bearings manufacturing and further explore diversified business based on the principal of utilising industry chain, supply chain, innovation chain and value chain. The Group plans to change from focusing on products operation to focusing on the combination of products operation and capital operation. The Group is committed to achieve the goals that by 2025, Fujian Longxi Bearing's operating income will double, total profit will double, and market value will increase significantly; the joint bearing technology will be in a world-leading position with market share ranking among the top three in the world; and the rolling bearing technology will be in a domestic-leading and internationally advanced position with market share ranking among the top class in China.

Recent Developments

Financial performance as at and for the three months ended 31 March 2022

The Group has prepared its unaudited and unreviewed financial information as at and for the three months ended 31 March 2022 (the "**March 2022 Financial Information**"). For the avoidance of doubt, the March 2022 Financial Information is not and shall not be deemed to be incorporated by reference or otherwise included in this Offering Circular. Such information has not been subject to an audit or review and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review.

As at 31 March 2022, the Group's short-term borrowings and long-term borrowings have increased primarily due to the adjustment of its debt structure, as compared with 31 December 2021. As at 31 March 2022, the Group's non-current liabilities due within one year has increased primarily due to the adjustment of the maturity of its interest-bearing indebtedness, as compared with 31 December 2021. For the three months ended 31 March 2022, the Group's operating cost has significantly increased primarily due to the substantial increase in trade volume, as compared with the corresponding period in 2021. For the three months ended 31 March 2022, the Group's operating revenue has significantly increased primarily due to the increase in the revenue generated from its trading business, as compared with the corresponding period in 2021.

Bonds Issuance in the PRC after 31 December 2021

See descriptions under the "Capitalisation and Indebtedness".

Recognition and Awards

The Group has received a number of honours and numerous awards, including the following:

1984	•	the "China Quality Gold Award Certificate" (國家質量獎審定委員會批准榮獲金質獎章特發此證書) by the State Economic and Trade Commission of the People's Republic of China (中華人民共和國國家經濟委員會).
1994	•	Pien Tze Huang was categorised as a "national first-class" protected Chinese medicine in the PRC.
2002	•	the "National Post-doctoral Scientific Research Workstation Award" (博士後科研工作站) by the Ministry of Personnel of the People's Republic of China (中華人民共和國人事部).
2006	•	the "China Time-honoured Brand Award" (中華老字號) by the Ministry of Commerce of the People's Republic of China (中華人民共和國商務部).
2009	•	the "Consumers' Favourite Chinese Time-honoured Brand Award" 2010.
	•	the "Honorary Certificate of Fujian Institution for the 2010 Shanghai World Expo" (榮譽證書2010年上海世博會福建館支持機構) by the Shanghai World Expo Preparatory Committee Office (上海世博會籌備委員會辦公室).
2011	•	the "National Intangible Cultural Heritage Award" (國家級非物質文化遺產) by the Ministry of Culture and The State Council of the People's Republic of China (中華人民共和國文化部，中華人民共和國國務院).
2013	•	the "National Machinery Industry Quality Award" (全國機械工業質量獎) by the China Machinery Industry Quality Management Association (中國機械工業質量管理協會).
2014	•	the "National Industrial Brand Cultivation Demonstration Enterprise" (全國工業品牌培育示範企業) by the Ministry of Industry and Information Technology (工業和信息化部).
	•	ranked first among the top five exporters of Chinese-patented medicines.
2016	•	the "China Top Ten Member Exporters of TCM Formulations" (中國中成藥行業會員企業出口十強) by the China Chamber of Commerce for Import & Export of Medicines & Health Products (中國醫藥保健品進出口商會); third place in the "China Time-honoured Brand Value Ranking List" (2016年中國品牌價值評價結果通知書) with an estimated brand value of RMB24.82 billion, awarded by the China Council for Brand Development (中國品牌建設促進會); the first prize award for "Provincial Scientific and Technological Progress" in 2016 (2016年省科技技術進步一等獎) by the Fujian Provincial People's Government (福建省人民政府) (the "**Fujian Provincial Government**").

2017	•	the "500 Best Chinese Brands Award" (2017年中國品牌500強) by China Brand Value Research Institute (中國品牌價值研究院); "China Most Competitive Brand Top 10 Certificate" (中國最具競爭力品牌TOP 10（醫藥行業）) by China Brand Value Research Institute (中國品牌價值研究院); "China Management Innovation Valuable Brands" (2017中國管理創新價值品牌) by China Academy of Management Science (中國管理科學研究院); "Nationally Recognized Enterprise Technology Centre" (國家認定企業技術中心) by the National Development and Reform Commission; the "2017 Excellent Chinese Medicine Innovation Enterprise" (2017年度中藥優秀創新企業) by China Traditional Chinese Medicine Association (中國中藥協會頒發); the "2017 National High-Tech Enterprise" (2017年度國家高新技術企業) by Fujian Provincial Department of Science and Technology (福建省科學技術廳頒發); the "2017 Innovation Impact Enterprise" (2017年度創新影響力卓越企業) by China Science and Technology Industrialization Promotion (中國科技產業化促進頒發); the "2017 Demonstration Academician Expert Workstation" (2017年度示範院士專家工作站) by China Association for Science and Technology Enterprise Office (中國科協企業工作辦公室); the "Fujian High-Tech Enterprise Certificate (Provincial Section)" (福建高新技術企業證書) by Academic and Technical Department, Provincial Department of Finance, Provincial and State Taxes (省科學技術廳、省財政廳、省國地稅頒發); the "Individual Champion Modelling Enterprise for Joint Bearings Manufacturing" (關節軸承製造業單項冠軍示範企業) by the Ministry of Industry and Information Technology (國家工業和信息化部頒發).
2018	•	the "Nationally Recognized Enterprise Technology Centre" (國家認定企業技術中心) by the National Development and Reform Commission; the "National First-Class Chinese Medicine Protection Variety" (國家一級中藥保護品種) by the State Food and Drug Administration (國家食品藥品監督管理總局).
2019	•	ranked second among "China Time-honoured Brands" (中華老字號品牌).
2020	•	ranked first on "Hurun Medical & Health Brand Value List" (胡潤醫療健康品牌價值榜); ranked second among "China Time-honoured Brands" (中華老字號品牌); ranked twenty-second of the "2020 Top 100 Fujian Service Enterprises" (2020福建服務業企業100強); the "2020 Meritorious Enterprise of Economic Construction" (2020年度經濟建設功臣) of Zhangzhou city.
2021	•	ranked first on "Hurun Medical & Health Brand Value List" (胡潤醫療健康品牌價值榜); ranked fifty-fifth among the "2021 Top 100 China's Most Valuable Brand" (2021中國最具品牌價值100強); ranked second among "China Time-honoured Brands" (中華老字號品牌); ranked fortieth on "2021 Kaidu BrandZ Ranking of China's Top 100 Most Valuable Brands" (2021年度凱度BrandZ最具價值中國100強排行榜).

Development of the Group

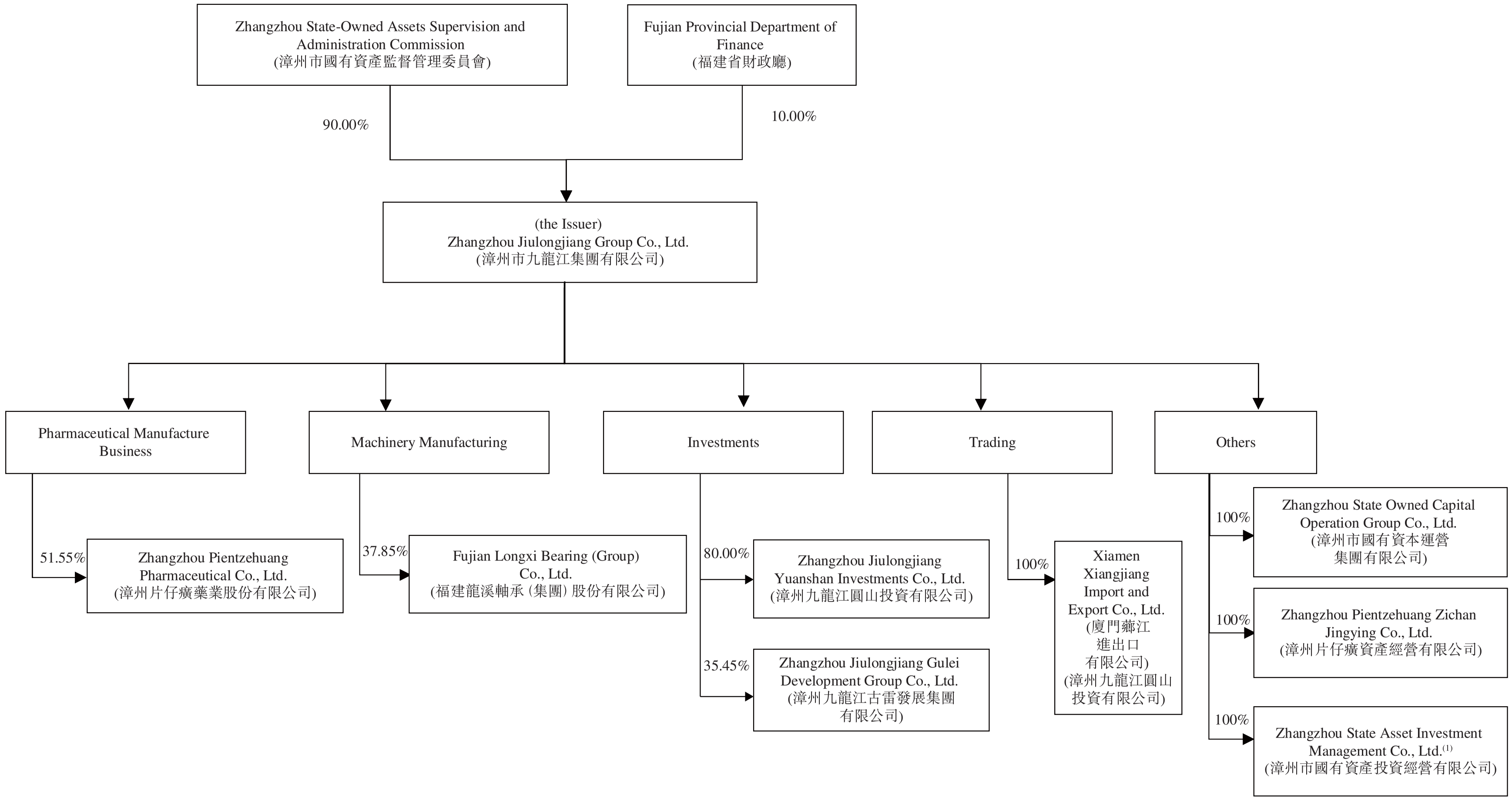
The following table sets forth key milestones in the Group's history to date:

1956	•	Zhangzhou Pharmaceutical Factory (漳州製藥廠) was established.
1991	•	Xiamen Xiangjiang Import and Export Corporation (廈門薌江進出口公司) was established.
1993	•	In January 1993, Zhangzhou Pientzehuang Pharmaceutical Group Limited (漳州片仔癀集團公司) was formed.
1994	•	Pien Tze Huang was categorised as a "national first-class" protected Chinese medicine in the PRC.
1999	•	Zhangzhou Pientzehuang Pharmaceutical was established.
	•	In December 1999, with the approval of the Fujian Provincial Government, Pientzehuang Pharmaceutical Group Limited (漳州片仔癀集團公司) held 80 per cent. of the shares of Zhangzhou Pientzehuang Pharmaceutical.
2000	•	The Issuer obtained the Enterprise State-Owned Assets Property Rights Registration Certificate.
2002	•	In August 2002, Fujian Longxi Bearing was listed on the Shanghai Stock Exchange.
2003	•	In June 2003, Zhangzhou Pientzehuang Pharmaceutical was listed on the Shanghai Stock Exchange.
2011	•	In March 2011, Zhangzhou SASAC approved the restructuring of Zhangzhou Pientzehuang Pharmaceutical Group Limited (漳州片仔癀集團公司) to a wholly state-owned enterprise, changing its name to Zhangzhou Jiulongjiang Construction Co., Ltd. (漳州市九龍江建設有限公司).
	•	In March 2011, the Group held 40.41 per cent. of the issued capital of Fujian Longxi Bearing.
	•	In July 2011, the Group held 100 per cent. of the issued share capital of Zhangzhou Mechanical & Electronical Investment Co., Ltd. (漳州市機電投資有限公司).
	•	In August 2011, the traditional production process of Pien Tze Huang was included in the national intangible cultural heritage list.
2012	•	The Group held 100 per cent. of the issued share capital of Zhangzhou State Asset Investment Management Co., Ltd. (漳州市國有資產投資經營有限公司).

2014	•	In December 2014, Zhangzhou SASAC approved the name change of Zhangzhou Jiulongjiang Construction Co., Ltd. (漳州市九龍江建設有限公司) to Zhangzhou Jiulongjiang Group Co., Ltd. (漳州市九龍江集團有限公司). The Group also acquired the share capital of Zhangzhou Development Zone Co., Ltd. (漳州開發區有限公司), Fujian Xinhua Distribution (Group) Co., Ltd. (福建新華發行(集團)有限責任公司), and Fujian Guangdian Group Co., Ltd. (福建省廣電集團公司).
2015	•	The Group acquired 13.29 per cent. of the issued capital of Longhaijiaomei Development Area Water Plant (龍海角美開發區供水廠) and 30.0 per cent. of the issued capital of Zhangzhou Qianting Shui Chan Liangzhong Co., Ltd. (漳州市前亭水產良種有限公司). The Group acquired the entire share capital of Fujian Guangdian Group Co., Ltd. (福建省廣電集團公司).
	•	By 2015, the Group had acquired fixed assets of eight administrative institutions.
2016	•	Zhangzhou SASAC completed the restructuring of the Zhangzhou Zhanglin Wood Inspection Centre (漳州市漳林木材檢驗中心).
2017	•	Ranked first in terms of total assets and profitability among all state-owned enterprises in Zhangzhou city.
2018	•	The Group was rated AA+ with a stable ratings outlook by Golden Credit Rating International Co., Ltd. on 18 May 2018.
2019	•	The registered share capital of the Issuer was increased to RMB4 billion.
2020	•	In 2020, the Group was rated AAA by Dagong Global Credit Rating Co., Ltd. and Dongfang Jincheng International Credit Evaluation Co., Ltd., and was rated BBB- by Fitch Rating Ltd.
2021	•	In July 2021, Zhangzhou SASAC transferred 10 per cent. of equity interests it held in the Company to Fujian Provincial Department of Finance.
2022	•	In June 2022, the Issuer transferred 2.98 per cent. of equity interests (i.e., 18,000,000 shares) it held in Zhangzhou Pientzehuang Pharmaceutical to one of the Issuer's wholly-owned subsidiaries, Zhangzhou State Owned Capital Operation Group Co., Ltd., for nil consideration.

Organisational Structure

The following diagram sets out the organisational structure of the Group and its principal subsidiaries as at the date of this Offering Circular:



(1) The equity interests held by the Issuer in Zhangzhou State Asset Investment Management Co., Ltd. is expected to be transferred to Zhangzhou State Owned Capital Operation Group Co., Ltd. by the end of 2022.

THE GROUP'S BUSINESS SEGMENTS

The Group has established its core business in five segments, namely, (i) pharmaceutical manufacturing, (ii) investment, (iii) machinery manufacturing, (iv) trading and (v) others. The table below sets forth the breakdown of the Group's revenue for the periods indicated:

	Year ended 31 December					
	2019		2020		2021	
	Amount (RMB in millions)	% of total (%)	Amount (RMB in millions)	% of total (%)	Amount (RMB in millions)	% of total (%)
Pharmaceutical manufacturing	5,705.94	30.56	6,492.50	29.90	8,004.26	23.22
Investments	3,357.58	17.98	3,409.42	15.70	3,207.93	9.31
Machinery manufacturing	860.46	4.61	1,158.71	5.34	1,403.28	4.07
Trading	8,307.94	44.49	10,492.23	48.32	21,190.94	61.47
Others	442.04	2.37	162.55	0.75	666.32	1.93
Total	18,673.96	100.00	21,715.41	100.00	34,472.75	100.00

The table below sets forth the breakdown of the Group's gross profits for the periods indicated:

	Year ended 31 December					
	2019		2020		2021	
	Amount (RMB in millions)	% of total (%)	Amount (RMB in millions)	% of total (%)	Amount (RMB in millions)	% of total (%)
Pharmaceutical manufacturing	2,516.50	53.85	2,923.07	60.30	4,060.90	63.54
Investments	1,599.46	34.23	1,478.12	30.49	1,485.15	23.24
Machinery manufacturing	231.75	4.96	295.56	6.10	351.99	5.51
Trading	146.58	3.14	79.37	1.64	179.06	2.80
Others	178.89	3.83	71.47	1.47	314.29	4.92
Total	4,673.18	100.00	4,847.59	100.00	6,391.40	100.00

Pharmaceutical Manufacturing Business

Overview

Headquartered in Zhangzhou city, Fujian Province, the Group is a leading herbal pharmaceutical manufacturing company in the PRC. The Group's Pien Tze Huang product, of which it has exclusive production, is a well-known traditional Chinese formula which has a history of approximately 500 years and has been used in the PRC and Southeast Asia for centuries. The Group's Pien Tze Huang series are perceived as the top secret formula of national traditional Chinese medicine, which enjoys strong exclusivity. Accordingly, it has excellent performance in terms of profit margin, payment collection, cash flow, etc., and the Group is able to exert strong control on the raw material of the Pien Tze Huang series. For the years ended 31 December 2019, 2020 and 2021, the gross profit margin and net growth rate of sales of the Group's Pien Tze Huang series amount to 29 per cent. and 23 per cent., 30 per cent. and 22 per cent., and 36 per cent. and 46 per cent. respectively.

The Group's pharmaceutical manufacturing business is conducted primarily through its subsidiary, Zhangzhou Pientzehuang Pharmaceutical, which was listed among the MSCIR index since May 2018 and the FTSE A50 Index since December 2021. For the years ended 31 December 2017, 2018, 2019, 2020 and 2021, the operating income and operating profit of Zhangzhou Pientzehuang Pharmaceutical amount to RMB3.71 billion and RMB0.95 billion, RMB4.77 billion and RMB1.32 billion, RMB5.72 billion and RMB1.64 billion, RMB6.51 billion and RMB1.98 billion, and RMB8.02 billion and RMB2.87 billion respectively. The business encompasses the research and development, manufacture and sale of pharmaceutical products, daily necessities and cosmetic products and sale of food products. The manufacture and sale of pharmaceutical products, daily necessities and cosmetic products, food products and other business of Zhangzhou Pientzehuang Pharmaceutical account for approximately 88.74 per cent., 10.49 per cent., 0.56 per cent. and 0.22 per cent. of the revenue of Zhangzhou Pientzehuang Pharmaceutical respectively for the year ended 31 December 2021. The Group's pharmaceutical manufacturing business has experienced continues growth in its revenue. For the three years ended 2019, 2020 and 2021, revenue from the Group's pharmaceutical manufacturing was RMB5,705.94 million, RMB6,492.50 million and RMB8,004.26 million respectively, contributing approximately 30.56 per cent., 29.90 per cent. and 23.22 per cent. to the Group's total revenue in each respective period. For the three years ended 31 December 2019, 2020 and 2021, gross profit from the Group's pharmaceutical manufacturing business was RMB2,516.50 million, RMB2,923.07 million and RMB4,060.90 million respectively, contributing approximately 53.85 per cent., 60.30 per cent. and 63.54 per cent. to the Group's total gross profit in each respective period. PZH2107 (LDS tablets), a new chemical drug class 1 drug for the cooperative R&D project for the treatment of fibromyalgia, obtained the approval notice for drug clinical trials. In addition, as an entrusted manufacturer, the company assisted the Institute of Clinical Basic Medicine of Chinese Academy of Chinese Medical Sciences to obtain the new anti-epidemic drug Qingfei Paidu Granules (Class 3.2 Drug Registration Certificate). At the same time, the company has another 3 new chemical drugs of category 1, 2 new drugs of category 1.1 of traditional Chinese medicine and 1 new drug of category 1.2 of traditional Chinese medicines, which have entered the clinical research stage, and have initially formed a research and development layout and pipeline with Pien Tze Huang brand characteristics.

Innovation of new products and continued enhancement of existing products through the Group's research and development operations are important to its pharmaceutical manufacturing business. The Group's research and development activities are conducted primarily in-house. In 2021, the Company obtained two drug registration certificates, among which (i) apixaban tablets, a category 4 chemical drug used for the prevention of venous thromboembolism, with the drug registration certificate (Approval No.: Guoyaozhunzi H20213845) obtained, is the first chemical product of the Company (as the holder of marketing license) that being deemed to have passed the consistency evaluation, which has accumulated valuable experience for the development of other products of the Group, and (ii) PZH2107 (LDS tablets), a new category 1 chemical drug from the cooperative research and development project for the treatment of fibromyalgia, has obtained the notice of approval for drug clinical trials. In addition, as a commissioned manufacturer, the Company assisted the Institute of Basic Research In Clinical Medicine of China Academy of Chinese Medical Sciences in obtaining the new anti-epidemic drug named Qingfei Paidu Granules (category 3.2 drug registration certificate). Furthermore, the Company has three new drugs of category 1 chemical medicine, two new drugs of category 1.1 traditional Chinese medicine and one new drug of category 1.2 traditional Chinese medicine that have entered the clinical research stage, which initially forms the research and development layout and pipeline with the brand characteristics of Pien Tze Huang.

The Group focuses on producing quality products by adhering to stringent quality assurance standards. The Group's broad range of Pien Tze Huang products have been recognised as a time-honoured brand in Fujian Province. The Group believes that the strength of its Pien Tze Huang brand, together with the quality of its products, enables the Group to market its products effectively and continue to win market share in the PRC.

The Group is committed to establishing Pien Tze Huang as a first-tier health and wellness product in the PRC. As at 30 June 2022, the market capitalisation of Zhangzhou Pientzehuang Pharmaceutical reached RMB215.22 billion, ranking first among the listed companies in the Chinese patent medicine manufacturing industry. For the year ended 31 December 2021, the market capitalisation of Zhangzhou Pientzehuang Pharmaceutical ranked third among the 161 listed companies in the Fujian Province. The Group's efforts are also bolstered by favourable government policies. As Zhangzhou Pientzehuang Pharmaceutical is recognised as a high-tech enterprise, it enjoys preferential enterprise income taxes of no higher than 15 per cent.

Products Portfolio

The Group's pharmaceutical products portfolio primarily consists of products which utilise Pien Tze Huang. Its main ingredients such as musk (麝香), calculus bovis (牛黃), snake gallbladder (蛇膽) and Notoginseng Radix et Rhizoma (田七) have been proved to have the functions of clearing away heat and toxin, cooling blood and removing blood stasis, reducing swelling and pain, protecting the liver, fighting cancer and diminishing inflammation. Pien Tze Huang products are the core revenue-generating products of the Group, enjoying strong sales and having been widely distributed in the PRC. The Group's pharmaceutical portfolio also covers a wide range of therapeutic areas which, in addition to its Pien Tze Huang series, also includes the cold and flu series, the pills series, the cardiovascular series, the respiratory system series, the liver protection series, obstetrics and gynecology series, orthopaedic medication, and other products including derivative cosmetic products. In 2014, the Group's Pien Tze Huang series ranked first among the "Top Five Exports of China's Proprietary Chinese Medicine Industry". From 2015 to 2019 and in 2021, the Group's Pien Tze Huang series was named the "No. 1 brand of liver and gall bladder medicine" in the PRC among Chinese health brands. In 2018, 2019 and 2021, the brand value of the Group's Pien Tze Huang series reached RMB24.90 billion, RMB28.90 billion and RMB34.95 billion respectively, ranking second among time-honoured brands in the PRC.

Pien Tze Huang Products

As at 31 December 2021, the Group's Pien Tze Huang series contributed 55.8 per cent. of the Zhangzhou Pientzehuang Pharmaceutical's pharmaceutical product revenue. The domestic sales price of Pien Tze Huang was RMB150 per pill in the month of March 2006. Prices subsequently rose as set out below:

- RMB180 per pill in November 2007
- RMB200 per pill in January 2010
- RMB220 per pill in January 2011
- RMB260 per pill in October 2011
- RMB380 to RMB420 per pill in July 2012
- RMB420 to RMB460 per pill in November 2012
- RMB460 to RMB480 per pill during the period of 2013 to 2015
- RMB500 per pill in June 2016
- RMB530 per pill in May 2017
- RMB530 per pill as at 31 December 2018
- RMB530 per pill as at 31 December 2019
- RMB590 per pill as at 31 December 2020
- RMB590 per pill as at 31 December 2021

The Group's Pien Tze Huang products are manufactured in the form of pills, tablets (such as the Compound Pien Tze Huang Buccal Tablet (複方片仔癀片), Fufang Pien Tze Huang Gan Bao Tablet (複方片仔癀肝寶), Pien Tze Huang Baihua She Jie Yang Tablet (片仔癀白花蛇解癢片) and Pien Tze Huang

Run Hou Tablet (片仔癀潤喉片)), capsules (such as the Pien Tze Huang Capsule (片仔癀膠囊) and Pien Tze Huang Xiaoyan Capsule (片仔癀消炎膠囊)) and ointments (such as the Unguentum Pien Tze Huang Compositum Ointment (複方片仔癀軟膏), Pien Tze Huang Hemorrhoids Ointment Compositum (複方片仔癀痔瘡軟膏) and Longjiang Pai Texiao Pien Tze Huang Anchuang Ointment (龍江牌特效片仔癀暗瘡膏)).

Pill-form Products

Pills are produced by mixing extracted active raw medicinal ingredients with supplemental materials, powdered medicine, edible soft ingredients cumulating in granulation to create a pill form. The Group currently produces six key pharmaceutical products in pill form, of which Pien Tze Huang (片仔癀) is the key Pien Tze Huang product. The remainder of the Group's key pill products are Liuwei Dihuang Pills (六味地黃丸), QiJu Di Huang Pills (杞菊地黃丸), Angong Niu Huang Pills (安宮牛黃丸), Zhibai Dihuang Pills (知柏地黃丸) and Xiaoyao Pills (逍遙丸).

Tablet-form Products

Tablets are produced by mixing extracted active medicinal ingredients with supplemental materials or powdered medicine in tablet form. The Group currently produces ten key pharmaceutical products in tablet form, of which Compound Pien Tze Huang Buccal Tablet (複方片仔癀片), Fufang Pien Tze Huang Gan Bao Tablet (複方片仔癀肝寶), Pien Tze Huang Baihua She Jie Yang Tablet (片仔癀白花蛇解癢片) and Pien Tze Huang Run Hou Tablet (片仔癀潤喉片) are Pien Tze Huang products. The remainder of Group's key tablet products are Xinshubao Tablet (心舒寶片), Hugan Tablet (護肝片), Fufang Dansheng Tablet (複方丹參片), Niuhuang Jiedu Tablet (牛黃解毒片) and Gu Jingtang Tablet (菇精糖片).

Capsule-form Products

Capsules are produced by mixing and sealing extracted active medicinal ingredients with supplemental materials in a gelatin capsule. The Group currently produces six key pharmaceutical products in capsule form, of which Pien Tze Huang Capsule (片仔癀膠囊) and Pien Tze Huang Xiaoyan Capsule (片仔癀消炎膠囊) are Pien Tze Huang products. The remainder of the Group's key capsule products are Yindan Pinggan Capsule (茵膽平肝膠囊), Huoxiang Zhengqi Capsule (藿香正氣水(膠囊)), Jintangning Capsule (金糖寧膠囊) and Feng Ru Capsule (蜂乳膠囊).

Granule-form Products

Granules are produced by mixing extracted active medicinal ingredients with supplemental materials or powdered medicines formed into dry granules The Group currently produces three key granule-form pharmaceutical products: Qingre Zhike Granule (清熱止咳顆粒), Xiaochai Hu Granule (小柴胡顆粒) and Banlangen Granule (板藍根顆粒).

Ointments

Ointments are pharmaceutical products delivered through application, produced by mixing raw material extracts which can be in the form of fine powders, water-based ingredients, oil phase ingredients and finalised through emulsification in the form of an application-based cream-like substance. The Group currently produces four key ointment pharmaceutical products, of which Pien Tze Huang Ointment (複方片仔癀軟膏), Pien Tze Huang Haemorrhoids Ointment (複方片仔癀痔瘡軟膏) and Longjiang Brand Pien Tze Huang Acne Ointment (龍江牌特效片仔癀暗瘡膏) are Pien Tze Huang products. The Group also produces Zengru Cream (增乳膏).

Syrup and solvent-based products

Syrup and solvent-based products are pharmaceutical products delivered through ingestion or application, produced by mixing raw material extracts through seeping which can be in the form of fine powders, water-based ingredients and oil phase ingredients. The Group currently produces four key syrup and solvent based pharmaceutical products, all of which are Chinese medicines. The Group's key syrup and solvent products are Huoxiang Zhengqi Shui (藿香正氣水), Shao Lin Bone Setting Essence (少林正骨精(酊劑)), Xiaoer Zhike Syrup (小兒止咳糖漿) and Chuanbei Qingfei Syrup (川貝清肺糖漿).

Others

The Group also manufactures derivative pharmaceutical products in other forms including cosmetic products infused with Pien Tze Huang extracts, which cover facial wash, moisturisers, anti-aging creams, soaps and topical applicants. For the three years ended 31 December 2019, 2020 and 2021, revenue from the Group's derivative pharmaceutical products for cosmetic purposes were RMB635.27 million, RMB905.18 million, and RMB841.35 million respectively, representing 11.13 per cent., 13.94 per cent. and 10.51 per cent., respectively, of the revenue from the Group's pharmaceutical manufacturing in each respective period. The Group actively strives to expand its product offerings to constantly meet market demands and intends to foster the potential listing of its cosmetic-related subsidiary.

Research and Development

Research and development is critical to the Group's long-term competitiveness and success. The Group has made great efforts in research and development in order to develop new pharmaceutical and cosmetics products. Such product development is driven by technological advancement and market demand. The Group possesses one of the longest-standing pharmaceutical research centres in Fujian Province. As the only pharmaceutical research centre in Fujian Province which has passed the quality certification in technical and toxicology research in 1999, the Group has a retainer pool of specialists and doctorate holders as researchers, allowing the Group to continuously conduct cutting-edge research. As at 31 December 2021, Zhangzhou Pientzehuang Pharmaceutical owns 85 patents for invention and 11 appearance patents. The Group also aims to improve product quality standards, refine production processes for its existing products and enhance the overall quality consistency of its products.

The Group has established collaborative relationships with research institutions, universities and hospitals such as the Institute of Materia Medica of the Chinese Academy of Medical Sciences (中國醫學科學院藥物研究所), China Pharmaceutical University (中國藥科大學), China Academy of Chinese Medical Sciences (中國中醫研究院), Guangzhou University of Chinese Medicine (廣州中醫藥大學), Fujian Medical University (福建醫科大學), Fujian Academy of Medical Sciences (福建省醫學科學研究所), Fujian University of Traditional Chinese Medicine (福建中醫學院), Fujian Academy of Traditional Chinese Medicine (福建省中醫藥研究院) and Xiamen University (廈門大學). The Group was also involved in the establishment of the Xiamen University School of Life Sciences – Pien Tze Huang New Drug Joint Research Centre and the Jinan University Reproductive Medicine Joint Laboratory – Pien Tze Huang New Drug Research and development Joint Laboratory. The Group intends to continue its collaborations with external research partners and believes this will enable the Group to gain valuable know-how and further strengthen its research and development capabilities.

Manufacturing

The Group manufactures its pharmaceutical products in various forms, such as pills, tablets, capsules, granules, ointments, syrups and solvent based products and others. As at the date of this Offering Circular, the Group has obtained all necessary licenses, registrations and permits to manufacture its pharmaceutical products that are material to the Group's pharmaceutical manufacturing business. As Pien Tze Huang products are considered patented medicinal products in the PRC, its prescription and manufacturing process are closely protected and considered a national secret by the National Administration of Traditional Chinese Medicine of the PRC (中華人民共和國國家中醫藥管理局) and the State Secrets Bureau of the PRC (中華人民共和國國家保密局). The production facilities for Pien Tze Huang are closely guarded with strict personnel control and appropriately isolated production lines in order to ensure the secrecy, exclusivity and continued quality of the Group's Pien Tze Huang products.

Machineries and Equipment

The Group's production facilities are equipped with a variety of machineries and equipment for various stages of the production process. The primary machineries and equipment that the Group uses for the production of its pharmaceutical products include machines that process the medicine powder into various forms, boilers, mixers, granulating machines, capsule filling machines, tablet pressing machines and packaging machines.

The Group implements strict repair and maintenance procedures for its major machineries and equipment. The Group's production team conducts routine checks on a daily basis before production commences on its machineries and equipment, in particular for their cleanliness and ability to function. Technicians of the Group's engineering department conduct regular inspection on its machineries and equipment and subsequently fill in and submit the operation records on a regular basis. The Group's engineers and technicians possess the required skills and experiences in repairing the machineries and equipment where malfunctions are detected or found. The Group has also formulated relevant safety production management systems with detailed initiatives, providing guidance for the overall safe operation of many aspects of the production process and operations. For the past three years, the Group has not experienced any material interruptions in its production due to breakdowns or contamination of its machineries or equipment.

Raw Material Procurement

The principal raw materials used for the Group's pharmaceutical products are Chinese herbs, musk (麝香), calculus bovis (牛黃), snake gallbladder (蛇膽) and Notoginseng Radix et Rhizoma (田七) for Pien Tze Huang products. The Group's pharmaceutical manufacturing business also uses supplemental materials and packaging materials.

In order to maintain reasonable procurement costs in respect of principal raw materials, the Group has sought to expand supply channels for raw materials through different ways. First, it has increased investment in the cultivation of specific Chinese herbs and other ingredients essential to the production of the Group's Chinese medicines (such as investing in the environmental protection and nurturing of sites which grow and supply such raw materials), thus guaranteeing the sources and quality of such raw materials and also securing stable prices for the same. For instance, the Group possesses two musk breeding bases, located respectively in Shanxi Province and Sichuan Province. The Group has been expanding production areas, assisting local farmers to improve farming techniques and establishing a forestry standardisation breeding base, and promoting the protection of endangered musk species and ensuring sustainable production methods in order to secure a long-term stable supply of raw materials.

Second, more commonly found raw materials are purchased openly from the market in a timely manner via open tendering process which also helps to keep procurement costs reasonable. The Group also sources supplemental materials and packaging materials mostly from third-party suppliers in the PRC through an open tendering process.

The Group's suppliers normally grant credit period of two months with certain suppliers granting credit period of 15 days. For the past three years, the Group did not experience material difficulties in maintaining reliable sources of supplies.

In general, the Group's procurement department is responsible for the planning and purchasing of materials used in its pharmaceutical production process in accordance with the Group's internal policies and procedures. The Group carefully screens potential suppliers and has established a supplier evaluation system where the procurement department will conduct comprehensive reviews of the quality, price and delivery conditions of purchased materials. The Group's stringent supplier evaluation system also ensures that raw materials comply with applicable regulatory requirements, meet the Group's quality standards and satisfy its technological requirements for production process. The Group requires that its suppliers regularly provide the Group with evidence that they have all the licenses and permits necessary to conduct their operations, which may include business licenses, manufacturing permits or other relevant licenses and any other related documents.

For the year ended 31 December 2021, the cost of raw materials as supplied by the Group's top five suppliers of raw materials amounted to approximately RMB636.02 million, which represents 14.83 per cent. of the total cost of raw materials in 2021.

Quality Control

The Group believes that an effective quality control system is critical to ensure the quality and efficacy of its products and maintain its reputation and success. The Group's quality control system covers all aspects of its pharmaceutical manufacturing operations, including design and construction of manufacturing plants and facilities, installation and maintenance of manufacturing equipment, procurement of raw materials and packaging materials, quality checks of raw materials, work-in-progress and finished products, monitoring of adverse drug reactions and verification of documentation. The procedures and methodologies of the Group's quality control system are based on Good Manufacturing Practices standards. The Group has established a comprehensive supplier evaluation system where the quality, price, delivery conditions and supplier qualifications are closely scrutinised and random spot checks are conducted to ensure that the Group's stringent requirements are met. For the years ended 31 December 2019, 2020 and 2021, the Group has not received any reports of fatalities or serious incidents of adverse drug reactions caused by the use of the Group's key products. See "*Risk Factors — The Group is susceptible to product liability claims and product recalls which may adversely affect its reputation and could result in significant expenses.*"

Sales, Marketing and Distribution

Within the PRC, the majority of the Group's pharmaceutical products of its pharmaceutical manufacturing business are generally sold first to distributors, who then resell these products through their own sales and distribution networks. The Group's in-house sales and marketing teams directly market and promote its pharmaceutical products to wholesalers, hospitals, other medical institutions and retail pharmacies, while sales to them are typically made through third-party distributors. As at 31 December 2021, the Group has implemented a three-tier sales network model at the national, provincial and county levels.

The Group's international sales team markets and promotes its pharmaceutical products towards the overseas market.

For the years ended 31 December 2019, 2020 and 2021, the Group's domestic and overseas revenue amounted to:

- RMB5.38 billion and RMB0.33 billion respectively for the year ended 31 December 2019;
- RMB6.13 billion and RMB0.36 billion respectively for the year ended 31 December 2020; and
- RMB7.63 billion and RMB0.37 billion respectively for the year ended 31 December 2021.

In respect of domestic sales only, for the year ended 31 December 2021, approximately 16.41 per cent. of the Group's revenue from its Pien Tze Huang products was derived from its business operations in East China. The second largest revenue contribution was from South China, contributing approximately 2.28 per cent. of the Group's revenue. Revenue contribution from Southwest China, Northwest China, Central China, North China, Northeast China and overseas was approximately 0.63 per cent., 0.24 per cent., 0.89 per cent., 1.27 per cent., 0.41 per cent. and 1.08 per cent. respectively during the same period.

The Group plans to continue to invest in advertising in order to expand and improve its sales network to cover the major provinces, municipalities and county level areas in the PRC. The Group is also actively expanding its e-commerce sales model to channel more of its product sales online.

Pricing Policy

Pricing of pharmaceutical products in the PRC is determined through three primary methods. The first method is government-stipulated pricing, the second is government-guided pricing and the third is market-oriented pricing. The pricing method of the Group's pharmaceutical products adopts a combination of government pricing and market-oriented pricing, thereby allowing for the flexibility to adjust its pricing based on the prevailing market conditions such as changing demands from customers, pricing and availability of comparable products in the market, competition and the recommended prices set by the relevant pharmaceutical suppliers. Products that are under the National Medical Insurance Drugs Catalogue or the Provincial Medical Insurance Drugs Catalogue are subject to price control policies. To maintain the Group's competitiveness, it aims to improve its product quality and develop products that are unique, competitive and with high profit margin.

Investment Business

Overview

As one of the most important state-owned capital investment entities of the Zhangzhou Municipal Government, the Group mainly participates in the development of Zhangzhou Industrial Park and investment in industrial projects, including without limitation the development of Gulei Port EDZ and High-Tech Zone, and other related industry investments. In accordance with the positioning of the Group by the Zhangzhou Municipal Party Committee and Zhangzhou Municipal Government, the Group undertakes infrastructure construction and other major project investment, construction and management tasks approved by the Zhangzhou Municipal Government, and promotes the development of new growth areas in Zhangzhou city through the construction and investment of the Gulei Port EDZ and Yuanshan High-Tech Zone. The annual investment task is directly assigned by the Zhangzhou Municipal Government. Specifically, the Group undertakes the investment in the construction of such key projects in Zhangzhou city as the Xiamen Zhangzhou Sea-crossing Bridge, the 99 Bay Water Township in Southern Fujian, the West Lake and the Ancient City, with a view to improving the urban infrastructure of Zhangzhou city. The Group, primarily through the Company, Zhangzhou JiuLongJiang Gulei Development Group Co., Ltd. and Zhangzhou JiuLongJiang Yuanshan Investments Co., Ltd., undertakes the investment of major projects in the Gulei Port EDZ and High-Tech Zone approved by the Zhangzhou Municipal Party Committee and Zhangzhou Municipal Government, as part of the efforts to further enhance the growth of Zhangzhou city. Between 2020 and 2022, the Zhangzhou Municipal Government has, through the Notice of the Investment and Financing Plan of Zhangzhou Jiulongjiang Group Co., Ltd. (漳州市九龍江集團有限公司投融資計劃的通知), set out a total target of RMB28,127 million of investments, to be committed to projects in the Gulei Port EDZ and High-Tech Zone.

The table below sets out a brief summary of the total target investment amount set out by the Zhangzhou Municipal Government and the relative proportion to which such target investment amounts are to be committed to projects in the Gulei Port EDZ and High-Tech Zone:

Total investment target amount

	(RMB in millions)			
	2020	**2021**	**2022**	**Total**
Total investment target amount	9,537	10,784	15,394	35,715
To be committed to projects in Gulei Port EDZ and High-Tech Zone	5,743	6,990	11,600	24,333

The Group's key subsidiaries for the investment business are Zhangzhou JiuLongJiang Gulei Development Group Co., Ltd. (漳州九龍江古雷發展集團有限公司) and Zhangzhou JiuLongJiang Yuanshan Investments Co., Ltd. (漳州九龍江圓山投資有限公司).

In relation to the investments project in the High-Tech Zone, the Group is primarily responsible for arranging the financing and funds for infrastructure development projects, with the Yuanshan Zone High-Tech Management Committee (the "**High-Tech Zone Management Committee**") managing the construction, implementation and operation of specific projects.

As at 31 March 2022, the Group has invested approximately RMB95.93 billion in the development of the Gulei Port EDZ and RMB16.96 billion in the development of the High-Tech Zone. As at 31 December 2021, the Group had invested RMB3.79 billion in each county district. Additionally, the Zhangzhou City Finance Bureau has provided a total of RMB1,139 million (in term of financial subsidy) over the course of five years between 2017 and 2021 to the Group for its investment in the Gulei Port EDZ projects. From 2017 to 2023, the Zhangzhou City Finance Bureau is expected to extend subsidies of RMB178.2 million per year in respect of the Group's participation in the rebuilding and restructuring of the Tenglong Xianglu Petrochemical Project in the Gulei Port EDZ.

For the years ended 31 December 2019, 2020 and 2021, the Group's revenue from its investment business segment was RMB3,357.58 million, RMB3,409.42 million and RMB3,207.93 million respectively. For the years ended 31 December 2019, 2020 and 2021, the Group's gross profit earned from its investment business segment was RMB1,599.46 million, RMB1,478.12 million and RMB1,485.15 million respectively, contributing approximately 34.23 per cent., 30.49 per cent. and 23.24 per cent. to the Group's total gross profit in each respective period.

Gulei Port EDZ and High-Tech Zone

The Group primarily provides funds to the construction projects in the Gulei Port EDZ and the High-Tech Zone in Zhangzhou city. As at 31 March 2022, the Group has invested more than RMB100 billion in the Gulei Port EDZ and Yuanshan High-Tech Zone. The Group receives approximately 7.50 per cent. to 13.5 per cent. returns on its projects in the Gulei Port EDZ and High-Tech Zone (such value to be determined based on the financing cost and total size of financing).

Gulei Port EDZ

The Fujian Provincial Government approved the establishment of the Gulei Port EDZ in September 2006, which was designated as a special economic zone by the NDRC in the same year. In 2010, the NDRC approved the Gulei Port EDZ as the only Taiwan petrochemical industrial park in the country, and granted special policies for the approval of Taiwanese investment projects with a view to ensuring the simplicity and convenience of the approval procedures of Taiwanese investment projects, which is an important carrier for the Fujian Province to build the first harbour for Taiwan compatriots and Taiwan enterprises. In addition to the national preferential policies, the Fujian Province and Zhangzhou City also grant certain special preferential policies to the Gulei Port EDZ, which offers favoured treatment to the Gulei Port EDZ in land use, forest and sea use, environmental protection capacity, facility construction, finance, taxation, talent introduction, etc. In April 2014, the NDRC approved the overall development plan for the Gulei petrochemical base, clarifying that the Gulei petrochemical base will be given special support and constructed in an integrated mode of refining, ethylene, and aromatics adhering to the principle of "one project is mature, and one is implemented". In June 2014, the Gulei petrochemical base was recognized by the State Council as one of the seven largest petrochemical bases in the country, which also marked the official entry of the Gulei petrochemical base into the strategic layout of the national petrochemical industry. The planned area of the Gulei petrochemical base approved by the Fujian Provincial Government is 116.68 square kilometres, and the planned area of the refining and chemical integration core area approved by the NDRC is 50.9 square kilometres. The planned refining capacity of the Gulei petrochemical base ranks first among the seven petrochemical bases in the PRC. The Gulei petrochemical base is the first petrochemical park that is closed for management in the PRC. Since 2012, the relocation of Gulei Peninsula was accomplished in three phases with the efforts of the whole Zhangzhou city. There are no permanent residents in the core area of the 50.9-square-kilometre Gulei petrochemical base. In 2017, as confirmed by the China Petroleum and Chemical Industry Federation, the Gulei petrochemical base was awarded the top ten potential chemical parks in the PRC in 2017. From 2017 to 2019, the Gulei Port EDZ was awarded the "Top 10 Chemical Industry Potential Parks in the PRC", and ranked first in 2019. From 2020 to 2021, it was awarded the "Top 30 Chemical Industry Parks in China". In May 2019, the Zhangzhou Municipal Party Committee and Municipal Government released an "Opinion on the Reform and Innovation of the System and Mechanism of the Gulei Port EDZ", entrusting the four surrounding towns of Gulei, Duxun, Leimei and Shaxi to the Gulei Port EDZ. In 2022, the Zhongsha Gulei Ethylene Project, the total investment of which is RMB42.07 billion, was officially approved by the Fujian Provincial Development and Reform Commission, which marked the official landing of the largest Sino-foreign joint venture project in Fujian Province so far in the Gulei Port EDZ. A revenue of RMB29.97 billion and a net profit (after tax) of RMB4.27 billion are projected to be attained by the Zhongsha Gulei Ethylene Project after it is constructed. Furthermore, the Group intends to construct a Gulei cogeneration project featuring two groups of 50,000 KW back pressure units that are comprised of two back pressure steam turbine generators and three 600t/h ultra-high-pressure coal-fired boilers, with an annual power generation capacity of 563 million KWH and a heating capacity of 13.63 million GJ.

Gulei Port EDZ is located on the Gulei Peninsula at the southern end of Zhangpu county, Fujian Province, between the two special economic zones of Xiamen and Shantou. Gulei Port EDZ connects the Yangtze River Delta to the north and the Pearl River Delta to the south, facing Taiwan across the sea. Gulei Port EDZ is also adjacent to the golden channel of the Taiwan Strait where approximately 80 per cent. of domestic imported crude oil passes. The Gulei petrochemical base is surrounded by sea on three sides, with a daily tidal capacity of more than 1 billion cubic metres, excellent diffusion conditions, sufficient fresh water resources and outstanding environmental capacity which outweighs most domestic chemical industry zones. At present, the daily water supply capacity of the Gulei petrochemical base reaches 0.5 million tonnes, and the long-term daily water supply capacity is projected to be 1.3 million tonnes. As one of the eight natural deep-water ports in the PRC, the areas adjacent to the Gulei Port EDZ contain deep-water coastline resources with wide water depth and calm seas which allow for ships of up to 500,000 tonnes to enter the port area. The planned wharf coastline of the Gulei Port EDZ is 25.8 kilometres, and 80 productive berths are planned to be constructed, with an annual capacity of 200 million tonnes. The natural advantages of Gulei Port EDZ is one of the most important strategic advantages to its future economic development. The petrochemical industrial sites in the Gulei Port EDZ have been designated as important projects by the Zhangzhou Municipal Government in recent years. With a total planned area of 153.81 square kilometres, the Gulei Port EDZ will focus on the development of new electronic materials, shipbuilding and heavy chemicals.

Gulei Port EDZ is equipped with the most advanced complete chemical simulation device training base in the PRC, the largest accident emergency pool among the seven petrochemical bases in the PRC, the largest industrial solid waste disposal centre in the Fujian Province, a 42,000-cubic-metre fire pool, an automatic air detection station, an offshore oil spill emergency equipment warehouse and other safety infrastructure. The public works required for the landing of the petrochemical industry have been carried out in an all-round way, and an industrial sewage treatment plant with a daily treatment capacity of 70,000 cubic metres and 77-kilometre-long roads have been constructed in the industry park. The Zhangzhou city takes the lead in initiating institutional reform and innovation in the Gulei Port EDZ, gathering staffing resources and outstanding cadres to the frontline of the Gulei Port EDZ, and delegating the approval authority of all municipal projects. The General Administration of Customs of the PRC specially approves the establishment of the Gulei Port EDZ customs, and the port units work together to implement one-stop customs clearance services.

The Group invested in the construction projects in the Gulei Port EDZ, which is relating to the construction of processing and logistics hubs and their surrounding supporting infrastructure, and marine reclamation land projects in the surrounding areas of the Gulei Port EDZ. Such projects are subsequently to be repurchased through a buy-back scheme by the Gulei Port EDZ Management Committee. Affiliates of the Gulei Port EDZ Management Committee undertake the project construction and operations and assume the attendant risks.

As at 31 March 2022, the Group has invested approximately RMB95.93 billion on the Gulei Port EDZ in aggregate. The comprehensive rate of return of the projects in the Gulei Port EDZ is approximately 9.42 per cent. Additionally, the Zhangzhou City Finance Bureau has provided a total of RMB1,139 million over the course of five years between 2017 and 2021 to the Group for its investment in Gulei Port EDZ projects.

Yuanshan High-Tech Development Zone

The Yuanshan High-Tech Zone is one of the key cross-strait high-tech cooperation and demonstration areas in Fujian Province. It is expected to become an industrial technology research and development zone. Situated in the southern part of Zhangzhou city, it is located on the south bank of the Jiulong Xixi River and faces the urban areas across the river, forming an important new development zone in Zhangzhou city. The High-Tech Zone is easily accessible by public transportation, with the Longxia Railway and Xiamen-Shenzhen Railway Line to its south.

The Yuanshan High-Tech Zone was upgraded to a national high-tech industrial development zone in December 2013, and the management committee of the Yuanshan High-Tech Zone was officially established in September 2014. The Yuanshan High-Tech Zone is located in the core area of the golden triangle in Southern Fujian Province, adjacent to Xiamen city in the East. It is an important part of the central urban area of Zhangzhou city and is only separated by a river from the old urban area, with a total planning area of 245 square kilometres, construction land of 76 square kilometres, and permanent residents of approximat ely 200,000. The Yuanshan High-Tech Zone, with complete supporting elements, obvious regional advantages, strong industrial agglomeration and sufficient development momentum, has attracted many important enterprises, including Zhangzhou Pientzehuang Pharmaceutical and Fujian Longxi Bearing, to settle in. From 2021 to 2025, The Yuanshan High-Tech Zone will fully implement the urban development strategy of "expanding across the Yangtze River Delta", focus on building the urban centre of Yuanshan new city, accelerate the development of key functional parks, and strive to build an urban spatial pattern of "one city, two districts, three corridors and four centres", accelerate the integrated development of both sides of the Jiulong River, actively integrate into the regional coordinated development, and strive to build the Yuanshan High-Tech Zone into a charming new urban area along the Jiulong River.

The Group primarily provides funds for infrastructure development projects, with the High-Tech Zone Management Committee managing the construction, implementation and operation of specific projects. The High-Tech Zone Management Committee has full autonomy with respect to the use of such funds and primarily uses them for infrastructure development purposes. The Group invests in under the form of an agreement to receive interest payment on a quarterly basis. The Group is entitled to return of the principal and interest by the expiration of the agreement.

Project Description

Over the years, the Group has undertaken and completed the investment of a large number of projects of economic importance to the Gulei Port EDZ since its establishment in 2006. Since 2012, the Gulei Port EDZ Management Committee has been able to make repayments on time and as at 31 March 2022, the Group has achieved investment returns in a total amount of RMB71.00 billion. For infrastructure projects in the High-Tech Zone, the Group has made a total investment of RMB16.96 billion, with a projected further investment of RMB8 billion in 2022, and as at 31 March 2022, the Group has achieved investment returns in a total amount of RMB8.41 billion.

The following table sets forth the key ongoing projects the Group invested in as at 31 March 2022:

Project	Total Estimated Investment Amount	Estimated Completion Timetable
	(RMB in millions)	
Saltworks Project (鹽場項目)	2,807	December 2023
Public Pipe Gallery Project (公共管廊項目)	1,342	December 2022
Gulei Urban and Rural Water Supply Integration Project (古雷城鄉供水一體化項目)	1,050	December 2025
Gulei Water Diversion Project (古雷區域引水工程項目)	605	December 2022

Machinery Manufacturing Business

Overview

With a focus on joint bearings products, the Group aims to develop its machinery manufacturing business organically and through expansion, with the strategy of diversifying its product range and expanding into the high-end equipment manufacturing business, servicing such sectors as the aviation sector. The Group also seeks to enhance its products by developing new materials, improving services to customers and by developing new product segments.

Bearings Manufacturing Business

Headquartered in Zhangzhou city, Fujian Province, the Group is one of the leading bearings manufacturing enterprises in the PRC. Its products have been used in a variety of industries, ranging from civil machinery production to national defence. As at 31 December 2021, the Group ranks as a top-tier producer globally in terms of the number of categories of joint bearings sold and overall sales volume. The Group is a leading and the biggest supplier and exporter of joint bearings in the PRC, and a leading enterprise in the segmented market of joint bearings, with the variety, production and sales of the joint bearings ranking first in the world. The Group has a complete range of joint bearings and a complete manufacturing chain. The Group is the main drafting unit of the national industry standard for joint bearings and has also represented the PRC in the international standards setting of joint bearing products. The Group undertakes the formulation and revision of national and industrial standards for joint bearings. There are a total of 10 national standards for joint bearings, and the Group participated in the formulation and revision of 6 of them (among which the Group presided over the formulation and revision of 5 national standards for joint bearings). Furthermore, there are a total of 6 industry standards, all of which are formulated and revised by the Group.

The Group's main bearing products are joint bearings, which are in the forefront of the domestic market with high quality and cost-effectiveness, and are exported to more than 40 countries and regions overseas. In 2021, when the supply chain channels in the international market were blocked in consequence of the COVID-19, the Group spared no effort to expand its international market, attained a substantial increase in export revenue, and actively expanded such emerging application fields as aerospace and the host upgrading product market.

The Group's bearings manufacturing business is primarily conducted through its subsidiary, Fujian Longxi Bearing, which was incorporated in 1958 and has been listed on the Shanghai Stock Exchange since 2002. For the years ended 31 December 2019, 2020 and 2021, the gross operating income of Fujian Longxi Bearing amounts to RMB0.95 billion, RMB1.16 billion and RMB1.44 billion; the gross profit of Fujian Longxi Bearing amounts to RMB0.15 billion, RMB0.16 billion and RMB0.33 billion; and the net profit of Fujian Longxi Bearing amounts to RMB0.14 billion, RMB0.14 billion and RMB0.28 billion. Fujian Longxi Bearing enjoys favourable taxation policies from the PRC government.

The Group's bearings manufacturing business involves the research, manufacturing and distribution of bearings with wide applications; the Group is in an advantageous position in terms of the applications to its products to various industries. The Group's bearings products are used in various types of machinery and equipment, large-scale modern buildings, bridges and wind power, nuclear power and photovoltaic facilities, as well as key national scientific research and aerospace engineering projects (including space engineering projects) such as projects in regard to the domestic new aircraft, the positron collider of the Chinese Academy of Sciences, Shenzhou series, the Chang'e Lunar Exploration Project, Tiangong Project, Tianyan Project, Long March 5 Rocket Project, FAST radio telescopes, and large aircraft construction.

As at 31 December 2021, the Group possesses an annual production capacity of 15 million joint bearings, shaft sleeves and big gear rings (關節軸承、軸套和大齒圈), five million sets of automotive tapered roller bearings and AG bearings (精密圓錐滾子軸承和AG軸承) and 1.2 million gears and gearboxes (齒輪和變速箱). Under the "Belt and Road" (一帶一路) Initiative, there has been a resurgence in demand for construction machinery and trucks. Such increase in demand, along with the Group's technology and production strengths in bearings, have fuelled significant growth in demand for the Group's bearings products in relation to high-end equipment manufacturing, military aviation, transportation network construction and new energy.

The following table sets forth the production capacity as at 31 December 2021 based on the different variations of bearings products produced by the Group:

		Year ended 31 December		
Products	**Statistics**	**2019**	**2020**	**2021**
Joint bearing and bushing, large ring gears (關節軸承和軸套、大齒圈)	Production capacity (1,000 sets)	15,000	15,000	15,000
	Production (1,000 sets)	11,286	11,051	13,566
	Capacity utilisation (%)	75.24	73.67	90.44
AG Bearings and Precision Tapered Roller Bearings (AG軸承和精密圓錐滾子軸承)	Production capacity (1,000 sets)	5,000	5,000	5,000
	Production (1,000 sets)	4,119	4,239	4,593
	Capacity utilisation (%)	51.48	52.99	91.86
Gears and gearboxes (齒軸和變速箱)	Production capacity (1,000 sets)	1,200	1,200	1,200
	Production (1,000 sets)	243	280	309
	Capacity utilisation (%)	20.31	23.36	25.61

Product Portfolio

Joint Bearings (關節軸承)

The joint bearings is one of the Group's main products in its bearings manufacturing business. A ball joint consists of a bearing stud and socket enclosed in a casing and with all parts made of steel. The bearing stud is tapered and threaded, and fits into a tapered hole in the steering knuckle and work similarly to the ball-and-socket design of the human hip joint. A protective encasing prevents dirt from getting into the joint assembly. Joint bearings are generally used in respect of machinery requiring low-speed oscillating motion. Because the joint bearing has unique performance features such as the ability to withstand heavy load and an adjustable centre, it is widely used in sectors of new energy (wind power, nuclear power), hydropower, metallurgical and mining, automobile, aerospace and military and railway locomotive and rail transit, and applied specifically to steel structures, roads, bridges, large special engineering machinery and heavy duty machinery.

Sales and Marketing

The majority of the Group's bearings products are sold based on a network covering key provinces and cities in the PRC. The Group has built a three-tier marketing network of direct sales, distribution and e-commerce where different sale strategies are adopted based on the demands and idiosyncratic characteristics of the markets.

For the international market, the Group relies upon sales to dealers, although the Group also engages in direct sales in certain situations. Bearings sold internationally by the Group are made to order, contracts are signed when an order is placed, and hence there is no annual contract. The Group's bearings products are sold in over 40 countries. Its clients include Caterpillar, Linde, SDLG, Zoomlion, Xiamen XGMA, John Deere, Volvo, Sany, Cargotec, XCMG, WRITGEN Group, BOMAG FAYAT Group, Dynapac, SKF, LiuGong, WSW Walzlager, Sinotruk and AST.

The Group makes its international sales on the letter of credit ("**L/C**") on telegraphic transfer ("**T/T**") terms. Where the T/T terms are used, funds are transferred or wired from the purchaser's bank account to the Group's designated bank account, with partial payment made and full payment realised upon the goods being loaded onto freight ships. Where L/C terms are used, a relevant bank will guarantee payment upon the recipient receiving the goods, and payment is generally settled within 30 calendar days.

Research and Development

Research and development is critical to the Group's long-term competitiveness and success and the Group has established a joint bearing research institute and national laboratory in Fujian Province with accredited testing and experimental centre for joint bearings. For the year ended 31 December 2021, the Group has spent RMB108.74 million towards research and development. Fujian Longxi Bearing has been granted 110 patents, including 44 patents for invention. The Group produces eight major categories of joint bearing products which are divided into 60 series and more than 8,000 varieties. The Group also aims to improve product quality standards, to refine production processes for its existing products and to enhance the overall quality consistency of its products. The Group owns the sole joint bearing research institute, post-doctoral research workstation, national recognized enterprise technology centre, Fujian Province Engineering Technology Research Centre and Key Laboratory, and develops more than 300 kinds of new products every year.

Raw Material Procurement

As at 31 December 2021, the costs of raw materials in respect of its bearing products as supplied by the Group's top five suppliers of raw materials amounted to approximately RMB308.64 million, which represents 29.08 per cent. of the total cost of raw materials purchased. The Group procures bearing steel using a centralised procurement method, and signs long-term strategic cooperation procurement contracts with major suppliers. The Group has abundant experience in judging the market price fluctuation of bearing steel. As the raw materials are relatively abundant, they are generally purchased in large quantities when bearing steel prices are low, which can effectively reduce the procurement cost of raw materials. For the past three years, the Group has not experienced material difficulties in maintaining reliable sources of supplies, and the Group expects to be able to maintain adequate sources of quality supplies in the future.

Inventory Management

The Group actively manages and maintains its inventories to ensure cost-efficiency, quality control and the timely manufacturing, distribution and wholesales of its bearings products. The Group's senior management is actively involved in setting inventory standards and is continuously seeking ways to further improve the Group's inventory control.

The Group utilises the Vendor Managed Inventory ("**VMI**") arrangement which is designed by Caterpillar where the Group creates orders for its customers based on demand information that is received from the customers, which then determines inventory levels, fill rates and costs. Subsequently the Group's Electronic Data Interchange ("**EDI**") system allows it to set delivery quantities to customers through various distribution channels. The systems allow the Group to maintain awareness of the real-time and future needs of its customers. Auto-inventory replenishment is achieved to ensure on-time delivery and maintain active communication with the users, thereby increasing the transaction rate and this will assist the Group to deliver targeted products to its customers. In addition, the Group also utilises network platforms produced by Alibaba to reduce asymmetry of supply and demand information, thereby enhancing the Group's branding in the domestic and international markets.

Quality Control

The Group adheres to the principle of "Quality Above Everything Else" (質量高於一切) in respect of product quality, pursuant to which it has established an effective quality control system using process management as a foundation. The Group has in place sub-processes such as customer service, design development, relating to facilities and equipment, production and delivery, which are certified in accordance with the relevant international standards, such as ISO 9001 and IATF 16949. Such a system acts as a strong guarantee of the quality of the final product. The Group has also specifically established a quality environmental safety management system in accordance with ISO/TS 16949-2002, ISO14001-2004, OHSAS18001-2007, ISO9001-2008 and other international standards, including passing the German TÜV Technischer Überwachungsverein specification.

Additionally, the Group also has over eight types (encompassing over 6,000 specific products) of aviation self-lubricating joint bearing products (航空自潤滑關節軸承產品) which adhere to the highest standard of A under the SAE Aerospace Standard AS81820D-2014. The Group is an approved manufacturer under the U.S. Government's QPL-AS8 1820 list as the products have passed the certification of NAVAIR (Naval Air Systems Command) – the only manufacturer which have obtained the NAVAIR classification in the PRC. Some of the Group's bearings products have also passed certain military grade certification, including national military standard quality management systems. The Group has obtained weapons and equipment research and production licenses. The Group operates a comprehensive supplier management system which includes a comprehensive supplier evaluation process, a process for onboarding and permitting access to suppliers, a process for monitoring and evaluating the performance of suppliers and a process for reviewing supplier quality assurance. The system also includes maintaining a list of qualified suppliers. The Group's system and processes work together to monitor and guarantee the standards of suppliers in a comprehensive manner, with an emphasis on ensuring competitiveness on the part of suppliers in terms of quality, delivery time and price.

Trading Business

Overview

The Group conducts its trading business principally through the Company and its subsidiary Xiamen Xiangjiang Import and Export Co., Ltd. (廈門薌江進出口有限公司). The Group trades various commodities and technologies, including without limitation, steel, mineral products, light textile and chemical industry. For the three years ended 31 December 2019, 2020 and 2021, the Group's revenue of the trading business was RMB8,307.94 million, RMB10,492.23 million and RMB21,190.94 million respectively, contributing approximately 44.49 per cent., 48.32 per cent. and 61.47 per cent. of the Group's total revenue in each respective period. For the three years ended 31 December 2019, 2020 and 2021, the Group's gross profit of the trading business was RMB146.58 million, RMB79.37 million and RMB179.06 million respectively, contributing approximately 3.14 per cent., 1.64 per cent. and 2.80 per cent. of the Group's total gross profit in each respective period.

Business Model

On the premise of preventing risks and relying on the Group's petrochemical industry chain trade business, the Group's trading business scale has increased in recent years by virtue of the unparalleled business environment in Gulei Port EDZ and Xiamen city, and the Group's trading counterparties are scattered in more than 50 countries and regions (e.g., Europe, the U.S., Southeast Asia, Africa and Australia). The Group's trading partners are all over the golden triangle of Southern Fujian, Guangdong and Zhejiang and the Group establishes a good reputation in the market. The Group has a professional trade team, stable upstream and downstream customers, the ability to integrate resources, and has core competitiveness. The Group's product selection and layout are clear and the Group has advantages in procurement cost and sales price, deep and continuous relationship with customers, and is able to mitigate risks. In terms of customer and supplier selection, in order to control risks, the Group's suppliers and customers are generally state-owned chemical enterprises or material traders with good credit, such as Sinopec Group Co., Ltd., Fujian Petrochemical Group Co., Ltd., etc. At the same time, in addition to self-operated trade business, the Group also furnishes various commodity import and export trade agency services, from which the Group charges agency fees and service fees. Relying on the trading opportunities benefiting from the Group's industrial investment projects, the Group carries out import and export business and domestic trading, adopting a trade model focusing on locking downstream customer orders, collecting deposits, managing the rights of goods and self-operated imports. The Group's customers are required to make full payments before picking up their goods. The Group has formed a trading business mainly focusing on oil products, chemicals, industrial and mining products and other commodities, which grows rapidly by virtue of the Group's advantages in its industrial investment projects. For the year ended 31 December 2021, the revenues from the Group's chemicals, minerals and other products account for 90 per cent., 8 per cent. and 2 per cent. of the revenues of the trading business of the Group respectively. The Group's trading business serves to enhance its various business segments, and integrates and expands the Group's supply chains and resource channels. Applying the "Focusing on the Industry, Enlarging upon the Industry" (大抓工業、抓大工業) strategy of the Zhangzhou Municipal Government, in line with the Group's strategy of enlarging its trading business segment and considering strategic financing requirements and operational risks of the Group, the Group aims to expand its trading business to include the petrochemical industry chain. The Group has obtained the Operating Licences for Hazardous Chemicals (危化品經營許可證) and the qualification for non-state-owned entities to trade and import (非國營貿易進口資質) issued by the Ministry of Commerce of the People's Republic of China. The Group is one of the five enterprises in Fujian Province that has such qualifications. The development of the Group's business model (focused on commodities such as mixed aromatics, light cycle oil, PTA products, fuel oil and xylene) has served as the driving force behind the growth of the Group's trading business segment.

In respect of procurement, the Group's production is determined by its projected sales volume. Specifically, the Group will not embark on consulting with suppliers until they have a concrete notion of customer demands. The products purchased relating to the Group's bulk commodity trading business are petrochemical products, and the procurement and transportation distance is relatively short. The purchase price is determined on the basis of the market price. As regards sales, normally the Group requires its customers to pay a deposit to the Group in advance and settles via wire transfer, bank acceptance and L/C with a view to controlling risks of default.

Given that the Group's main trading products are petrochemical products, some of which are raw materials for epidemic-prevention materials, the Group's trading business is less likely to be affected by the COVID-19 epidemic.

Suppliers

The table below sets forth the Group's top five suppliers for the year ended 31 December 2021 by transactional amount and the percentage of the total transactional amount of each.

	For the year ended 31 December 2021	
	Amount	**Percentage of total transactional amount**
	(RMB in millions)	**per cent.**
Fuhua Industry and Trade (Zhangzhou) Co., Ltd. (福化工貿(漳州)有限公司) . .	1,239.50	5.90%
Hengli Energy (Suzhou) Co., Ltd. (恒力能源(蘇州)有限公司)	972.04	4.63%
Vitol Trading Malaysia Labuan Ltd	709.26	3.38%
Zhuhai Huafa Commercial & Trading Holdings Co., Ltd. (珠海華發商貿控股有限公司)	708.45	3.37%
Xiamen Jingangyuan Petrochemical Co., Ltd. (廈門金港源石油化工有限公司) . .	680.63	3.24%
Total	4,309.88	20.52%

Customers

The table below sets forth the Group's top five customers for the year ended 31 December 2021 by transactional amount and the percentage of the total transactional amount of each.

	For the year ended 31 December 2021	
	Amount	**Percentage of total transactional amount**
	(RMB in millions)	**per cent.**
Xiamen Jingangkou Petrochemical Co., Ltd. (廈門金港口石化有限公司)	4,936,45	23.30%
Xiamen Xinghui Energy Co., Ltd. (廈門興匯能源有限公司)	1,926.44	9.09%
Fujian Energy and Chemical Supply Chain Co., Ltd. (福建能化供應鏈管理有限公司)	1,310.93	6.19%
Xiamen International Trade Petrochemical Co., Ltd. (廈門國貿石化有限公司) . .	860.71	4.06%
Zhangzhou High-tech Zone Longjiang Yuze Supply Chain Management Partnership (Limited Partnership) (漳州高新區龍江禹澤供應鏈管理合夥企業(有限合夥))	619.97	2.93%
Total	9,654.50	45.57%

Other Business

The Group is also engaged in other business activities:

- In the Gulei Port EDZ, the Group participates in the Huaneng Cogeneration Project, Zhongsha Gulei Ethylene Project, the provincial key water conservancy project "Gulei Water Diversion Project", the Public Pipe Gallery Project, Gulei Industrial Waste Disposal Site Project, Catalyst project, Gulei Bihai Property Project, Gulei South No. 10 and No. 11 Wharf Project, Fusheng Binhai New City Store Project, Century Jinyuan Underground Parking Space Project and other business in the Gulei Port EDZ, holds 50 per cent. equity interests in Zhangzhou Gulei Water Development Co., Ltd., takes advantage of the reorganization of PX petrochemical project to expand new petrochemical business and invests in the development of fine chemical industry parks.

- In the Yuanshan High-Tech Zone, the Group participates in the construction of "One Medicine and One Intelligence Industrial Park", the "Nanhu Mass Entrepreneurship and Innovation Base" in the middle of the Yuanshan High-Tech Zone, the "Zhanqian Area" in the east of the Yuanshan High-Tech Zone, the EOD ecological treatment project and the general third-class hospital in the Yuanshan High-Tech Zone.

- Taking advantage of the opportunity of serving the Gulei Port EDZ and Yuanshan High-Tech Zone, the Group has shown greater achievements in the cultivation and development of nine enterprises of hundred billion level and five over-50-billion industrial clusters by investing in infrastructure construction, contributing to core enterprises, participating in the industrial chain economy, promoting regional tax growth and ensuring investment income, so as to accelerate the quality and efficiency improvement of enterprise operations.

- The Group cooperates with many other large state-owned enterprises in Fujian Province in other industries such as financial leasing, environmental protection and power distribution. In cooperation with Fujian Petrochemical Group Co., Ltd. (福建石油化工集團有限責任公司), the Group has established several subsidiaries, namely Fujian Fuhua Gulei Petrochemical Co., Ltd. (福建福化古雷石油化工有限公司) (in which the Group holds a 49 per cent. shareholding), Fujian Fuhua Environmental Protection Technology Co., Ltd. (福建省福化環保科技有限公司) (in which the Group holds an 18 per cent. shareholding) and Zhangzhou Fuhua Environmental Protection Technology Co., Ltd. (漳州市福化環保科技有限公司) (in which the Group holds a 30 per cent. shareholding).

- Furthermore, in cooperation with Fujian Energy Group Co., Ltd. (福建省能源集團有限責任公司), the Group has established Zhangzhou Distribution and Power Distribution Sales Co., Ltd. (漳州市配電售電有限責任公司) (in which the Group holds a 49 per cent. shareholding) and Funeng (Zhangzhou) Finance Leasing Co., Ltd. (福能(漳州)融資租賃股份有限公司) (in which the Group holds a 49 per cent. shareholding).

- Fujian Fuhua Gulei Petrochemical Company (福建福化古雷石油化工有限公司) took over the running of the Gulei Tenglong Xianglu Petrochemical Project (古雷騰龍翔鷺石化項目), commencing improvement works such that the project has been fully resumed through FuHaiChuang, with the PTA project aspect officially resuming production in November 2017 and the PX project aspect resuming trial production on 26 December 2018. FuHaiChuang is located in the Gulei Port EDZ with two sets of PX production units, three PTA oxidation lines and two PTA refining lines. FuHaiChuang has an annual production output of 4.5 million tonnes of PTA and 1.6 million tonnes of PX. As at 31 December 2021, the Group holds a 37.24 per cent. shareholding in FuHaiChuang. FuHaiChuang further holds a 100 per cent. shareholding in Fuhua Industry and Trade (Zhangzhou) Co., Ltd. From January 2022 to June 2022, FuHaiChuang achieved an operating revenue of 21.05 billion, and produced 1.54 million tonnes of PTA and 0.65 million tonnes of PX.

- The Group is engaged in the investment of other construction business activities generally, such as the construction of the Gulei Regional Water Diversion Project (古雷區域引水工程) where a total of RMB518 million has been invested. The Group is also positioned to acquire the number 10 and number 11 ports in the Gulei Port EDZ and to participate in the development of key construction projects in Zhangzhou city.

- The Group is engaged in preservation projects, including the construction of the Linxi Ecological Park (林下生態園) and Bohai Cultural Park (荔海文化園) projects.

- The Group is engaged in financial equity investment involving Xiamen International Bank, Industrial Securities, Industrial Bank Co., Ltd., Rural Commercial Bank of Zhangzhou, China Merchants Bank, Rural Commercial Bank of Longhai and Rural Commercial Bank of Zhangpu.

- Finally, the Group oversees the management of five government policy funds in Zhangzhou city with a value of up to RMB900 million as at 31 December 2021:

- Industry and Trade Enterprise Capital Chain Emergency Turnover Fund (工貿企業資金鏈應急周轉金);

- Zhangzhou City Industrial Equity Investment Guidance Fund (漳州市產業股權投資引導基金);

- SME Loan Risk Compensation Fund (中小企業貸款風險補償基金);

- Small and Micro Enterprise Loan Guarantee Insurance Fund (小微企業貸款保證保險基金); and

- Policy Financing Guarantee Fund (政策性融資擔保基金).

Competition

The PRC pharmaceutical manufacturing industry is currently highly fragmented. Although a significant portion of the Group's pharmaceutical manufacturing business is comprised of Pien Tze Huang product, which do not directly compete with the majority of the pharmaceutical products in the PRC market, the remainder of the Group's pharmaceutical products competes directly with manufacturers engaged in producing the same type of pharmaceutical products and indirectly with pharmaceutical manufacturers producing products with similar therapeutic effects, which can be used as substitutes for the Group's products.

In respect of the Group's machinery manufacturing business, the Group competes with a variety of companies, including large global and domestic bearings and diesel engine companies. The low concentration of manufacturers and the significant numbers of small bearings manufacturers form a fierce competitive pricing environment. The Group faces competition based on a number of factors, including quality, timeliness, good manufacturing practices, depth of customer relationships, pricing, geography and ability to protect confidential information and intellectual property.

Intellectual Property Rights

The Group's intellectual property rights primarily consist of patents, protected categories of Chinese medicines and trademarks that the Group uses in its operations. The Group relies on patents and protected categories of Chinese medicines to establish and protect the Group's legitimate right of production of pharmaceutical products. The Group uses registered trademarks as the names and logos for its operations and development. These registered trademarks have been widely recognised by the public as being synonymous with the Group's business.

As at 31 December 2021, Zhangzhou Pientzehuang Pharmaceutical possesses four nationally protected traditional Chinese medicines and 34 patents, of which 11 are patents for invention and 23 are patents for design, and is presently applying for 16 patents for invention. Fujian Longxi Bearing has been granted 110 patents, including 44 patents for invention. As at the date of this Offering Circular, the Group is not aware of any infringement (i) by the Group of any intellectual property rights owned by third parties or (ii) by any third parties of any intellectual property rights owned by the Group.

Insurance

The Group maintains insurance coverage in amounts that it believes are consistent with the risk of loss and customary practice in the relevant industry. Consistent with the customary practice in the PRC, the Group does not carry any third-party liability insurance to cover claims in respect of personal injury or property or environmental damage arising from accidents on the Group's property or relating to its operations, nor does the Group carry any business interruption insurance or life insurance on its key employees. Such insurance is not mandatory according to the laws and regulations of the PRC and would impose additional costs on the Group's operations, which would reduce its ability to compete in the PRC.

The Group believes that it has sufficient insurance coverage in place and that the terms of its insurance policies are in line with industry practice in the PRC. However, there is a risk that the Group does not have sufficient insurance coverage for losses, damages and liabilities that may arise from its business operations.

Environmental Matters

The Group's operations involve the use, handling, processing, storage, transportation and disposal of hazardous materials and its production processes generate noise, waste water, gaseous and other industrial wastes. Accordingly, the Group is subject to extensive environmental, health and safety regulations at the national, provincial and local level in the PRC, including those governing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, the maintenance of safe conditions in the workplace and the production, handling, labelling and use of chemicals used or produced by the Group, as well as requirements relating to operating permits that are subject to renewal or modification.

Ongoing compliance with such regulations is an important consideration for the Group and it is committed to conducting its operations in compliance with applicable regulations. However, the Group is exposed to the risk of claims for environmental remediation or restoration and violations of environmental, health and safety regulations or permit requirements may result in restrictions being imposed on operating activities, substantial fines, penalties, damages or other costs.

The Group has consistently endeavoured to maintain and improve its environmental, health and safety systems to try to maintain among the highest standards of pharmaceutical and machinery manufacturers and among infrastructure developers based in the PRC and to respond rapidly and effectively to all regulatory developments requiring more stringent standards.

Employees and labour relations

As at 31 December 2021, the Group had approximately 5,284 employees.

Since 2018, the Group implemented various talent incentive mechanisms, including without limitation the Action Plan of "Ten Thousand Talents Gathering in Zhangzhou City" (漳州市「萬才聚漳」行動計畫) and other talent introduction policies and measures, the Seven Measures for Further Deepening the Construction of Talent Teams of State-Owned Enterprises (關於進一步深化國有企業人才隊伍建設的七條措施), Several Measures for Promoting the Priority Development of Talents (關於促進人才優先發展的若干措施), Management Measures for the Recruitment of Employees of Zhangzhou Jiulongjiang Group Co., Ltd. (漳州市九龍江集團有限公司員工招用管理辦法), Management Measures for the Selection and Appointment of Non-municipal-level Management Personnel of Zhangzhou Jiulongjiang Group Co., Ltd. (漳州市九龍江集團有限公司非市管管理人員選拔任用管理辦法), which aim to nurture personnel growth and attract talented personnel.

The Group's remuneration packages are generally structured by reference to market rates and individual merits. The Group is committed to investing in the development of its employees through continuing education and training, as well as through the creation of opportunities for career growth. The Group considers its relationship with its workforce to be good and the Group has not experienced a work stoppage or strike. The Group adheres to, and complies with, the relevant labour laws and the relevant requirements of the PRC and other jurisdictions in which it operates, making, for instance, contributions to the pension contribution plan, employees' medical insurance, unemployment insurance, maternity insurance and workers' compensation injury insurance.

Regulatory Compliance

The Group's operations are subject to various national and local laws and regulations governing its operations across its business segments. In the Group's compliance measures, the Group aims to meet regulatory and industrial standards of relevant central and local government authorities and its industry associations. As at the date of this Offering Circular, the Group is in compliance with all applicable laws and regulations of the PRC in all material respects and has obtained all necessary permits and licences required for its operation in all material respects.

Legal Proceedings

The Group is from time to time involved in certain legal proceedings concerning matters arising in the ordinary course of its business. As at the date of this Offering Circular, to the best of the Group's knowledge, after due and careful enquiry, the Group is not party to any legal or administrative proceedings which may have a material adverse effect on its financial condition or results of operations, nor is the Group aware that any such proceedings are pending or threatened.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

As at the date of this Offering Circular, the members of the board of directors are as follows:

Name	Age	Title
Mr. PAN Jie (潘傑)	56	Chairman
Mr. HE Huichuan (何惠川)	48	Director and General Manager
Mr. LAI Wenning (賴文寧)	55	Director and Deputy General Manager
Mr. CAI Shaobin (蔡少斌)	40	Employee Director
Mr. LUO Xiangyang (洛向陽)	57	External Director
Mr. YE Xiangyang (葉向陽)	60	External Director
Mr. HE Jianguo (何建國)	51	External Director

Supervisors

The following table sets forth the members of the board of supervisors of the Company as at the date of this Offering Circular:

Name	Age	Title
Mr. WEI Yujian (魏育健)	53	Chairman of Supervisory Committee
Ms. ZHOU Yizhen (周藝真)	37	Supervisor
Ms. ZHANG Xueyi (張雪疑)	36	Supervisor
Mr. LV Jiafu (吕加福)	44	Employee Supervisor
Ms. WU Jiaying (吳佳穎)	29	Employee Supervisor

Senior Management

The following table sets forth the senior management responsible for the Company's day-to-day management and operation as at the date of this Offering Circular.

Name	Age	Title
Ms. YANG Xiuling (楊秀靈)	56	Secretary of Discipline Inspection Commission
Mr. SHI Jinta (石金塔)	48	Deputy General Manager
Mr. LI Weiguo (李偉国)	46	Deputy General Manager
Mr. CHEN Zuoyun (陳左耘)	47	Deputy General Manager
Mr. CHEN Zhiyan (陳志言)	45	Deputy General Manager
Mr. ZENG Yuqian (曾毓前)	46	Deputy General Manager
Mr. ZHOU Zehui (周澤煇)	56	Chief Auditor

Biographies of Directors

Mr. PAN Jie (潘傑), born in August 1965, aged 56, graduated from the Department of Biology of Xiamen University, with a Bachelor of Science in Microbiology. He is a member of the Communist Party of China and a senior economist. Mr. Pan currently serves as Chairman and Party Secretary of the Company. From July 1985 to December 2014, he had successively served as Cadre of Construction and Development Company of Xiamen Special Economic Zone (now as Xiamen C&D Co., Ltd.), Manager of Import and Export Department of Zhangzhou Pharmaceutical Factory, Deputy Manager of Hong Kong Huamin (Group) Shuangyi Trading Co., Ltd., Assistant General Manager of Hong Kong Zhanglong Industrial Co., Ltd. and concurrently as Director of Zhangzhou Representative Office in Hong Kong and General Manager of Zhangzhou City Import and Export Goods Inspection Centre, Deputy General Manager of Zhangzhou Pientzehuang Group Corporation (and Deputy Director of Zhangzhou Pharmaceutical Factory), and Director and Deputy General Manager and later General Manager and Chairman of Zhangzhou Pientzehuang Pharmaceutical Co., Ltd.

Mr. HE Huichuan (何惠川), born in September 1973, aged 48, graduated from Fujian Normal University, majoring in financial management. He is a member of the Communist Party of China and an Advanced Level Accountant. Mr. He currently serves as Party Deputy Secretary, Director and General Manager of the Company. From August 1992 to December 2015, he had successively served as Accountant, Deputy Head and later Head of Finance Department, Secretary of Party Branch in Financial Accounting and Deputy Chief Accountant of Fujian Longxi Bearing Co., Ltd., Chief Financial Officer and General Manager of Hongqi Co., Ltd., and Deputy Chief Accountant and subsequently Chief Accountant and Deputy General Manager of the Company.

Mr. LAI Wenning (賴文寧), born in October 1966, aged 55, is a member of the Communist Party of China. He has an in-service bachelor's degree and was graduated from the Central Party School majoring in economic management. He is currently a member of the Party Committee, Director and Deputy General Manager of the Company. From August 1985 to April 2022, he had successively served as Cadre of Fujian Zhangzhou Meteorological Bureau, Clerk, Deputy Chief Clerk, Deputy Director of the Office, and Director of the Procurement and Control Office of Fujian Zhangzhou Finance Bureau, Chief Clerk of the Property Right Management Division of Fujian Zhangzhou State-Owned Assets Supervision and Administration Commission, General Manager of Haixia Biological Technology Co., Ltd., Member of the Party Committee and Executive Deputy General Manager of Fujian Zhangzhou Investment Group Co., Ltd., Member of the Party Committee and Deputy General Manager of the Company.

Mr. CAI Shaobin (蔡少斌), born in February 1982, aged 40, is a member of the Communist Party of China. He was graduated from East China University of Political Science and Law with a master's degree in law. Mr. Cai currently serves as Employee Director, Deputy General Counsel and Manager of Legal Affairs and Risk Control Department of the Company. From August 2008 to May 2022, he had successively served as General Clerk of Zhangzhou Xiangcheng sub-branch of Industrial Bank Co., Ltd., Clerk and Assistant Judge of the First Civil Division of Xiangcheng District People's Court, Clerk of Information Division of the Office, Deputy Chief Clerk of General Duty Division, Deputy Chief Clerk and later Deputy Director of Supervision Division of Zhangzhou Municipal Party Committee, Clerk and later Senior Manager of Zhangzhou Outlet of China National Securities Co., Ltd., Manager Assistant and later Deputy General Manager of Legal Division of Fujian Zhanglong Group Co., Ltd, and Deputy General Counsel and Manager of Legal Affairs and Risk Control Department of the Company.

Mr. LUO Xiangyang (洛向陽), born in June 1965, aged 57, is a member of the Communist Party of China and a senior engineer with a bachelor's degree. He is currently a full-time External Director of the Company. From October 1987 to May 2022, he had successively served as Cadre, Assistant Engineer, Engineer, Senior Engineer, Vice President, and later President as well as Secretary of Party Branch of Fujian Zhangzhou Architectural Design Institute, Member of the Party Committee, Deputy General Manager and later Chief Engineer of Fujian Zhanglong Group Co., Ltd.

Mr. YE Xiangyang (葉向陽), born in December 1961, aged 60, is a member of the Communist Party of China and a practising auditor with a bachelor's degree from the Central Party School. He is currently a part-time External Director of the Company. From September 1981 to May 2022, he had successively served as Clerk, Deputy Director and later Chief Clerk of Fujian Pinghe County Shan Ge Sugar Factory, Fujian Pinghe No. 2 Sugar Factory and Fujian Pinghe County Audit Bureau, Director of Computer Application Technology Centre and full-time Deputy Secretary of the Party Committee of Zhangzhou Audit Bureau, and Chief Accountant of Fujian Zhangzhou Investment Group Co., Ltd.

Mr. HE Jianguo (何建國), born in December 1970, aged 51, is a member of the Communist Party of China with a bachelor's degree from the Central Party School. He is currently the Chief of Supervision Division of the State-owned Assets Supervision and Administration Commission of Zhangzhou Municipal People's government and a part-time External Director of the Company. From March 1990 to May 2022, he had successively served as Soldier of the Nankong Aircraft Maintenance Training Regiment, Soldier, Acting Accessory Division, Technician and Mechanic of Repair Shop of Chengdu Air

Force Aviation Training Base, Student of Non-destructive Testing Major of the First Aviation College of the Air Force, Clerk of the Office and Clerk and Deputy Director of the Political Department of the State-owned Assets Supervision and Administration Commission of Zhangzhou City, Fujian Province, Chief of Reform and Development Division and Supervision Division of the State-owned Assets Supervision and Administration Commission of Zhangzhou City.

Biographies of Supervisors

Mr. WEI Yujian (魏育健), born in 1968, aged 53, has a college degree. He is a member of the Communist Party of China. Mr. Wei currently serves as Deputy Secretary of the Party Committee and Chairman of the Supervisory Committee of the Company. From August 1989 to September 2020, he had successively served as Director and Secretary of the Youth League Committee of Jinshan Town, Nanjing County, Clerk of the Organisation Department of Nanjing County Party Committee, Clerk of the Telegram Division of the Organisation Department of Zhangzhou Municipal Party Committee, Deputy Director of Party Management Division of the Organisation Department of Zhangzhou Municipal Party Committee, Deputy Director of the Telegram Centre of the Organisation Department of Zhangzhou Municipal Party Committee, Director of Party Management Division of the Organisation Department of Zhangzhou Municipal Party Committee, Director of the Telegram Centre of the Organisation Department of Zhangzhou Municipal Party Committee, and Deputy Secretary of the Party Committee of Zhangzhou Urban Investment Group Co., Ltd.

Ms. ZHOU Yizhen (周藝真), born in October 1984, aged 37, is a member of the Communist Party of China and an economist with an in-service bachelor's degree. She currently serves as Supervisor and Deputy Manager of General Affairs Department of the Company. From November 2008 to May 2022, she had successively served in General Management Post of Donghai Futures Fuzhou Outlet, Transaction Risk Control Post of Bohai Futures Fuzhou Outlet, Marketing Post of Guangfa Futures Fuzhou Outlet, and as Clerk and later Deputy Manager of General Department and Chief, Senior Chief and later Deputy Manager of Legal Affairs and Risk Control Department of the Company.

Ms. ZHANG Xueyi (張雪疑), born in April 1986, aged 36, is a member of the Communist Party of China, a practising auditor and accountant with a bachelor's degree. She currently serves as Supervisor and Deputy Manager of Audit Department of the Company. From July 2008 to May 2022, she had successively served as Internal Auditor of Audit Department of Youda Optoelectronics Xiamen Co., Ltd., Risk Control Officer of Risk Control Department of International Trade Futures Brokerage Co., Ltd., and Clerk, Chief, Senior Chief and later Deputy Manager of Audit Department of the Company.

Mr. LV Jiafu (呂加福), born in November 1977, aged 44, graduated from Jimei College of Finance and economics, majoring in financial accounting of foreign economic enterprises. Mr. Lv is a member of the Communist Party of China and a Medium Level Accountant. He currently serves as the Manager of Strategic Planning Department and Employee Supervisor of the Company. From August 1999 to December 2019, he had successively served as Clerk and later Deputy Chief Clerk and Deputy Director of the Financial Department, Deputy Director and later Director of the Audit Department of Fujian Longxi Bearing Co., Ltd., and Deputy Manager and later Manager of the Financial Department of the Company.

Ms. WU Jiaying (吳佳穎), born in September 1992, aged 29, graduated from Chengyi College of Jimei University, majoring in e-commerce and is an assistant economist. Ms. Wu currently serves as Deputy Secretary of the Communist Youth League of the Company, Deputy Director of Office of the Group's Supervisory Committee and an Employee Supervisor of the Company. From August 2016 to October 2020, she had successively served as Clerk and later Director of the Financing Department of the Company.

Biographies of Senior Management

Ms. YANG Xiuling (楊秀靈), born in February 1966, aged 56, holds a bachelor degree. She is a member of the Communist Party of China. Ms. Yang is currently a member of the Party Committee and Secretary of the Discipline Inspection Commission of the Company and Deputy Secretary of the Party Committee of Fujian FuHaiChuang Petrochemical Co., Ltd. From August 1987 to December 2018, she had successively served as an accountant of Zhangzhou Wool and Linen Textile General Factory, Clerk of the Administrative Audit Division, Deputy Chief Clerk of the Economic and Trade Foreign Economic Audit Division, Director Clerk of the Administrative Audit Division, Chief Clerk of the Administrative Audit Division, Chief Clerk of the Fixed Asset Investment Audit Division and subsequently Director of the Office of Zhangzhou Audit Bureau.

Mr. SHI Jinta (石金塔), born in October 1973, aged 48, graduated from the Central Party School, majoring in law. He is a member of the Communist Party of China. Mr. Shi has working experience since September 1992. He is currently a member of the Party Committee and Deputy General Manager of the Company. From September 1992 to November 2021, he had successively served as Technician of Jiufeng Agricultural Station in Pinghe County, Fujian Province, Deputy Mayor of Jiufeng Town in Pinghe County, Deputy Mayor of Qiling Township in Pinghe County, Deputy Secretary of the Party Committee of Luxi Town in Pinghe County, Deputy Secretary of the Party Committee of and Mayor of Nansheng Town in Pinghe County, Secretary of the Party Committee and Mayor of Nansheng Town in Pinghe County, Leader of Zhangzhou General Traffic Administrative Law Enforcement Detachment in Fujian Province, and Leader of Zhangzhou General Traffic and Transportation Law Enforcement Detachment in Fujian Province.

Mr. LI Weiguo (李偉國), born in August 1975, aged 46, has an in-service bachelor's degree and is a member of the Communist Party of China. He is currently a member of the Party Committee and Deputy General Manager of the Company. From November 1997 to April 2022, he had successively served as Trainee Cadre and later Cadre of the Finance Institute of Qianting Town, Zhangpu County, Fujian Province, Deputy Mayor of Duxun Town, Zhangpu County, Fujian Province, Organisation Member, Deputy Secretary of the Comprehensive Management of the Party Committee and Deputy Secretary of the Comprehensive Management and Family Planning of the Party Committee of Suian Town, Zhangpu County, Fujian Province, Deputy Secretary of the Party Committee and Mayor of Shiliuzhen Town, Zhangpu County, Fujian Province, Deputy Secretary of the Party Committee and Mayor of Suian Town, Zhangpu County, Fujian Province, Secretary of the Party Committee of Shiliuzhen Town, Zhangpu County, Fujian Province, Deputy Secretary of the Party Committee and Chairman of the Supervisory Committee of Fujian Zhangzhou Information Industry Group Co., Ltd.

Mr. CHEN Zuoyun (陳左耘), born in January 1975, aged 47, has an in-service bachelor's degree and is a member of the Communist Party of China. He is currently a member of the Party Committee and Deputy General Manager of the Company. From September 1993 to April 2022, he had successively served as a student majoring in Computer Application of the PLA Institute of Electronic Technology, Translator in the Chief Platoon of the PLA 32851 Command, Deputy Company Staff Officer and later Company Staff Officer of the Zhangzhou Military Sub-district Command, Confidential Unit Chief of the PLA 73336 Command, Clerk of the Petition Office, Director of the Party Discipline Office, Director of the Petition office, Clerk of the Standing Committee, Discipline Inspection Supervisor at the chief section level, Deputy Secretary, Deputy Director of the District Supervision Commission, Secretary of the Discipline Inspection Commission and Member of the Party Committee of Zhangzhou Agricultural Development Group Co., Ltd.

Mr. CHEN Zhiyan (陳志言), born in September 1976, aged 45, has an in-service bachelor's degree and is a senior engineer. He is currently a member of the Party Committee and Deputy General Manager of the Company. From November 1997 to June 2020, he had successively served as Manager of the Production Department, Deputy General Manager and later General manager of Fujian Minnan Flower Co., Ltd., Deputy General Manager of Zhangzhou Dongnan Huadu Co., Ltd., Chairman and Legal Representative of Minhe Flower Co., Ltd., Deputy General Manager of Haixia Biological Technology Co., Ltd., General Manager of Fujian Danong Landscape Construction Co., Ltd., Chairman and Legal Representative of Minhe Flower Cooperation (Zhangzhou) Co., Ltd., and Assistant General Manager of the Company.

Mr. ZENG Yuqian (曾毓前), born in January 1976, aged 46, graduated from Xiamen University, majoring in business administration and is a member of the Communist Party of China. He is currently a member of the Party Committee and Deputy General Manager of the Company. From December 1999 to May 2015, he had successively served as an officer, Deputy Manager, Manager of the Import and Export Department and later Deputy General Manager of Zhangzhou Longjiang Import and Export Co., Ltd., Deputy Chief Economist, Supervisor and Chief Economist of the Company.

Mr. ZHOU Zehui (周澤輝), born in March 1966, aged 56, has an in-service bachelor's degree and is a member of the Communist Party of China. He is currently the Chief Auditor of the Company. From August 1988 to April 2022, he had successively served as Trainee, Officer, Cadre, Clerk of the Audit Bureau of Nanjing County, Fujian Province, Deputy Director and subsequently Director of Industrial Traffic Audit Unit, Cadre of Fujian Nanjing High-tech Industrial Park, Clerk of Fujian Nanjing County Government Office, Principal of Procurement Centre, Director of Office Affairs Division, Clerk of Fujian Nanjing County Government, Deputy Manager of the Finance Department of Fujian Xiazhang Bridge Co., Ltd., Manager of the Financial Department, Deputy Chief Accountant and subsequently Chief Accountant of Fujian Zhanglong Industrial Co., Ltd.

PRC REGULATIONS

This section is a high-level overview of the PRC legal system and a summary of the principal PRC laws and regulations relevant to the issue of the Bonds by the Issuer. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations.

Labour

Employment Contracts

The Labour Contract Law (勞動合同法), promulgated by the SCNPC on 29 June 2007, which became effective on 1 January 2008 and was amended on 28 December 2012 and became effective on 1 July 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employee contract. The Labour Contract Law stipulates that employee contracts shall be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. Pursuant to the Labour Contract Law, employment contracts lawfully concluded prior to the implementation of the Labour Contract Law and continuing as at the date of its implementation shall continue to be performed. Where an employment relationship was established prior to the implementation of the Labour Contract Law, but no written employment contract was concluded, a contract shall be concluded within one month after its implementation.

Employee Funds

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (社會保險法), promulgated by the SCNPC on 28 October 2010, which became effective on 1 July 2011 and as further amended on 29 December 2018, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on 22 January 1999, which became effective on 22 January 1999, and Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), promulgated by the State Council on 3 April 1999, which became effective on 3 April 1999 and as amended on 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

NDRC Supervision

According to the Administrative Measures for the Overseas Investment by Enterprises (企業境外投資管理辦法) which became effective from 1 March 2018, the procedure of approval and filing shall be respectively applied to different overseas investment projects. In particular, overseas investment projects involving sensitive countries and regions or sensitive industries shall be subject to confirmation by NDRC.

For a project which requires filing, the authority in charge of the filing is (i) NDRC, if the investor is a centrally administered enterprise (which includes a centrally administered financial enterprise or an enterprise directly subordinate to the administration by the State Council or its subordinate organ); (ii) NDRC, if the investor is a local enterprise and the amount of Chinese investment is U.S.$0.3 billion or above; and (iii) the provincial development and reform authority at the place where the investor is registered, if the investor is a local enterprise and the amount of Chinese investment is less than U.S.$0.3 billion.

The Administrative Measures for the Overseas Investment by Enterprises apply *mutatis mutandis* to the investments in Hong Kong, Macau or Taiwan made by investors directly or through enterprises under their control, the outbound investments made by investors through the enterprises that are in Hong Kong, Macau or Taiwan and under their control, and the outbound investments by domestic natural persons through overseas enterprises under their control or enterprises located in Hong Kong, Macau or Taiwan. These Measures are not applicable to direct outbound investments by domestic natural persons or direct investments in Hong Kong, Macau or Taiwan by domestic natural persons.

According to the NDRC Circular, which was issued by the NDRC on 14 September 2015 and came into effect on the same day, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issue.

The NDRC Circular relates to the matters as listed below:

- remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed and implement the administration of record-filing and the registration system. Realise the supervision and administration of the size of foreign debts borrowed on a macro level with the record-filing, registration, and information reporting of the issuance of foreign debts by enterprises;

- before the issuance of foreign debts, enterprises shall first apply to the NDRC for the handling of the record-filing and registration procedures and shall report the information on the issuance to NDRC within 10 working days of completion of each issuance;

- record-filing and registration materials to be submitted by an enterprise for the issuance of foreign debts shall include: application report for the issuance of foreign debts and issuance plan, including the currency, size, interest rate, and maturity of foreign debts, the purpose of the funds raised, back flow of funds, etc. The applicant shall be responsible for the authenticity, legality, and completeness of the application materials and information;

- the NDRC shall decide whether to accept the application for record-filing and registration within 5 working days of receiving it and shall issue a Certificate for Record-filing and Registration of the Issuance of Foreign Debts by Enterprises within seven working days of accepting the application and within the limit of the total size of foreign debts;

- the issuer of foreign debts shall handle the procedures related to the outflow and inflow of foreign debt funds with the Certificate for Record-filing and Registration according to the regulations. When the limit of the total size of foreign debts is exceeded, the NDRC shall make a public announcement and no longer accept applications for record-filing and registration;

- if there is a major difference between the actual situation of the foreign debts issued by the enterprises and the situation indicated in the record-filing and registration, an explanation shall be given when reporting relevant information. The NDRC shall enter the poor credit record of an enterprise which maliciously and falsely reports the size of its foreign debts for record-filing and registration into the national credit information platform.

According to Circular 666, the foreign debts are solely to be repaid by the issuer as an obligor under the relevant transaction documents and as an independent legal person, and the PRC local governments and their departments shall not directly repay, or promise to repay, the foreign debts with government funds, nor shall they provide guarantees for the issuance of foreign debts by local state-owned enterprises.

The Circular 666 relates to the matters as listed below:

- all enterprises (including local state-owned enterprises) and overseas enterprises or branches controlled by them issue foreign debts, domestic enterprises shall be subject to the filing with the NDRC for registration;

- all enterprises (including local state-owned enterprises) applying for filing and registration of foreign debts issuance, shall submit the letter of commitment to the authenticity of the application materials, which signed and confirmed by the main decision-makers of the enterprises. The NDRC shall record the violations by such enterprise and its main decision-makers, and include them into the national credit information platform;

- local stated-owned enterprises shall continuously operate for more than three years before issuing foreign debts;

- local state-owned enterprises that undertake the financing function of local governments shall issue foreign debts solely used to repay medium- and long-term foreign debts that mature within the next year;

- local state-owned enterprise foreign debts documents shall not contain any misleading information that may link government credit with the foreign debts.

MOFCOM Supervision

The Ministry of Commerce of the PRC ("**MOFCOM**") issued the new version of the Overseas Investment Administration Rules (境外投資管理辦法) on 6 September 2014, effective from 6 October 2014 (the "**New Overseas Investment Rules**"). Under the New Overseas Investment Rules, a domestic enterprise intending to carry out any overseas investment shall report to the competent department of commerce for verification or filing and the competent department of commerce shall, with regard to an enterprise so verified or filed, issue thereto an Enterprise Overseas Investment Certificate (企業境外投資證書). If two or more enterprises make a joint investment to establish an overseas enterprise, the larger (or largest) shareholder shall be responsible for the verification or filing procedure after obtaining written consent of other investing parties.

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. "Sensitive countries and regions" refer to those countries without a diplomatic relationship with the PRC, or subject to the UNSC sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. "Sensitive industries" refer to industries to which products and technologies are being from being exported or which affect the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a central enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days after accepting such application, decide whether or not the verification is granted. For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15 working days after accepting such local enterprise's application and submit all application documents to MOFCOM. MOFCOM shall decide whether to grant the verification within 15 working days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

All overseas investments other than those subject to MOFCOM verification as described above are subject to a filing procedure. The investing enterprise shall complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM, print out a copy of such filing form for stamping with the company chop, and submit such duly stamped filing form together with a copy of its business licence for filing at MOFCOM (for a central enterprise (中央企業)) or the provincial department of commerce (for a local enterprise) respectively.

MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within three working days upon receipt of such filing form if the filing form meets all relevant requirements.

The investing enterprise must carry out the investment within two years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such certificate will automatically become invalid and a new filing or verification application has to be made by the investing enterprise. In addition, if any item specified in such certificate is changed, the investing enterprise shall make the change of registration at MOFCOM or the provincial department of commerce (as the case may be).

If an overseas invested company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the legal process of the investment is completed offshore. The investing enterprise shall complete and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form (境外中資企業再投資報告表) from the Overseas Investment Management System and stamp and submit such form to MOFCOM or the provincial department of commerce.

Foreign Exchange Administration

According to the Regulation of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例), Provisions on Foreign Exchange of the Overseas Direct Investment of Domestic Institutions (境內機構境外直接投資外匯管理規定), and Circular of the State Administration of Foreign Exchange on Further Improving and Revising the Foreign Exchange Control Policy on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知) (as revised in May 2015 and October 2018, and partially repealed in December 2019), corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall undergo the procedures of registration with the Foreign Exchange Bureau (外匯管理機構). The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate (外匯登記證) for overseas direct investment or an IC card to the domestic institution. The domestic institution shall undergo the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

According to the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as at 13 May 2013, issuers of foreign debts are required to register with the SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of the SAFE within 15 business days of entering into a foreign debt agreement. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of the SAFE.

On 12 January 2017, the PBOC issued the Cross-Border Financing Circular. The Cross-Border Financing Circular established a mechanism aimed at regulating cross-border financing activities based on the capital or net asset of the borrowing entities using a prudent management principle on a macro nationwide scale.

State-owned Assets Supervision

The Interim Measures for Administration of Overseas State-owned Property Rights of Central Enterprises (中央企業境外國有產權管理暫行辦法) and the Interim Measures for the Supervision and

Administration of Overseas State-owned Assets of Central Enterprises (中央企業境外國有資產監督管理暫行辦法) also apply to overseas investment projects. Where overseas enterprises wholly-owned or controlled by central enterprises or their subsidiaries at all levels conduct economic activities such as transferring or acquiring properties, making non-monetary contribution, changing the state-owned shareholding in non-listed companies, consolidation, division, dissolution or liquidation, they shall appoint a professional agency with the corresponding qualifications, professional experiences and good reputation to evaluate or assess the subject matters, and the evaluation items or valuation results shall be submitted to SASAC for record-filing or approval (as the case may be).

Pursuant to the Interim Measures for Administration of Overseas State-owned Property Right of Central Enterprises, the central enterprise shall, in a unified way, apply for property right registration with the SASAC, where any of the following events take place in connection with a central enterprise or its subsidiaries at all levels:

(1) where an overseas enterprise is established by way of investment, division or consolidation, or the property right of an overseas enterprise is obtained for the first time by way of acquisition or equity investment;

(2) where any change occurs to an overseas enterprise's basic information including its name, registration place, registered capital and the main business scope, or the overseas enterprise's property right information changes due to any changes in the capital contributors, amount of capital contributions and proportions of capital contributions;

(3) where an overseas enterprise no longer keeps state-owned property right due to dissolution, bankruptcy, or property right transfer and capital reduction; or

(4) other circumstances in which property right registration needs to be made.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Bondholder or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisors concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

The PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of the PRC for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this "Taxation-PRC" section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the EIT Law, the IIT Law and the implementation regulations in relation to both the EIT Law and the IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-PRC resident enterprises or individuals, respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-PRC resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-PRC resident enterprise Bondholders and at a rate of 20 per cent. for non-PRC resident individual Bondholders (or a lower treaty rate, if any).

Such income tax shall be withheld by the Issuer that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment or payment due. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Bondholders. Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-PRC resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-PRC resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the IIT Law, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of the PRC for less than one year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued Circular 36, which introduced a new VAT from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent. Accordingly, the interest and other interest like earnings received by a non-PRC resident Bondholder from the Issuer will be subject to PRC VAT at the rate of 6 per cent. However, there is uncertainty as to whether gains derived from a sale or exchange of Bonds consummated outside of the PRC between non-PRC resident Bondholders will be subject to PRC VAT. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

However, despite the withholding of the PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to Bondholders so that Bondholders would receive the full amount of the scheduled payment, as further set out in "*Terms and Conditions of the Bonds*".

No PRC stamp duty will be imposed on non-PRC Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of Bondholders is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or initial transfer of a Bond.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment". Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Joint Lead Managers dated 20 July 2022 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, severally but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table:

	Principal amount of the Bonds to be subscribed
	U.S.$
Guotai Junan Securities (Hong Kong) Limited	240,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	200,000,000
Bank of China Limited	4,000,000
CEB International Capital Corporation Limited	4,000,000
China Galaxy International Securities (Hong Kong) Co., Limited	4,000,000
China Industrial Securities International Brokerage Limited	4,000,000
China International Capital Corporation Hong Kong Securities Limited	4,000,000
China Securities (International) Corporate Finance Company Limited	4,000,000
CLSA Limited	4,000,000
CMB International Capital Corporation Limited	4,000,000
CMB Wing Lung Bank Limited	4,000,000
CMBC Securities Company Limited	4,000,000
CNCB (Hong Kong) Capital Limited	4,000,000
Hua Xia Bank Co., Limited Hong Kong Branch	4,000,000
Huatai Financial Holdings (Hong Kong) Limited	4,000,000
Luso International Banking Ltd.	4,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	4,000,000
Total	500,000,000

The Subscription Agreement provides that the Joint Lead Managers and their respective affiliates, and their respective directors, officers and employees will be indemnified against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and certain of their respective subsidiaries or affiliates have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with, the Issuer and/or its subsidiaries, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer and/or its subsidiaries in the ordinary course of business.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliate(s) may act as an investor for its own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being offered should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Joint Lead Managers or their respective affiliates may purchase the Bonds for its own account or for the accounts of their customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the

Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Group.

In connection with the issue of the Bonds, any one of the Joint Lead Managers appointed and acting in the capacity as the stabilisation manager (a "**Stabilisation Manager**") or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and regulations, over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Bonds is made and, if begun, may be ended at any time, and must end no later than the earlier of 30 days after the Issue Date of the Bonds and 60 days after the date of the allotment of the Bonds. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilisation Manager.

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer or the Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer or the Joint Lead Managers. If a jurisdiction requires that an offering of Bonds be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

United States

The Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

United Kingdom

Each of the Joint Lead Managers has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

The People's Republic of China

Each of the Joint Lead Managers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Hong Kong

Each of the Joint Lead Managers has represented, warranted and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Singapore

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

   (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

   (ii) where no consideration is or will be given for the transfer;

   (iii) where the transfer is by operation of law;

   (iv) as specified in Section 276(7) of the SFA; or

   (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Group included in this Offering Circular have been prepared and presented in accordance with PRC Accounting Standards. PRC Accounting Standards are substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. The following is a general summary of certain differences between PRC Accounting Standards and IFRS on recognition and presentation as applicable to the consolidated financial statements of the Group. The Group is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure between PRC Accounting Standards and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Group, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC Accounting Standards and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC Accounting Standards and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

Accordingly, no assurance is provided that the following summary of differences between PRC Accounting Standards and IFRS is complete. In making an investment decision, each investor must rely upon its own examination of the Group, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisors for an understanding the differences between PRC Accounting Standards and IFRS and/or between PRC Accounting Standards and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Reversal of an impairment loss

Under PRC Accounting Standards, once an impairment loss is recognised for a long term asset (including fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period. Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Related party disclosures

Under PRC Accounting Standards, government-related entities are not treated as related parties. Under IFRS, government-related entities are still treated as related parties.

GENERAL INFORMATION

1. **Clearing System:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code of 249705128 and the ISIN Code for the Bonds is XS2497051289.

2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds and the entry into the transaction documents in connection with the Bonds were authorised by resolutions of the board of directors of the Issuer on 23 May 2022 and by an approval of the Zhangzhou SASAC as shareholder of the Issuer on 30 June 2022.

3. **Registrations and Filings:** The Issuer will be required to register or cause to be registered with SAFE the Bonds in accordance with the Foreign Debt Registration Measures, the Guidelines for the Foreign Exchange Business under the Capital Account (資本項目外匯業務指引) and the Cross-Border Financing Circular within fifteen Registration Business Days after the Issue Date.

   The Issuer will be required to file or cause to be filed with the NDRC the requisite information and documents in accordance with the NDRC Circular.

4. **No Material and Adverse Change:** There has not occurred any change (nor any development or event involving a prospective change), in the condition (financial or other), prospects, results of operations or general affairs of the Issuer or the Group, which is material and adverse in the context of the issue and offering of the Bonds, since 31 December 2021.

5. **Litigation:** None of the Issuer or any other member of the Group is involved in any litigation or arbitration proceedings which could have a material and adverse effect on their business, results of operations and financial condition nor is the Issuer aware that any such proceedings are pending or threatened.

6. **Available Documents:** Copies of the Group's Audited Consolidated Financial Statements, the Trust Deed and the Agency Agreement will be available electronically or in hard copies for inspection from the Issue Date following prior written request and proof of holding satisfactory to the Principal Paying Agent, at the specified office of the Principal Paying Agent currently from time to time, at all reasonable times during normal business hours (being between 9:00 a.m. to 3:00 p.m.), so long as any Bond is outstanding.

7. **Financial Statements:** The Group's Audited Consolidated Financial Statements, which are included elsewhere in this Offering Circular, have been audited by Huaxing.

   The Joint Lead Managers have not independently verified or checked the accuracy of the English translation of the Group's Audited Consolidated Financial Statements and can give no assurance that the information contained therein is accurate, truthful or complete.

   The Chinese version of the auditor's reports containing the 2020 Audited Consolidated Financial Statements and 2021 Audited Consolidated Financial Statements are available at the following website: www.chinamoney.com.cn.

8. **Listing of Bonds:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 28 July 2022.

9. **Legal Entity Identifier:** The Legal Entity Identifier of the Issuer is 30030040TUNWHOUW2348.

INDEX TO FINANCIAL STATEMENTS

The consolidated financial statements of the Issuer as at and for the year ended 31 December 2021

The consolidated financial statements of the Issuer as at and for the year ended 31 December 2020

地址：福建省福州市湖东路152号中山大厦B座6-9楼 电话(Tel):0591-87852574 传真(Fax): 0591-87840354
Add: 6-9/F Block B.152 Hudong Road.Fuzhou.Fujian.China Http://www.fjhxcpa.com 邮政编码(Postcode):350003

Auditor's Report

Huaxing shenzi [2022]No. 22005290016

To Zhangzhou Jiulongjiang Group Co., Ltd.,

I. Opinion

We have audited the accompanying financial statements of Zhangzhou Jiulongjiang Group Co., Ltd. (the "Jiulongjiang Group"), which comprise the consolidated and parent company's balance sheet as at December 31st, 2021, the consolidated and parent company's income statement, the consolidated and parent company's cash flows statement, the consolidated and parent company's statement of changes in shareholders' equity for the year then ended, as well as the notes to financial statements.

In our opinion, the financial statements attached were prepared in line with the regulations of Accounting Standards for Business Enterprises in all significant aspects which gave a true and fair view of the consolidated and parent company's financial position of Jiulongjiang Group as at December 31st, 2021, and the consolidated and parent company's financial performance and cash flows for 2021.

II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants of China. Our responsibilities under those standards are further described in the CPA's Responsibilities for the Audit of the Financial Statements section of our report. In accordance with professional ethics for certified public accountants, we are independent of Jiulongjiang Group. And we have fulfilled our 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. Other Information

The management of Jiulongjiang Group (the "management") is responsible for the other information. The other information comprises all of the information included in the annual report for the year of 2021, other than the financial statements and our auditor's report thereon.

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

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

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

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

The management of Jiulongjiang Group (the "management") is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Business Enterprises to make them a fair presentation and designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement,

地址：福建省福州市湖东路152号中山大厦B座8-9楼 电话(Tel)：0591-87852574 传真(Fax)：0591-87840354
Add：8-9/F Block B,152 Hudong Road,Fuzhou,Fujian,China Http://www.fjhxcpa.com 邮政编码(Postcode)：350003

whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Jiulongjiang Group's financial reporting process.

V. CPA's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures

地址：福建省福州市湖东路152号中山大厦B座6-9楼 Add: 6-9/F Block B,152 Hudong Road,Fuzhou,Fujian,China 电话(Tel):0591-87852574 Http://www.fjhxcpa.com 传真(Fax): 0591-87840354 邮政编码(Postcode):350003

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

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

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

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

地址：福建省福州市湖东路152号中山大厦B座6-9楼 电话(Tel):0591-87852574 传真(Fax):0591-87840354
Add: 6-9/F Block B,152 Hudong Road,Fuzhou,Fujian,China Http://www.fjhxcpa.com 邮政编码(Postcode):350003

presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Jiulongjiang Group to express our opinion on the financial statements. We are responsible for the instruction, supervision and performance of the group's audit and remain sole responsible for our audit opinion.

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

Huaxing Certified Public Accountants LLP

Fuzhou, China

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

April 27, 2022

地址：福建省福州市湖东路152号中山大厦B座6-9楼 电话(Tel):0591-87852574 传 真(Fax): 0591-87840354
Add: 6-9/F Block B,152 Hudong Road,Fuzhou,Fujian,China Http://www.fjhxcpa.com 邮政编码(Postcode):350003

This auditor's report, financial statements and the accompanying notes to the financial statements are English translation of the Chinese reports. In case of doubt as to the presentation of these documents, the Chinese version shall prevail.

Consolidated Balance Sheet

2021-12-31

Prepared by: Zhangzhou Jiulongjiang Group Co., Ltd.

Unit: Yuan Currency: RMB

Items	Notes	2021-12-31	2020-12-31	Items	Notes	2021-12-31	2020-12-31
Current assets:				Current liabilities:			
Cash and cash equivalents	V (I)	14,167,901,345.92	10,357,608,206.12	Short-term borrowings	V (XXVII)	12,261,257,610.95	10,379,843,120.02
Settlement reserve funds				Borrowings from central bank			
Lent funds				Borrowed funds			
Financial assets held for trading	V (II)	646,082,774.50	567,871,219.96	Financial liabilities held for trading			
Financial assets at fair value through profit or loss (FVTPL)			2,400,642.76	Financial liabilities at fair value through profit or loss (FVTPL)			
Derivative financial assets				Derivative financial liabilities			
Notes receivable	V (III)	385,828,149.56	433,332,439.05	Notes payable	V (XXVIII)	4,050,031,305.23	1,534,720,353.76
Accounts receivable	V (IV)	1,129,691,193.21	957,745,173.23	Accounts payable	V (XXIX)	974,499,199.76	958,933,087.04
Receivable financing	V (V)	168,296,569.51	74,470,653.79	Receipts in advance	V (XXX)	8,589,177.98	1,173,440,646.56
Prepayments	V (VI)	2,979,833,830.43	1,032,017,370.12	Contract Liabilities	V (XXXI)	1,415,591,602.35	322,495,273.67
Premiums receivable				Financial assets sold for repurchase			
Reinsurance accounts receivable				Deposits from customers and interbank			
Reinsurance contract reserves receivable				Receivings from Vicariously Traded Securities			
Other receivables	V (VII)	1,217,731,943.09	2,148,286,606.83	Receivings from Vicariously Sold Securities			
Including: interest receivable			1,776,915,590.95	Employee remunerations payable	V (XXXII)	180,230,617.06	182,217,586.58
Dividends receivable				Taxes payable	V (XXXIII)	882,245,780.43	358,487,843.45
Financial assets purchased under resale agreements				Other payables	V (XXXIV)	658,416,795.87	1,327,377,051.97
Inventories	V (VIII)	5,223,822,050.43	4,912,476,657.08	Including: interest payable			757,734,861.28
Contractual asset				Dividends payable		18,151,664.36	24,117,200.00
Assets held-for-sale			1,286,743.36	Fees and commissions payable			
Non-current assets due within one year	V (IX)	155,000,000.00		Reinsurance Accounts Receivable			
Other current assets	V (X)	260,319,971.33	189,647,960.57	Liabilities held for sale			
Total current assets		26,338,507,827.98	20,677,143,672.87	Non-current liabilities due within one year	V (XXXV)	13,135,011,591.92	8,965,034,377.95
Non-current assets:				Other current liabilities	V (XXXVI)	3,256,669,734.16	55,094,542.64
Loans and advances to customers	V (XI)	161,018,972.69	169,218,972.69	Total current liabilities		35,822,543,415.71	25,237,639,883.64
Debt investment	V (XII)	47,055,181,563.31		Non-current liabilities:			
Financial assets available for sale			2,273,160,859.64	Reserve for insurance contract			
Other debt investment				Long-term borrowings	V (XXXVII)	8,464,092,196.26	7,068,492,329.00
Held-to-maturity investment			43,459,357,864.49	Bonds payable	V (XXXVIII)	18,891,309,284.92	21,116,599,079.16
Long-term receivables	V (XIII)	30,741,000.00	9,183,000.00	Including: Preferred shares			
Long-term equity investments	V (XIV)	5,413,367,894.19	5,911,089,141.33	Perpetual debts			
Other equity instrument investment	V (XV)	2,798,998,157.56	470,149,988.79	Lease liability	V (XXXIX)	86,668,180.12	
Other non-current financial assets:	V (XVI)	61,687,985.95	60,650,458.07	Long-term payables	V (XL)	831,768,593.74	720,554,462.94
Investment properties	V (XVII)	470,646,921.50	485,352,718.36	Long-term employee remunerations payable	V (XLI)	53,062,071.79	49,482,962.64
Fixed assets	V (XVIII)	3,070,122,935.04	1,821,365,388.17	Accrued liabilities	V (XLII)	1,259,200.00	276,037.48
Construction in progress	V (XIX)	8,291,615,384.49	4,954,056,913.21	Deferred income	V (XLIII)	370,240,780.51	124,476,345.81
Productive biological assets	V (XX)	18,194,841.16	18,306,429.05	Deferred tax liabilities	V (XXV)	464,837,088.68	427,879,683.16
Oil and gas assets				Other non-current liabilities	V (XLIV)	35,561,678.33	56,399,309.22
Right-of-use assets	V (XXI)	108,794,653.15		Total non-current liabilities		29,198,799,074.35	29,566,159,209.41
Intangible assets	V (XXII)	1,565,803,079.51	1,245,165,190.47	Total liabilities		65,021,342,490.06	54,803,799,093.05
Development expenditure				Owners' equity (or shareholders' equity):			
Goodwill	V (XXIII)	2,460,540,936.99	2,460,540,936.99	Paid-in capital (or share capital)	V (XLV)	4,000,000,000.00	4,000,000,000.00
Long-term deferred expenses	V (XXIV)	120,575,443.99	99,454,049.52	Other equity instruments	V (XLVI)	9,876,874,528.28	8,961,123,584.88
Deferred income tax assets	V (XXV)	166,791,357.63	111,670,671.54	Including: Preferred shares			
Other non-current assets	V (XXVI)	2,635,630,791.98	2,317,557,808.80	Perpetual debts		9,876,874,528.28	8,961,123,584.88
Total non-current assets		74,429,211,919.18	65,866,280,391.12	Capital reserve	V (XLVII)	5,238,693,924.91	3,576,587,658.28
				Less: Treasury shares			
				Other comprehensive incomes	V (XLVIII)	547,626,178.83	582,160,584.37
				Special reserve	V(XLIX)	6,230,373.88	6,106,259.57
				Surplus reserve	V (L)	813,538,457.59	577,000,925.45
				General risk provisions			
				Undistributed profit	V (LI)	5,303,124,812.52	5,080,174,063.79
				Total equity attributable to shareholders of the parent		25,784,088,276.01	22,783,153,076.34
				Minority interests		9,962,288,981.09	8,956,471,894.60
				Total shareholder's equity		35,746,377,257.10	31,739,624,970.94
Total assets		100,767,719,747.16	86,543,424,063.99	Total liabilities and owners' equity		100,767,719,747.16	86,543,424,063.99

Legal representative: Accounts supervisor in charge: Head of finance department:

Consolidated Income Statement

Year of 2021

Prepared by: Zhangzhou Jiulongjiang Group Co., Ltd. Unit: Yuan Currency: RMB

Items	Notes	2021	2020
I. Total operating income		34,472,735,492.93	21,715,409,450.47
Including: Operating income	V (LII)	34,472,735,492.93	21,715,409,450.47
Interest income			
Earned insurance premium			
Incomes from handling fees and commissions			
II. Total operating costs		30,734,563,804.24	18,790,510,477.89
Including: Operating costs	V (LII)	28,081,344,405.31	16,867,817,213.05
Interest payment			
Handling fees and commision expenses			
Refunded premium			
Net amount of compensation payout			
Net amount of reserves for reinsurance contract			
Expenditures dividend policy			
Reinsurance expenses			
Taxes and surcharges	V (LIII)	203,129,843.71	133,973,315.53
Selling expenses	V (LIV)	750,932,792.77	791,306,570.23
Administrative expenses	V (LV)	660,375,445.26	571,754,525.48
Research and development expenses	V (LVI)	308,247,194.50	205,537,171.73
Finance expenses	V (LVII)	730,534,122.69	220,121,781.87
Including: Interest expenses		731,119,560.34	565,780,420.55
Interest income		209,158,186.09	136,891,387.13
Add: Other income	V (LVIII)	233,529,142.83	246,411,018.32
Gains from investment ("-" indicates the loss)	V (LIX)	-411,932,137.06	-624,863,940.51
Including: investment income from joint ventures and affiliates("-" indicates the loss))			
Income from derecognition of financial assets measured at amortized cost("-" indicates the loss)			
Gain or loss on foreign exchange transactions("-" indicates the loss)			
Gain on hedging of net exposure("-" indicates the loss)			
Gains from changes in fair value ("-" indicates the loss)	V (LX)	57,537,790.92	80,994,130.44
Credit losses("-" indicates the loss)	V (LXI)	-50,972,556.24	-6,319,735.20
Impairment of assets ("-" indicates the loss)	V (LVII)	-104,576,714.52	-52,428,665.33
Gains from disposal of assets ("-" indicates the loss)	V (LVIII)	219,742,020.23	87,697,468.05
III. Operation profit ("-" indicates the loss)		3,681,499,234.65	2,656,389,248.35
Add: Non-operating income	V（LXIV）	38,293,120.27	45,980,449.13
Less: Non-operating expense	V（LXV）	43,748,329.60	38,841,207.26
IV. Total profits ("-" indicates the total loss)		3,676,044,025.52	2,663,528,490.22
Less: Income taxes expense	V（LXVI）	664,598,093.28	553,724,813.66
V. Net profit ("-" indicates the loss)		3,011,445,932.24	2,109,803,676.56
(I) Classified by going concern			
1. Net profit of going concern ("-" indicates net loss)		3,011,445,932.24	2,109,411,134.04
2. Net profit of discontinuing operation ("-" indicates net loss)			18,065,953,380.65
(II) Classified by attribution of ownership			
1.Net profits attributable to shareholders of the parent ("-" indicates the net loss)		1,609,145,791.69	1,230,791,753.60
2.Minority shareholders' profit or loss ("-" indicates the net loss)		1,402,300,140.55	879,011,922.96
VI. Net amount of other comprehensive income after tax		-26,402,932.90	116,571,659.64
Net amount of other comprehensive income after tax owned by parent company's owners		1,534,129.87	90,922,694.28
(I) Other comprehensive income not to be reclassified		2,246,960.85	32,065,363.52
1. Change as a result of remeasurement of the net defined benefit plan		-64,208.23	3,183,587.47
2. Other comprehensive income under the equity method that will not be reclassified to profit or loss		-42,209,185.17	-3,625,180.70
3. Fair value changes of other investments in equity instruments		44,893,937.79	32,506,956.75
4. Changes in fair value of the company's own credit risk			
5.Other			
(II) Other comprehensive income to be reclassified to profit and loss		-712,830.98	58,857,330.76
1. Other comprehensive incomes to be reclassified into profit and loss under equity method			
2. Changes in fair value of other debt investment			
3. Gain/Loss from change in the fair value of available-for-sale financial assets			60,444,247.29
4. Amount of financial assets reclassified into other comprehensive income			
5. Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets			
6. Provision for credit impairment of other debt investment			
7. Cash flow hedging reserve			
8. Translation difference in the foreign currency financial statements		-747,186.36	-1,564,644.55
9. Others		34,355.38	-22,271.98
Net amount of other comprehensive incomes after tax attributable to minority interests		-27,937,062.77	25,648,965.36
VII. Total comprehensive income		2,985,042,999.34	2,226,375,338.20
Total comprehensive income attributable to shareholders of the parent		1,610,679,921.56	1,321,714,447.68
Total comprehensive income attributable to minority interests		1,374,363,077.78	904,660,888.32
VIII. Earnings per share:			
(I) Basic earning per share (Yuan/share)			
(II) Diluted earnings per share (Yuan/share)			

As for the enterprise combined under the same control, net profit of 0 yuan achieved by the merged party before combination, while 0 yuan achieved last period.

Legal representative: Accounts supervisor in charge: Head of finance department:

Consolidated Cash Flows Statement

Year of 2021

Prepared by: Zhangzhou Jiulongjiang Group Co., Ltd.

Unit: Yuan Currency: RMB

Items	Notes	2021	2020	Items	Notes	2021	2020
I. Cash flows from operating activities:				Cash received from investment income		2,420,734,092.71	132,428,465.00
Cash received from sales of goods or rendering of services		37,207,661,059.19	22,275,574,068.63	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		30,534,473.56	259,739,617.78
Net increase of deposits from customers and other banks				Net cash received from disposal of subsidiaries and other business entities			
Net increase of borrowings from central bank				Cash received relating to other investing activities	V（LXVIII）3	180,670,000.00	424,133,129.00
Net increase of borrowings from other financial institutions				Sub-total of cash inflows from investing activities		21,402,760,530.28	9,065,283,361.82
Cash received from receiving insurance premium of original insurance contract				Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		4,955,197,810.21	4,942,091,031.60
Net cash received from re-insurance business				Cash paid for investments		22,444,963,227.72	7,669,377,081.68
Net increase in deposits and investments from policyholders				Net increase of pledge loans			
Cash received from interests, fees and commissions				Net cash paid for acquisition of subsidiaries and other business entities			1,911,904.47
Net increase of borrowings from other banks				Cash paid relating to other investment activities	V（LXVIII）4	232,730,000.00	9,870,000.00
Net capital increase of repurchase business				Sub-total of cash outflows from investing activities		27,632,891,037.93	12,623,250,017.73
Net cash received as agent for stock exchang				Net cash flows from investing activities		-6,230,130,507.65	-3,557,966,655.91
Tax refunds received		17,596,681.17	11,301,405.76	III. Cash flows from financing activities:			
Cash received from other operating activities	V(LXVIII) 1	3,507,324,761.61	5,621,846,586.28	Cash received from capital contribution		147,680,000.00	1,188,540,000.00
Sub-total of cash inflows from operating activities		40,732,582,503.97	27,908,722,060.67	Including: Cash contribution to subsidiaries from minority shareholders' investment		15,680,000.00	
Cash paid for purchasing goods and services		27,297,791,072.56	17,424,548,298.29	Cash received from borrowings		30,923,905,496.52	22,092,521,769.39
Net increase of customer's loans and advances				Cash received from issue of bonds		10,729,133,000.00	13,583,454,620.41
Net increase of deposits in central bank and other banks				Cash received relating to other financing activities	V（LXVIII）5	178,760.38	28,394,310.54
Cash paid for indemnity of original insurance contract				Sub-total of cash inflows from financing activities		41,801,097,256.90	36,892,910,700.34
Net increase of lending to banks and other financial institutions				Cash paid for repayment of borrowings		34,379,403,901.50	31,894,093,097.71
Cash paid for interests, handling fees and commissions				Cash payments for interest expenses and distribution of dividends or profits		3,765,492,385.45	1,653,887,850.98
Cash paid to and for employees		868,269,274.72	761,422,746.82	Cash paid relating to other financing activities	V（LXVIII）6	69,298,516.86	50,709,488.46
Payments of taxes and levies		1,583,926,109.36	1,447,161,906.29	Sub-total of cash outflows from financing activities		38,214,194,803.81	33,598,690,437.15
Cash paid for other operating activities	V（LXVIII）2	6,816,550,744.50	6,007,090,312.40	Net cash flows from financing activities		3,586,902,453.09	3,294,220,263.19
Sub-total of cash outflows from operating activities		36,566,537,201.14	25,640,223,263.85	IV. Effects of foreign exchange rate changes on cash and cash equivalent		-4,701,980.21	-1,193,091.55
Net cash flows from operating activities		4,166,045,302.83	2,268,498,796.82	V. Net increase in cash and cash equivalents		1,518,115,268.06	2,003,559,312.55
II. Cash flows from investment activities:				Add: Opening balance of cash and cash equivalents		7,299,156,007.21	5,295,596,694.66
Cash received from disinvestment		18,770,821,964.01	8,248,982,150.04	VI. VI. Closing balance of cash and cash equivalents		8,817,271,275.27	7,299,156,007.21

Legal representative: Accounts supervisor in charge: Head of finance department:

Consolidated Statement of Owners' Equity Changes

Year of 2021

Prepared by: Zhangzhou Jiulongjiang Group Co., Ltd.

Unit: Yuan Currency: RMB

Items	2021														
	Total owners' equity attributable to the parent company													Minority shareholders' equity	Total owners' equity
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive incomes	Special reserve	Surplus reserve	Reserves against general risk	Undistributed profit	Others	Total		
		Preferred shares	Perpetual debts	Others											
I. Balance at the end of prior year	4,000,000,000.00		8,961,123,584.88		3,576,587,658.28		582,160,584.37	6,106,259.57	577,000,925.45		5,080,174,063.79		22,783,153,076.34	8,956,471,894.60	31,739,624,970.94
Add: Change in accounting policy							43,590.41						43,590.41		43,590.41
Correction of Prior error															
Consolidation of enterprises under common control															
Others															
II. Balance at the beginning of current year	4,000,000,000.00		8,961,123,584.88		3,576,587,658.28		582,204,174.78	6,106,259.57	577,000,925.45		5,080,174,063.79		22,783,196,666.75	8,956,471,894.60	31,739,668,561.35
III. Increases/decreases in current year ("-" indicates decrease)			915,750,943.40		1,662,106,266.63		-34,577,995.95	124,114.31	236,537,532.14		220,950,748.73		3,000,891,609.26	1,005,817,086.49	4,006,708,695.75
(I) Total comprehensive income							1,534,129.87				1,609,145,791.69		1,610,679,921.56	1,374,363,077.78	2,985,042,999.34
(II) Shareholders' contributions of capital and reduction of capital			915,750,943.40		1,662,106,266.63								2,577,857,210.03	-89,044,675.29	2,488,812,534.74
1. Common share contributed by shareholders															
2. Capital invested by other equity instruments holders			915,750,943.40										915,750,943.40		915,750,943.40
3. Amounts of share-based payments recognized in owners' equity															
4. Others					1,662,106,266.63								1,662,106,266.63	-89,044,675.29	1,573,061,591.34
(III) Profit distribution									236,537,532.14		-1,388,195,042.96		-1,151,657,510.82	-279,825,781.45	-1,431,483,292.27
1. Appropriation to surplus reserve									236,537,532.14		-236,537,532.14				
2. Appropriation to general risk reserve															
3. Profits distributed to owners (or shareholders)											-662,426,018.06		-662,426,018.06	-279,825,781.45	-942,251,799.51
4. Others											-489,231,492.76		-489,231,492.76		-489,231,492.76
(IV) Internal carry-over of owners' equity							-36,112,125.82						-36,112,125.82		-36,112,125.82
1. Conversion of capital reserve into paid-in capital (or share capital)															
2. Conversion of surplus reserve into paid-in capital (or share capital)															
3. Surplus reserve offsetting losses															
4. Change in defined benefit schemes transferred to retained earning															
5. Transfer of other comprehensive income to retained earnings							-36,112,125.82						-36,112,125.82		-36,112,125.82
6. Others															
(V) Special reserve								124,114.31					124,114.31	324,465.45	448,579.76
1. Appropriation this period								1,702,087.67					1,702,087.67	2,379,804.65	4,081,892.32
2. Applied in this period								1,577,973.36					1,577,973.36	2,055,339.20	3,633,312.56
(VI) Others															
IV. Ending balance of this reporting period	4,000,000,000.00		9,876,874,528.28		5,238,693,924.91		547,626,178.83	6,230,373.88	813,538,457.59		5,301,124,812.52		25,784,088,276.01	9,962,288,981.09	35,746,377,257.10

Legal representative: Accounts supervisor in charge: Legal representative of the accounting firm:

Consolidated Statement of Owners' Equity Changes (continued)

Year of 2021

Prepared by: Changzhou Jiulongjiang Group Co., Ltd.　　　　Unit: Yuan Currency: RMB

Items	2020														
	Total owners' equity attributable to the parent company													Minority shareholders' equity	Total owners' equity
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Reserves against general risk	Undistributed profit	Others	Total		
		Preferred shares	Perpetual debts	Others											
I. Balance at the end of prior year	4,000,000,000.00		7,452,557,547.16		3,563,536,477.65		491,237,890.09	4,730,656.74	524,232,703.17		4,715,766,121.45		20,752,061,396.26	7,224,867,257.51	27,976,928,653.77
Add: Change in accounting policy															
Correction of Prior error															
Consolidation of enterprises under common control															
Others															
II. Balance at the beginning of current year	4,000,000,000.00		7,452,557,547.16		3,563,536,477.65		491,237,890.09	4,730,656.74	524,232,703.17		4,715,766,121.45		20,752,061,396.26	7,224,867,257.51	27,976,928,653.77
III. Increases/decreases in current year ("-" indicates decrease)			1,508,566,037.72		13,051,180.63		90,922,694.28	1,375,602.83	52,768,222.28		364,407,942.34		2,031,091,680.08	1,731,604,637.09	3,762,696,317.17
(I) Total comprehensive income							90,922,694.28				1,230,791,753.60		1,321,714,447.88	904,660,888.32	2,226,375,336.20
(II) Shareholders' contributions of capital and reduction of capital			1,508,566,037.72		13,051,180.63								1,521,617,218.35	860,673,003.26	2,382,290,221.61
1. Common share contributed by shareholders					95,263,317.19								95,263,317.19	41,321,030.00	136,584,347.19
2. Capital invested by other equity instruments holders			1,508,566,037.72		-15,169,811.31								1,493,396,226.41	32,980,427.72	1,526,376,654.13
3. Amounts of share-based payments recognized in owners' equity															
4. Others					-67,042,325.25								-67,042,325.25	786,371,545.54	719,329,220.29
(III) Profit distribution									52,768,222.28		-866,383,811.26		-813,615,588.98	-37,275,295.50	-850,890,884.48
1. Appropriation to surplus reserve									52,768,222.28		-52,768,222.28				
2. Appropriation to general risk reserve															
3. Profits distributed to owners (or shareholders)											-391,846,400.00		-391,846,400.00	-37,275,295.50	-429,121,695.50
4. Others											-421,769,188.98		-421,769,188.98		-421,769,188.98
(IV) Internal carry-over of owners' equity															
1. Conversion of capital reserve into paid-in capital (or share capital)															
2. Conversion of surplus reserve into paid-in capital (or share capital)															
3. Surplus reserve offsetting losses															
4. Change in defined benefit schemes transferred to retained earning															
5. Transfer of other comprehensive income to retained earnings															
6. Others															
(V) Special reserve								1,375,602.83					1,375,602.83	3,546,041.01	4,921,643.84
1. Appropriation this period								3,222,264.48					3,222,264.48	8,228,573.23	11,450,837.71
2. Applied in this period								1,846,661.65					1,846,661.65	4,682,532.22	6,529,193.87
(VI) Others															
IV. Ending balance of this reporting period	4,000,000,000.00		8,961,123,584.88		3,576,587,658.28		582,160,584.37	6,106,259.57	577,000,925.45		5,080,174,063.79		22,783,153,076.34	8,956,471,894.60	31,739,624,970.94

Legal representative:　　　　Accounting supervisor:　　　　Legal representative of the accounting firm:

Balance Sheet of Parent Company

2021-12-31

Prepared by: Zhangzhou Jiulongjiang Group Co., Ltd.

Unit: Yuan Currency: RMB

Items	Notes	2021-12-31	2020-12-31	Items	Note	2021-12-31	2020-12-31
Current assets:				Current liabilities:			
Cash and cash equivalents		4,349,873,475.89	2,694,426,927.44	Short-term borrowings		11,253,171,589.58	9,426,432,682.60
Financial assets held for trading		4,484,549.82	5,198,029.71	Financial liability held for trading			
Financial assets at fair value through profit or loss (FVTPL)				Financial liability at fair value through profit or loss (FVTPL)			
Derivative financial assets				Derivative financial assets			
Notes receivable		170,743,476.94	233,140,200.00	Notes payable		3,919,355,932.25	1,435,095,983.45
Accounts receivable				Accounts payable		183,441,650.19	372,518,027.36
Receivable financing		71,000,000.00		Receipts in advance			813,840,404.49
Prepayments		1,942,837,226.85	582,063,979.84	Contract Liabilities		899,657,845.13	
Other receivables	XIV (1)	16,426,493,095.67	9,905,701,373.92	Employee remunerations payable		4,669,754.13	2,819,621.91
Including: Interest receivable				Taxes payable		640,089,093.76	114,869,271.45
Dividends receivable				Other payables		1,270,491,106.31	2,022,807,737.56
Inventories		857,662,096.21	925,686,404.65	Including: Interest payable			736,916,402.86
Contractual asset				Dividends payable			
Assets held-for-sale				Liabilities held for sale			
Non-current assets due within one year				Non-current liabilities due within one year		11,770,671,711.78	8,930,141,282.89
Other current assets		197,250.67		Other current liabilities		3,126,352,780.15	
Total current assets		23,823,291,172.05	14,346,216,915.56	Total current liabilities		33,067,901,403.28	23,118,525,011.71
Non-current assets:				Non-current liabilities:			
Debt investment		36,820,464,477.33		Long-term borrowings		5,356,417,196.26	1,390,592,329.00
Financial assets available for sale			774,320,714.59	Bonds payable		18,891,309,284.92	21,116,599,079.16
Other debt investment				Including: Preferred shares			
Held-to-maturity investment			33,484,358,628.45	Perpetual debts			
Long-term receivables		28,150,000.00	7,150,000.00	Leasing liability			
Long-term equity investments	XIV (II)	14,217,770,481.65	13,105,473,721.39	Long-term payables		21,219,651.86	21,219,651.86
Other equity instrument investment		814,290,123.22		Long-term employee remunerations payable			
Other non-current financial assets				Accrued liabilities			
Investment properties		10,540,190.24	10,972,253.84	Deferred income			
Fixed assets		340,020,311.86	5,990,847.82	Deferred tax liabilities		113,599,404.58	103,640,601.46
Construction in progress		32,187,668.62	282,879,320.00	Other non-current liabilities			
Productive biological assets				Total non-current liabilities		24,382,539,537.62	22,632,051,661.48
Oil and gas assets				Total liabilities		57,450,440,940.90	45,750,576,673.19
Right-of-use assets				Owners' equity (or shareholders' equity):			
Intangible assets		95,495.10	87,528.10	Paid-in capital (or share capital)		4,000,000,000.00	4,000,000,000.00
Development expenditure				Other equity instruments		10,091,874,528.28	8,961,123,584.88
Goodwill				Including: Preferred shares			
Long-term deferred expense		2,115,330.59	11,248.13	Perpetual debts		7,976,874,528.28	8,961,123,584.88
Deferred income tax assets		31,557.33	31,557.33	Capital reserve		1,737,209,260.85	1,737,486,106.77
Other non-current assets		1,250,000,000.00	1,250,000,000.00	Less: Treasury shares			
Total non-current assets		53,515,665,635.94	48,921,255,819.45	Other comprehensive incomes		337,861,433.79	307,884,377.69
				Special reserve			116,098.69
				Surplus reserve		813,538,457.59	577,000,925.45
				General risk provisions			
				Undistributed profit		2,908,032,186.58	1,933,284,968.34
				Total shareholder's equity		19,888,515,867.09	17,516,896,061.82
Total assets		77,338,956,807.99	63,267,472,735.01	Total liabilities and owners' equity		77,338,956,807.99	63,267,472,735.01

Legal representative: Accounts supervisor in charge: Head of finance department:

Income Statement of Parent Company

Year of 2021

Prepared by: Zhangzhou Jiulongjiang Group Co., Ltd. | Unit: Yuan Currency: RMB

Items	Notes	2021	2020
I. Total operating income	XIV (III)	20,800,552,802.61	10,917,390,131.84
Less: Total operating costs	XIV (III)	19,075,157,566.54	9,481,193,470.06
Taxes and surcharges		67,426,959.18	37,447,980.88
Selling expenses		58,698,385.87	105,754,484.20
Administrative expenses		40,468,513.15	23,512,626.80
Research and development expenses			
Finance expenses		796,719,096.04	281,519,435.31
Including: Interest expenses		645,662,456.84	506,945,682.79
Interest income		46,375,473.36	28,254,581.46
Add: Other income		178,095,332.88	180,258,309.27
Gains from investment ("-" indicates the loss)	XIV (IV)	2,135,750,423.37	-450,321,696.30
Including: Investment income from joint ventures and affiliates("-" indicates the loss)		-515,754,878.76	-762,171,626.12
Income from derecognition of financial assets measured at amortized cost("-" indicates the loss)			
Gain on hedging of net exposure("-" indicates the loss)			
Gains from changes in fair value ("-" indicates the loss)		-713,479.89	582,569.11
Credit losses("-" indicates the loss)			
Impairment of assets ("-" indicates the loss)			-126,229.31
Gains from disposal of assets ("-" indicates the loss)		2,647,012.26	
II. Operation profit("-" indicates the loss)		3,077,861,570.45	718,355,081.36
Add: Non-operating income			70.51
Less: Non-operating expense		3,134,806.16	2,331,435.60
III. Total profit("-" indicates the total loss)		3,074,726,764.29	716,023,716.27
Less: Income taxes expense		709,351,442.90	188,341,493.52
IV. Net profit ("-" indicates the loss)		2,365,375,321.39	527,682,222.75
(I)Net profit of going concern ("-" indicates net loss)		2,365,375,321.39	527,682,222.75
(II)Net profit of discontinuing operation ("-" indicates net loss)			
V. Net amount of other comprehensive income after tax		29,977,056.10	57,912,681.35
(I) Other comprehensive income not to be reclassified		29,977,056.10	
1. Change as a result of remeasurement of the net defined benefit plan			
2. Other comprehensive income under the equity method that will not be reclassified to profit or loss			
3. Fair value changes of other investments in equity instruments		29,977,056.10	
4. Changes in fair value of the company's own credit risk			
5.Others			
(II) Other comprehensive income to be reclassified to profit and loss			57,912,681.35
1 Other comprehensive incomes of the investee to be reclassified into profit and loss under equity method			
2.Changes in fair value of other debt investment			
3.Gain/Loss from change in the fair value of available-for-sale financial assets			57,912,681.35
4.Amount of financial assets reclassified into other comprehensive income			
5.Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets			
6.Provision for credit impairment of other debt investment			
7.Cash flow hedging reserve			
8.Translation difference in the foreign currency financial statements			
9.Others			
VI. Total comprehensive income		2,395,352,377.49	585,594,904.10
VII. Earnings per share:			
(I) Basic earning per share (Yuan/share)			
(II) Diluted earnings per share (Yuan/share)			

Legal representative: Accounts supervisor in charge: Head of finance department:

Cash Flows Statement of Parent Company

Year of 2021

Prepared by: Zhangzhou Jiulongjiang Group Co., Ltd. Unit: Yuan Currency: RMB

Items	Note	2021	2020
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		22,835,372,974.42	11,147,246,279.98
Tax refunds received			
Cash received from other operating activities	V (XLVIII) 1	10,949,690,330.87	247,396,046.19
Sub-total of cash inflows from operating activities		33,785,063,305.29	11,394,642,326.17
Cash paid for purchasing goods and services		17,396,285,315.75	9,948,020,207.68
Cash paid to and for employees		22,727,559.17	16,167,092.09
Cash paid for taxes and surcharges		369,773,414.89	423,145,853.22
Cash paid for other operating activities	V (XLVIII) 2	18,826,098,430.09	5,460,451,422.91
Sub-total of cash outflows from operating activities		36,614,884,719.90	15,847,784,575.90
Net cash flows from operating activities		-2,829,821,414.61	-4,453,142,249.73
II. Cash flows from investing activities:			
Cash received from recovery of investments		14,889,168,124.04	8,679,180,000.00
Cash received from returns on investments		2,658,855,448.99	309,367,664.24
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,450.00	
Net cash received from disposal of subsidiaries and other business entities			
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities		17,548,027,023.03	8,988,547,664.24
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		121,452,745.47	156,461.18
Cash paid for investments		19,203,187,900.37	7,293,997,800.00
Net cash paid for acquiring subsidiaries and other business entities			
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities		19,324,640,645.84	7,294,154,261.18
Net cash flows from investing activities		-1,776,613,622.81	1,694,393,403.08
III. Cash flows from financing activities:			
Cash received from capital contribution			100,000,000.00
Cash received from borrowings		38,450,403,783.09	20,184,554,056.10
Other cash received relating to financing activities			13,583,454,620.41
Sub-total of cash inflows from financing activities		38,450,403,783.09	33,868,008,676.51
Cash repayments of amounts borrowed		29,137,703,177.15	29,061,389,712.01
Cash payments for interest expenses and distribution of dividends or profits		3,108,872,653.23	1,146,673,755.82
Other cash payments relating to financing activities	V (XLVIII) 3	2,830,188.68	7,405,550.30
Sub-total of cash outflows from financing activities		32,249,406,019.10	30,215,469,018.13
Net cash flows from financing activities		6,200,997,763.99	3,652,539,658.38
IV. Effects of foreign exchange rate changes on cash and cash equivalent		109,989.33	5,367,867.63
V. Net increase of cash and cash equivalents		1,594,672,715.90	899,158,679.36
Add: Opening balance of cash and cash equivalents		2,518,076,902.01	1,618,918,222.65
VI. Closing balance of cash and cash equivalents		4,112,749,617.91	2,518,076,902.01

Legal representative: Accounts supervisor in charge: Head of finance department:

Statement of Changes in Owners' equity of Parent Company

Year of 2021

Prepared by: Zhangzhou Jiulongjiang Group Co., Ltd.

Unit: Yuan Currency: RMB

Items	2021											
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions	Undistributed profit	Total owners' equity
		Preferred shares	Perpetual capital securities	Others								
I. Balance at the end of previous year	4,000,000,000.00		8,961,123,584.88		1,737,486,106.77		307,884,377.69	116,098.69	577,000,925.45		1,933,284,968.34	17,516,896,061.82
Add: Change in accounting policy												
Correction of Prior error												
Others												
II. Beginning balance at this year	4,000,000,000.00		8,961,123,584.88		1,737,486,106.77		307,884,377.69	116,098.69	577,000,925.45		1,933,284,968.34	17,516,896,061.82
III. Increased/decreased amount of this year (Decrease is represented by "-")			1,130,750,943.40		-276,845.92		29,977,056.10	-116,098.69	236,537,532.14		974,747,218.24	2,371,619,805.27
(I) Total comprehensive income							29,977,056.10				2,365,375,321.39	2,395,352,377.49
(II) Shareholders'contributions of capital and reduction of capital			1,130,750,943.40		-276,845.92							1,130,474,097.48
1. Common share contributed by shareholders												
2. Capital invested by other equity instruments holders			1,130,750,943.40									1,130,750,943.40
3. Amounts of share-based payments recognized in owners' equity												
4. Others					-276,845.92							-276,845.92
(III) Profit distribution									236,537,532.14		-1,390,628,103.15	-1,154,090,571.01
1. Appropriation to surplus reserve									236,537,532.14		-236,537,532.14	
2. Appropriation to general risk reserve												
3. Profits distributed to owners (or shareholders)											-671,629,600.00	-671,629,600.00
4. Others											-482,460,971.01	-482,460,971.01
(IV) Internal carry-over of owners' equity												
1. Conversion of capital reserve into paid-in capital (or share capital)												
2. Conversion of surplus reserve into paid-in capital (or share capital)												
3. Surplus reserve offsetting losses												
4. Changes in defined benefit schemes transferred to retained earnings												
5. Transfer of other comprehensive income to retained earnings												
6. Others												
(V) Special reserve								-116,098.69				-116,098.69
1. Appropriation this period								150,000.00				150,000.00
2. Applied in this period								266,098.69				266,098.69
(VI) Others												
IV. Ending balance of this reporting period	4,000,000,000.00		10,091,874,528.28		1,737,209,260.85		337,861,433.79		813,538,457.59		2,908,032,186.58	19,888,515,867.09

Legal representative: Accounts supervisor in charge: Head of finance department:

Statement of Changes in Owners' equity of Parent Company(continued)

Year of 2021

Prepared by: Zhangzhou Jiulongjiang Group Co., Ltd. Unit: Yuan Currency: RMB

Items	2020											
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions	Undistributed profit	Total owners' equity
		Preferred shares	Perpetual capital securities	Others								
I. Balance at the end of previous year	4,000,000,000.00		7,667,557,547.16		1,652,774,566.36		249,971,696.34	81,160.24	524,232,703.17		2,256,804,256.85	16,351,421,930.12
Add: Change in accounting policy												
Correction of Prior error												
Others												
II. Beginning balance at this year	4,000,000,000.00		7,667,557,547.16		1,652,774,566.36		249,971,696.34	81,160.24	524,232,703.17		2,256,804,256.85	16,351,421,930.12
III. Increased/decreased amount of this year (Decrease is represented by "-")			1,293,566,037.72		84,711,540.41		57,912,681.35	34,938.45	52,768,222.28		-323,519,288.51	1,165,474,131.70
(I) Total comprehensive income							57,912,681.35				527,682,222.75	585,594,904.10
(II) Shareholders'contributions of capital and reduction of capital			1,293,566,037.72		84,711,540.41							1,378,277,578.13
1. Common share contributed by shareholders												
2. Capital invested by other equity instruments holders			1,293,566,037.72		-15,169,811.32							1,278,396,226.40
3. Amounts of share-based payments recognized in owners' equity												
4. Others					99,881,351.73							99,881,351.73
(III) Profit distribution									52,768,222.28		-851,201,511.26	-798,433,288.98
1. Appropriation to surplus reserve									52,768,222.28		-52,768,222.28	
2. Appropriation to general risk reserve												
3. Profits distributed to owners (or shareholders)												
4. Others											-798,433,288.98	-798,433,288.98
(IV) Internal carry-over of owners' equity												
1. Conversion of capital reserve into paid-in capital (or share capital)												
2. Conversion of surplus reserve into paid-in capital (or share capital)												
3. Surplus reserve offsetting losses												
4. Set up benefit plan changes to carry forward retained earnings												
5. Transfer of other comprehensive income to retained earnings												
6. Others												
(V) Special reserve								34,938.45				34,938.45
1. Appropriation this period								132,000.00				132,000.00
2. Applied in this period								97,061.55				97,061.55
(VI) Others												
IV. Ending balance of this reporting period	4,000,000,000.00		8,961,123,584.88		1,737,486,106.77		307,884,377.69	116,098.69	577,000,925.45		1,933,284,968.34	17,516,896,061.82

Legal representative: Accounts supervisor in charge: Head of finance department:

Notes to Financial Statements

(Unless otherwise indicated, the unit of amount is RMB)

I. Company Profile

1. Basic information and business situation of the Company

Zhangzhou Jiulongjiang Group Co., Ltd. was restructured from Zhangzhou Pien Tze Huang Group Co., Ltd. (Founded in 1956, Zhangzhou Pien Tze Huang Group Co., Ltd. was formerly known as Zhangzhou Pharmaceutical Factory. On January 8, 1993, Zhangzhou Pien Tze Huang Group Co., Ltd. was established with Zhangzhou Pharmaceutical Factory as the core and its original registered capital was RMB 69,050,000. On September 22, 2001, approved by Zhangzhou Municipal Government P.R. China with the document of Z.Z [2001] Z. No. 157, Zhangzhou Pien Tze Huang Group Co., Ltd. was authorized to operate and manage its state-owned assets). According to the Approval of the Restructuring of Zhangzhou Pien Tze Huang Group Co., Ltd. into Zhangzhou Jiulongjiang Construction Co., Ltd. (Z.G.Z.F.G [2010] No. 70), and the Approval of Disposal of Net Assets of Zhangzhou Pien Tze Huang Group Co., Ltd. (Z.G.Z.C.Q. [2010] No. 42) of the State-owned Assets Supervision and Administration Commission of Zhangzhou Municipal Government P.R. China, RMB 2 billion of the assessed net assets of RMB 4,446,220,412.52 was used as the Company's registered capital, and others as the Company's capital reserve on December 31, 2010. On March 27, 2011, Zhangzhou Pien Tze Huang Group Co., Ltd. was renamed as Zhangzhou Jiulongjiang Construction Co., Ltd., and on December 31, 2014, was again renamed as Zhangzhou Jiulongjiang Group Co., Ltd. The registered capital of the Company after the change is RMB 2 billion.

On June 24, 2019, according to the Approval of Transferring Capital Reserve of Zhangzhou Jiulongjiang Group Co., Ltd to Increase Its Registered Capital (Z.G.Z.C.Q. [2019] No. 21) by the State-owned Assets Supervision and Administration Commission of Zhangzhou, RMB 2 billion of the capital reserve was transferred to the Company's registered capital, the base day was on December 31, 2018, after the transferring, the Company's registered capital was increased to 4 billion. The Company completed the modification of industrial and commercial registration items on June 26, 2019.

According to "Notice of Fujian Provincial Department of Finance, Fujian Provincial Department of Human Resources and Social Security, and State-owned Assets Supervision and Administration Commission of the Fujian Provincial People's Government on Matters Related to the Transfer of Partial State-owned Capital"(Min Caiqi [2020] No. 22),issued by Fujian Provincial Department of Human Resources and Social Security and State-owned Assets Supervision and Administration Commission of the Fujian Provincial People's Government on December 29, 2020, In accordance with the relevant provisions of "Notice of the Fujian Provincial People's Government on Printing and Distributing the Implementation Plan for the Transfer of Partial State-owned Capital in Fujian Province to Enrich the Social Security Fund"(Min Zheng [2020] No. 6) , the company would transfer 10% of the company's equity held by Zhangzhou State-owned Assets Supervision and Administration Commission to Fujian Provincial Department of Finance at one time. The transfer base date was December 31, 2019.

Unified social credit code: 913506001565076840

Legal representative: Pan Jie.

Registered address: Jiulongjiang Group Building, No. 1 Hubin Road, Longwen District, Zhangzhou City, Fujian Province.

Main business scope: Licensed projects: general contracting of housing construction and municipal infrastructure projects; food business (sale of pre-packaged food); food business (sale of bulk food); hazardous chemicals business; crude oil wholesale; refined oil wholesale (limited to hazardous chemicals) import and export of gold and its products; wine business; import and export of goods; power supply business; import of new chemical substances, the import and export of state-owned trade management goods (projects subject to approval according to law can only carry out business activities after the approval of the relevant departments. the specific business projects are subject to the approval documents or licenses of the relevant departments); General projects: investment activities with free funds; sales of building materials; sales of machinery and equipment; sales of household appliances; wholesale of auto parts; retail of auto parts; sales of plastic products; sales of metal materials; sales of packaging materials and products; wholesale of hardware products; Retail of hardware products; sales of electronic products; wholesale of textiles, clothing and household goods; wholesale of sporting goods and equipment; retail of sporting goods and equipment; sales of Class I medical equipment; Sales of specialized chemical products (excluding hazardous chemicals); sales of chemical products (excluding licensed chemical products); Sales of food additives; domestic trade agency; sales of petroleum products (excluding hazardous chemicals); sales of non-metallic ores and products; sales of metal ores; supply chain management services; sales of coal and products; wholesale of refined oil (excluding hazardous chemicals) ; Supply chain management services; Coal and product sales; Refined oil wholesale (excluding hazardous chemicals); Rubber product sales; New energy vehicle sales; and alloy materials sales; knitted textiles and raw materials sales; rare earth functional materials sales; General cargo warehousing services (excluding hazardous chemicals and other items that require approval) (Except for projects that require approval according to law, business activities are carried out independently according to the law with business licenses).

The financial report has been approved to be issued by the Board of Directors on April 29, 2022.

(II) Scope of consolidated financial statements

For the scope and changes of the consolidated financial statements this year, please refer to Note VI. Changes of the Scope of Consolidation Statements and Note VII. (I) Rights and interests in subsidiaries.

II. Basis for Preparation of Financial Statements

(I) Preparation basis

The financial statements of the Company are prepared on the basis of recognition and measurement in accordance with the going-concern assumption, actual trades, Accounting Standards for Business Enterprises - Basic Standards, and other specific accounting standards and their practical guides, explanation and other relevant provisions (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises"); and relevant disclosure regulations of the No. 15 Compilation Rules for Information Disclosure by Companies Offering Securities to the Public - General Regulations on Financial Reports (revised in 2014) issued by China Securities Regulatory Commission.

(II) Going concern

For a period of at least 12 months after the end of this reporting period, the Company is in possession of continuous operation capability, without the significant matters that may have an impact on the continuous operation capability.

III. Significant Accounting Policies and Accounting Estimates

(I) Statement for compliance with enterprise accounting system

The financial statements prepared by the Company fully comply with the Accounting Standards for Business Enterprise and truly and completely demonstrate the financial status of the Company, operating performance and cash flow.

(II) Accounting period

The fiscal year of the Company runs from January 1 to December 31 of each calendar year.

(III) Operating cycle

The Company takes 12 months as an operating cycle.

(IV) Functional currency

The Company and its subsidiaries take RMB as the functional currency. The financial statements prepared by the Group are expressed in Renminbi.

(V) Accounting methods for corporate merger involving enterprises under the same control and not under the same control

1. Corporate merge involving enterprises under the common control: Assets and liabilities the Company obtained from business merger are measured by book value of the combined party's assets and liabilities in the consolidated financial statements of the final controlling party (including goodwill formed after merger of the combined party by the controlling party) on the merger date. The difference between the book value of net assets acquired in merger and of the consideration paid for merger (or the total amount of par value of shares issued) is adjusted to the share premium of capital reserves, and the retained earnings shall be adjusted if the share premium in the capital reserve is insufficient.

2. Corporate merger involving enterprises not under the common control: Assets paid or liabilities incurred or assumed as consideration for corporate merger by the Company on the acquisition date are measured at fair value. The difference between the fair value and the book value is recognized in the current profit or loss. If the combined cost is greater than the fair value of the acquiree's identifiable net assets acquired from combination, the difference is recognized in goodwill by the Company. If the combined cost is less than the fair value of the acquiree's identifiable net assets acquired from combination, the fair value of the assets and liabilities acquired from combination, and the fair value of non-cash assets as combination consideration or issued equity securities shall be re-checked, and if the results indicate that the fair value of the identifiable assets and liabilities is appropriate, the difference will be recognized in the non-operating income of the current period of combination.

Corporate merger involving enterprises not under common control, which achieved at stages through multiple transactions, the combination cost shall be the sum of payment on the acquisition-date and the fair value of the purchaser's equity held before the acquisition- date on the acquisition- date. The Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognizes any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognized in other comprehensive income that may be reclassified to profit or loss, in prior reporting periods relating to the previously-held equity interest, and any other changes in the owners' equity under equity accounting, are transferred to investment income in the period in which the acquisition occurs . If equity interests of the acquiree held before acquisition-date were equity instrument investments measured at fair value through other comprehensive income, other comprehensive income recognized shall be moved to retained earnings on acquisition-date.

3.Intermediary costs incurred in business combinations, such as audit, legal service and evaluation consultation and other relevant direct costs , shall be counted into current profit or loss, and transaction costs of equity securities or debt securities issued as a merger consideration shall be recognized as initial recognition amount of equity securities or debt securities.

(VI) Preparation method of consolidated financial statements

1. Preparation scope of consolidated statements

The scope of the consolidated financial statements should be determined on the basis of control and covers not only the subsidiaries that are determined on the basis of voting rights (or similar rights) or in conjunction with other arrangements, but structured entities that are determined based upon one or more contractual arrangements. Control is the investor's power over the invested party: enjoys changeable returns by participating in related activities of the invested party; and may influence the amount of return by exercising its power over the invested party.

2. Consolidation procedure

The consolidated financial statements are prepared based on the financial statements of the Company and its subsidiaries, as well as other relevant data.

The Company should unify the accounting policies and accounting periods adopted by its subsidiaries, so that the accounting policies and accounting periods adopted by its subsidiaries are consistent with the Company. In the preparation of consolidated financial statements, the materiality principle should be followed to offset the internal current account, internal transactions and equity investment projects between the parent company and its subsidiaries, or among subsidiaries.

Minority shareholder's profit or loss of subsidiaries shall be separately listed under the owner's equity in the consolidated balance sheet and net profit in the consolidated profit statement respectively. If the current loss undertaken by the subsidiary's minority shareholders exceeds the share of initial owner's equity held by the minority shareholders, the balance shall be offset off against the equity of minority shareholders.

(1) Increase of subsidiaries and businesses

For the subsidiaries and businesses that obtained during the reporting period due to business combinations under common control, the opening balance of the consolidated balance sheet should be adjusted when the consolidated balance sheet is prepared; when the income statement is prepared, the income, expenses and profits of the subsidiary and the business from the beginning of the period to the end of the reporting period during the current period of combination should be recognized in the consolidated income statement; when the cash flow statement is consolidated, the cash flow of the subsidiary and the business from the beginning of the period to the end of the reporting period during the current period of combination should be recognized in the consolidated statement of cash flow; at the same time, the relevant items of the comparative statement should be adjusted, as if the reporting entity after the combination has existed since the final controlling party began to control.

For subsidiaries and businesses that added during the reporting period due to business combinations under common control or through other methods, the opening balance of the consolidated balance sheet should not be adjusted when the consolidated balance sheet is prepared. When the income statement is prepared, the income, expenses, profits of the subsidiary and the business from the acquisition date to the end of the reporting period should be recognized in the consolidated income statement. When the cash flow statement is prepared, the cash flow from the acquisition date to the end of the reporting period should be recognized in the consolidated cash flow statement.

The Company prepares the consolidated statements based on the amount in the current balance sheet date of identifiable assets, liabilities and contingent liabilities identified on the basis of the fair value on the acquisition date reflected by the individual financial statement of subsidiaries. The balance of the consolidation costs greater than the fair value of the recognizable net assets of the seller is confirmed as goodwill. The balance of the corporate combination costs smaller than the fair value of the recognizable net assets of the seller is recognized in current profit or loss after recheck.

For business combinations not under common control achieved at stages through multiple transactions, in the consolidated financial statements, the equity of the acquiree held before the acquisition date should be re-measured according to the fair value of the equity on the acquisition date. The difference between the fair value and its carrying amounts should be recognized in the current investment income; if the equity of the acquiree held before the acquisition date involves other comprehensive income and other changes in owner's equity, they should be converted into the investment income of the current period of the acquisition date, except for other comprehensive income arising from the change of net liabilities or net assets due to the remeasurement of the defined benefit plan exercised by the investee.

(2) Disposal of subsidiaries and businesses

A. General disposal method

During the reporting period, the Company disposed its subsidiaries and business, and then the subsidiaries and the incomes, expenses and profits from the beginning of the transacts to the disposal date shall be covered in consolidated income statement. And the subsidiaries and the cash flow from the beginning of the business to the disposal date shall be covered in statement of cash flow.

If the Company lost control of its original subsidiaries because of disposal of part of the equity investment or else, the remaining stock rights shall be remeasured in accordance with its fair value during the date of its losing control in consolidated financial statements. The balance between the sum of the consideration from the disposal of equity and the fair value of the remaining equity and the net assets proportion of the subsidiaries entitled by the disposed long-term equity investment and continually calculated from the purchase day or day of combination is recognized in the investment income for the period and the goodwill is deducted. Other comprehensive income and other owner's equity changes related to the equity investment of original subsidiaries shall be turned into current investment income upon losing the control power, except for other consolidate incomes incurred from net liabilities or net asset changes caused by recalculation and resetting of benefit plans by the invested party.

B. Disposal of equity step at stages until loss of control

Where the Company lost control over a subsidiary through multiple transactions and step-by-step disposal of the equity of the subsidiary, and such multiple transactions to a package deal, the multiple transactions shall be deemed one transaction in which the control in the subsidiary was lost; however, the balance between the disposal price and the net assets proportion of the subsidiaries entitled by the disposed long-term equity investment prior losing control over the subsidiary was recognized as other comprehensive income and was transferred to the profit or loss of current period at the time of losing control.

Where the terms and conditions for disposing multiple transactions of the entity investment of the original subsidiary and the economic influence according with one or more of the following conditions, it often indicates that the multiple transactions shall be accounted for as a package deal:

(A) These transactions are formed simultaneously or on the condition of mutual influence under consideration;

(B) Only the entire transactions can fulfill a complete commercial effect;

(C) The occurrence of one transaction relies on at least another one's occurrence;

(D) It is uneconomical to see one transaction alone, but otherwise by taking other transactions into account.

(3) Acquisition of minority stocks of subsidiary

For the difference between newly obtained long-term equity investment owing to purchasing minority equity and identifiable net asset shares deserved according to added shareholding proportion and calculated continuously from the acquisition date (or combination date), the capital premium or share premium in the capital reserves of the consolidated balance sheet should be adjusted. If the capital premium or share premium in the capital reserves are insufficient to be deducted, retained earnings should be adjusted.

(4) Disposal of part of equity investment in subsidiaries without losing control over of such subsidiaries

On condition of not losing control over of such subsidiaries, the difference between the disposal price deserved by partial disposal of long-term equity investment in subsidiaries and net asset shares deserved corresponding to disposal of long-term equity investment and calculated continuously from the acquisition date (or consolidation date), adjust share premium in the capital reserves of consolidated balance sheet. Provided capital reserves are insufficient to be deducted, retained earning shall be adjusted.

(VII) Classification of joint arrangement and accounting methods for joint operation

Joint arrangement is an arrangement under common control by two or more parties. The joint arrangement of the Group is classified as joint operation and joint venture.

1. In case of a cooperative venture, the Company possesses assets and bears liabilities related to the arrangement. The Company recognizes the following items related to the share of interest in the joint operation:

(1) to recognize the assets held separately and its share of assets held jointly;

(2) to recognize the liabilities incurred separately and its share of liabilities incurred jointly;

(3) to recognize its revenue from the sale of the output arising from the joint operation;

(4) to recognize its share of the revenue from the sale of assets by the joint operation;

(5) to recognize then expenses incurred separately and its share of expenses incurred jointly.

2. In case of a joint venture, the Company enjoys only rights of the net assets of the arrangement. The Company should adopts the equity method to measure the investment of the joint venture in accordance with accounting treatment of long-term equity investment

(VIII) Recognition standard of cash and cash equivalents

During preparation of cash flow statement, cash on hand and deposits at any time available for payment of the Company shall be recognized as cash. The Company shall determine the investments with short period (expiring within three months after the acquisition date), strong liquidity, being easy to be converted into known cash and small value fluctuation risk as cash equivalents. The bank deposits under restriction shall not be presented as the cash or the equivalent in the cash flow statement.

(VIII) Recognition standard of cash and cash equivalents

During preparation of cash flow statement, cash on hand and deposits at any time available for payment of the Company shall be recognized as cash. The Company shall determine the investments with short period (expiring within three months after the acquisition date), strong liquidity, being easy to be converted into known cash and small value fluctuation risk as cash equivalents. The bank deposits under restriction shall not be presented as the cash or the equivalent in the cash flow statement.

(IX) Foreign currency transaction and foreign currency statement translation

1. Foreign currency transaction

When a foreign currency business occurs, the foreign currency amount shall be converted into RMB at the spot exchange rate on the date of the transaction (or an exchange rate similar to the spot exchange rate). At the end of the period, foreign currency monetary items and foreign currency non-monetary items should be processed based on the following methods:

(1) Foreign currency projects adopts spot exchange rate of balance sheet date for conversion. Exchange difference arising from the difference between spot exchange rate of balance sheet date and the previous spot exchange rate of balance sheet date or initial recognition is recognized in current profit or loss.

(2) Foreign currency non-monetary items measured by historical cost are converted at the spot exchange rate on the transaction date and the amount dominated in the functional currency shall remain unchanged.

(3) Foreign currency non-monetary items measured by fair value are converted at the spot exchange rate on the fair value recognition date, and exchange gain or loss incurred thereof shall be recognized in current profit or loss or other comprehensive incomes.

(4) Exchange gains or losses arising from foreign currency loans related to purchase, construction and manufacturing of assets conforming to capitalization conditions shall be recognized in costs of assets conforming to capitalization conditions before the assets are brought to expected conditions for use or sale; as for other exchange gains or losses, they shall be recognized in current profit or loss.

2. Foreign currency financial statement translation

(1) Asset and liability items in the balance sheet shall be converted using the spot exchange rate at the balance sheet date, and all items under owner's equity except "undistributed profit" shall be converted using the spot exchange rate upon occurring.

(2) Income and expense items in the profit statement shall be converted using the spot exchange rate upon occurring.

(3) Exchange differences in the foreign currency financial statements attributable to the translation of currency shall be separately listed under other comprehensive income. For disposal of overseas operation, foreign currency financial statement exchange difference related to overseas operation is transferred into current profit or loss of disposal from the owner's equity.

(4) Cash flow statement uses the spot exchange rate of the date on which cash flow occurs for translation. Increase/Decrease of cash due to foreign exchange rate changes is separately listed in the cash flow statement as the reconciling item.

(X) Financial instruments

A financial asset or financial liability is recognized when a company becomes a party to the contractual provisions of a financial instrument

1. Classification,recognition and measurement of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is classified as measured at amortized cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

At initial recognition, the Group measures a financial asset at its fair value. For financial assets measured at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss for the current period ; For other types of financial assets, relevant transaction costs are included in the initial recognition amount. For the company's initial recognition of accounts receivable , without significant financing component or practical expedient applied for one year or less contracts defined in "Accounting Standards for Business Enterprises No. 14 - Revenue", is initially measured at the transaction price of the consideration that is expected to be entitled to receive.

(1) A financial asset is measured at amortized cost

It is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are subsequently measured at amortized cost using the effective interest method, a gain or loss on a financial asset that is measured at amortized cost and shall be recognized in profit or loss when the financial asset is derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses.

(2) A financial asset is measured at fair value through other comprehensive income("FVOCI").

It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are subsequently measured at FVOCI, but impairment losses or gains, foreign exchange gains and losses and interest income calculated by the effective interest method are recognized in current profit and loss.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by investment basis. The instrument meets the definition of equity from the perspective of the issuer. Dividends from such investments continues to be recognized in profit of loss as other income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income will be transferred from other comprehensive income to retained earnings and will not be recognized in the current profit and loss.

(3) A financial asset is measured at fair value through profit or loss ("FVTPL")

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at fair value through profit or loss. On initial recognition, in order to eliminate or significantly reduce an accounting mismatch that would arise, the Group may designate a financial asset that is measured at fair value through profit or loss. Such financial assets are subsequently measured at fair value, and changes in fair value are recognized in current profit and loss.

2. Classification, recognition and measurement of financial liabilities

Financial liabilities are classified as measured at fair value through profit or loss ("FVTPL") and other financial liabilities. Financial liabilities at FVTPL are subsequently measured at fair value and relevant transaction costs are recorded in profit or loss, transaction costs related to other financial liabilities are recorded in their initial recognition amount.

(1) A financial liability is measured at fair value through profit or loss ("FVTPL")

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivative financial liability) and financial liabilities designated at fair value through profit or loss.

Financial liabilities （including derivatives）at FVTPL are subsequently measured at fair value and net gains and losses are recorded into the profit or loss of the current period, unless the financial liabilities are part of a hedging relationship.

At the time of initial recognition of financial liabilities, a financial liability designated as at fair value through profit or loss for which the amount of its change in fair value that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, on derecognition, gains and losses arising from fair value caused by changes in its own credit risk accumulated in other comprehensive income are reclassified to retained earnings ,other changes in fair value are recorded in the current profit and loss. If the treatment of the effects of changes in the own credit risk of these financial liabilities would create or enlarge an accounting mismatch in profit or loss, an entity shall present all gains or losses on the financial liability (including the effects of changes in the credit risk of the financial liability) in profit or loss.

(2) Other financial liabilities

Except for the transferred financial assets that do not qualify for derecognition or financial liabilities that has continuing involvement in the transferred financial assets, and financial guarantee contracts , the other financial liabilities are classified as financial liabilities measured at amortized cost, which is measured at amortized cost, and the gain or loss arising from derecognition or amortization is recorded in the current profit and loss.

3. Fair value measurements of financial assets and financial liabilities.

For financial instruments traded in active markets , fair value is quoted price in actives markets. For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available and are supported by other information , the group selects inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability, re fair value, preferentially use the relevant observable input, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Unobservable input values are used only when the relevant observable input values are unavailable or impractical to obtain.

4. Recognition basis and measurement method of financial asset transfer

Recognition of financial asset transfer

<table>
<tr><th colspan="2">Circumstances</th><th>Recognition results</th></tr>
<tr><td colspan="2">All risks and rewards related to the ownership of the financial assets have been transferred</td><td rowspan="2">Recognition of financial assets is terminated (new assets / liabilities are recognized</td></tr>
<tr><td rowspan="2">Almost all of the risks and rewards related to the ownership of the financial assets are neither transferred nor retained</td><td>Control over the financial assets is waived</td></tr>
<tr><td>Control over the financial assets is retained</td><td>Almost all of the risks and rewards related to the ownership of the financial assets are neither transferred nor retained</td></tr>
<tr><td>All risks and rewards related to the ownership of the financial assets have been retained</td><td colspan="2">Such financial assets are recognized continuously, and consideration received is recognized as liabilities</td></tr>
</table>

The Company differentiates the transfer of a financial asset into the transfer of the entire financial assets and the transfer of partial financial assets.

(1) Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss: - the carrying amount of the financial asset transferred measured at the date of derecognition; - the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in other comprehensive income for the part derecognized(when the transferred financial asset is a measured at FVOCI(Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (Article 18).

(2) If the partial transfer of the financial assets meets the conditions for derecognition, the overall carrying amount of the financial assets transferred is apportioned between the derecognized part and the continued recognition part (in this case, the retained service assets should be regarded as part of the continued recognition of financial assets), according to their own fair value on the transfer date, and the difference between the following two amounts is recognized in current profit or loss, the carrying amounts of the part with derecognition on the date of derecognition; The sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognized directly in other comprehensive income for the part derecognized (financial assets involved in partial transfer are classified as financial assets at fair value through other comprehensive income in Article 18 of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments).

If the transfer of financial assets does not meet the criteria for derecognition, the transferred financial assets as a whole shall continue to be recognized, and the consideration received shall be recognized as a financial liability.

5. Criteria for derecognition of financial liabilities

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished. In case of the following situations:

(1) When transferring the assets that are used as the payment for financial liability to an institute or using the assets to establish a trust, the obligation to pay the debt still exists, the company shall not derecognize the financial liabilities.

(2) Where the Company enters into an agreement (the situation of debt restructuring not included) with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, the Company should terminate the recognition of the existing financial liability, and recognize the new financial liability.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability,

And the difference between its book value and the consideration paid(including the transferred non-cash assets or assumed liabilities) is recognized in profit or loss.

6. Impairment of financial assets

(1) Method of impairment provision

The Company recognizes impairment loss for expected credit losses ("ECL") on financial assets (including receivables) measured at amortized cost, and contract asset or loan commitment and financial guarantee contract measured at fair value through other comprehensive income. In addition, for loan commitments and financial guarantee contracts, provision for impairment and credit impairment losses should also be made in accordance with the accounting policies described in this section.

ECLs are a probability-weighted estimate of credit loss. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive)

For other financial instrument, other than purchased or originated credit-impaired financial assets, the Company assesses changes in credit risks of the relevant financial asset since initial recognition at each balance sheet date. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

1) Stage 1: If there has not been a significantly increase in credit risk since initial recognition, the company measures the impairment at an amount equivalent to the expected credit loss of the financial asset in the next 12 months;

2) Stage 2: If there has been a significant increase in credit risk since initial recognition but that has not credit-impaired, a life time ECL is recognized.

3) Stage 3: For financial assets that are credit-impaired, a lifetime ECL is recognized.

When estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort, current situation and future economic forecast , including forward-looking information

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months)

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition, which has low credit risk at the balance sheet date, the Company chooses to measure the loss provision according to ECLs in the next 12- month.

For the financial assets which are at stage 1, stage 2 and with low credit risks, the Company calculates interest income according to the book balance and the effective interest rate. For financial assets in the third stage, interest income is calculated based on the book balance minus the amortized cost after the provision for impairment has been made and the actual interest rate.

2) Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

A. significant financial difficulty of the borrower or issuer;

B. a breach of contract, such as a default or delinquency in interest or principal payments;

C. for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;

D. it is probable that the borrower will enter bankruptcy or other financial reorganization;

E. the disappearance of an active market for that financial asset because of financial difficulties.

F. purchase or generate a financial asset at a large scale of discount, which reflects facts of credit loss incurred.

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

(3) Credit-impaired financial assets through purchasing or generating.

For credit-impaired financial assets through purchasing or generating, ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss at the balance sheet date. The Company recognizes an impairment gain when the ECLs of the balance sheet date is less than the amount of initial ECLs, the change is recognized as an impairment gain.

(4) Judgment criteria for a significant increase in credit risk

If the default probability of a financial asset in the expected duration determined on the balance sheet date is significantly higher than that in the expected duration determined at the initial recognition, the credit risk of the financial asset is significantly increased. Except for special circumstances, the Company adopts the change of default risk in the next 12 months as the reasonable estimation of the change of default risk in the whole duration to determine whether the credit risk increases significantly after initial recognition.

(5) Methods of assessing ECLs

The company evaluates the expected credit losses of financial assets based on individual items and combinations. Individually assess the credit risk of financial assets with significantly different credit risks. Such as: receivables from related parties; receivables from government agencies; receivables that have obvious signs that the debtor is likely to be unable to perform their repayment obligations. Except for financial assets that assess credit risk individually, the company divides financial assets into different groups based on common risk characteristics, and assesses credit risk on a portfolio basis.

Except for financial assets that assess credit risk individually, the company divides financial assets into different groups based on common risk characteristics, and assesses credit risk on a portfolio basis.

(6) Accounting treatment of impairment of financial assets

At the end of the duration, the Company shall calculate the anticipated credit losses of various financial assets. If the anticipated credit losses are greater than the book value of its current impairment provision, the difference is deemed as impairment loss. If the balance is less than the book value of the current impairment provision, the difference is deemed as impairment profit.

If the company actually incurs credit losses and determines that the relevant financial assets cannot be recovered, and the written-off is approved, it shall credit the corresponding asset subjects. If the written-off amount is greater than the provision for loss that has been withdrawn, the "credit impairment loss" shall be debited according to the difference.

7. Financial guarantee contract

A financial guarantee contract refers to a contract in which the issuer pays a specific amount to the contract holder who has suffered losses when the debtor fails to repay the debt in accordance with the original or revised terms of the debt instrument. Financial guarantee contracts are measured at fair value upon initial recognition. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, after the initial recognition, the expected credit loss reserve amount determined on the balance sheet date and the balance after deducting the accumulated amortization amount determined in accordance with the revenue recognition principle from the initial recognized amount, the higher of the two shall be used for subsequent measurement.

8. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are generally presented separately in the balance sheet, and not offset. However, a financial asset and financial liabilities are offset and the net amount is present in the balance sheet when both of the following conditions are satisfied:

(1)The company has a legally enforceable right to offset the recognized amounts of financial assets and financial liabilities,

(2)The Company intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

9. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The company's issuance (including refinancing), repurchase, sale or cancellation of equity instruments shall be treated as changes in equity. The company does not recognize changes in the fair value of equity instruments. Transaction costs related to equity transactions are deducted from equity.

Various distributions (excluding stock dividends) of the company to the holders of equity instruments are used as profit distributions to reduce owners' equity. The stock dividends issued do not affect the total owner's equity.

(XI) Notes receivable

The Company shall measure impairment loss for Notes receivable according to the amount of ECLs equivalent to the entire duration. The Company determines that the acceptance bank's credit rating of the acceptance bank issued by the listed banks is high, there is no significant credit risk, and no provision for loss is made; For the commercial acceptance bills held and the bank acceptance bills issued by other unlisted banks, the company refers to the historical credit loss experience, combines the current situation and the forecast of future economic situation, calculates the expected credit loss through the default risk exposure and the expected credit loss rate of the whole duration, Based on the credit risk characteristics of notes receivable, it is divided into different portfolios.

Items	Basis for determining portfolio
Bank acceptance bills issued by the listed bank	No significant credit risk
Commercial acceptance bills and the bank acceptance bills issued by other unlisted banks,	With credit risk

(XII) Receivables

For the receivables stipulated in "Accounting Standards for Business Enterprises No. 14 - Revenue" that do not contain significant financing components (including the case where financing components in contracts not exceeding one year are not considered according to this standard) , its loss provision is measured at an amount equivalent to lifetime expected credit losses.

1. Based on common risk characteristics, receivables are divided into different groups according to common credit risk characteristics such as customer categories.

Judgment basis or amount standard for significant single amount	The accounts receivable with significant single amount refers to the accounts receivable with a single amount exceeding RMB 2 to 5 million, accounting for more than 5% of the closing balance of receivables.
Method for provision of bad debt with single significant amount and accrued separately	After the impairment test is carried out separately, if there is objective evidence that it has been impaired, the impairment loss should be recognized based on the difference between the present value of future cash flow and its carrying amounts, and the provision for bad debts should be made through specific identification. If there is no impairment, it should be recognized in the receivables with similar risk portfolio characteristics to make provision for bad debts.

2. Receivables subject to impairment by credit risk portfolio

Name of portfolio	Basis for portfolio determination
Aging portfolio	Aging status as credit risk characteristics
Related Party Receivables portfolio	Receivables between related parties within the scope of the Company's consolidated statements
Other receivables portfolio	Receivables from special business, such as :receivables from government-related units, long-term receivables formed by policy-based debt investments, and other receivables , security deposits, deposit employee reserve funds, etc. for which full security deposits or collaterals have been obtained

(XIII) Accounts receivable financing

Accounts receivable financing reflects the notes and accounts receivable that are measured at fair value on the balance sheet date and the changes are included in other comprehensive income. The accounting treatment method refers to the related treatment of financial assets measured at fair value and the changes are included in other comprehensive income in the financial instruments in item (X) of this accounting policy.

(XIV) Other account receivable

For other receivables, the Company determines expected credit losses based on historical experience data and forward-looking information. Based on whether the credit risk of other receivables has increased significantly since initial recognition, the Company has measured the impairment loss based on the amount of expected credit losses in the next 12 months or the entire duration.

Based on common risk characteristics, the Company divides other receivables into different groups:

Items	Basis for determining portfolio
Other accounts receivable portfolio 1	Interest receivable
Other accounts receivable portfolio 2	Dividend receivable
Other accounts receivable portfolio 3	Margin receivable, reserve fund
Other accounts receivable portfolio 4	Accounts receivable and others
Other accounts receivable portfolio 5	Other related party transactions within the scope of consolidation

(XV) Inventories

1. Classification of inventory

Company inventory refers to the goods and materials that are held for sale during the production and operation process, or are still in the production process, or will be consumed in the production process or the process of service rendering, including various raw materials, packaging materials, and low value consumables, unfinished products, finished products (commodity stocks), etc.

2. Valuation method of acquired and delivered inventories

Inventories are initially measured corresponding to their cost. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs. The borrowing cost to be recognized in the inventory cost shall be treated in accordance with the "Accounting Standards for Enterprises No. 17 - Borrowing Costs". The cost input by the investors in inventories is determined in accordance with the value stipulated in the investment contract or agreement, unless the contract or agreement stipulates that the value is not fair.

Valuation method for delivered inventories: The weighted average method is used for calculation.

3. Inventory system

Perpetual inventory system is adopted for inventory.

4. Amortization method of low value consumables and packing materials

The "one-off amortization method" is used for accounting.

5.Recognition basis of net realizable value of inventory and accrual method of provision for inventory write-downs

The inventories as of the period shall be measured based on the lower one between cost and net realizable value. When the net realizable value is lower than the cost, provision for inventory decline shall be accrued based on the balance. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and related taxes.

(1) Basis for determining net realizable value of inventories: For materials held for production, if the net realizable value of finished products made by the materials is higher than the cost, then the materials should be measured based on its cost. If the price of materials decreases, which causes the net realizable value of finished products to be lower than the cost, the materials should be measured based on the net realizable value.

The net realizable value of inventories held to satisfy firm sales or service contracts is based on the contract price. If the sales contracts are for less than the inventory quantities held, the net realizable value of the excess is based on general selling prices.

(2) Methods of provision for inventory decline: Provision for inventory impairment is made as per the lower one of the cost of individual inventory item and the net realizable value; as for inventories with large number and relatively low unit price, provision for inventory impairment is made according to the category of inventories.

(XVI) Contract assets

The contract asset accounting policy is applicable to subsidiaries Longxi Bearing and Pien Tze Huang that have implemented the new revenue standards.

1. Determine methods and standards of contract assets

Contract assets refer to the right of the company to receive consideration after transferring goods to customers, and this right depends on other factors besides the passage of time, If the company sells two clearly distinguishable products to a customer and has the right to receive payment because one of the products has been delivered, but the payment is also dependent on the delivery of the other product, the company shall treat the right to receive payment as a contract assets

2.Determining method and accounting treatment method of contract assets' expected credit loss

Regarding contract assets, regardless of whether it contains major financing components, the company always measures its bad debt impairment at an amount equivalent to expected credit losses during the entire duration, and the resulting increase or reversal of bad debt impairment is regarded as impairment losses or gains in the current profit and loss.

The company calculates the expected credit loss of contract assets on the balance sheet date. If the expected credit loss is greater than the book value of the current contract asset impairment provision, the difference is recognized as an impairment loss; the expected credit loss is remeasured on each balance sheet date, the amount of the resulting loss provision reversed is recognized as an impairment gain.

(XVII) Assets held for sale

1. Basis for being divided into aassets held for sale

Components (or non-current assets) are recognized by the Company as assets held for sale if the following conditions are met:

(1) Those that are immediately available for sale under current conditions, based on the practice of selling such assets or disposal groups in similar transactions;

(2) Those that are most likely to be sold, for the Company has already decided on a sale plan and obtained a definite purchase commitment, and the sale is expected to be completed within one year. For the sale which must be approved by the relevant authorities or regulatory authorities of the Company under relevant regulations, approval should be obtained in advance.

The definite purchase commitment refers to the legally binding purchase agreement signed between the Company and other parties. The agreement should include important terms such as transaction price and time, and severe penalty for breach of agreement, making it unlikely that the agreement will be significantly adjusted or canceled.

2. Accounting treatment method for assets held for sale

When the Company initially measures or re-measures the non-current assets held for sale or disposal groups on the balance sheet date, if the carrying amount is higher than the net difference between the fair value and the sale expense, the carrying amounts shall be written down to the difference between the fair value and the sale expense, and the written down value shall be recognized as impairment loss thereof and stated in current profit or loss, with provision for impairment of assets held for sale at the same time. If the net amount of the fair value of the non-current assets held for sale is increased after the expenses for sale is reduced after the subsequent balance sheet date, the amount previously written down shall be recovered and be reversed in the assets impairment losses recognized after being classified as held for sale, and the amount reversed shall be recognized in the current profit or loss. Assets impairment losses recognized before being classified as held for sale will not be reversed.

For the amount of asset impairment loss recognized by the disposal group held-for-sale, it should be firstly offset against the carrying amounts of the goodwill in the disposal group, and then offset against the carrying amounts of various non-current assets based on their proportion in the disposal group. For the subsequent amount recovered of the asset impairment loss recognized by the disposal group held-for-sale, the carrying amounts of various non-current assets other than goodwill should be increased based on their proportion in the disposal group.

Non-current assets held for sale or that in a disposal group are not subject to depreciation or amortization, and the debt interest and other expenses in the disposal group held for sale shall be further confirmed.

When the non-current assets or disposal groups held-for-sale are derecognized by the Company, the unrecognized profit or loss should be recognized in the current profit or loss.

When a non-current asset or disposal group is no longer classified as held-for-sale because it no longer meets the conditions for the held-for-sale category or when the non-current asset is removed from the disposal group held-for-sale, measurement should be made based on the lower of the following two:

(1) The carrying amounts before being classified as held for sale after adjustment of depreciation, amortization or impairment which should have been recognized as per the assumed circumstance that they were not classified as held for sale;

(2) Recoverable amount.

(XVIII) Debt investment and other debt investment

For debt investment and other debt investment, based on various types of counterparties and risk exposures, the Company considers historical defaults and industry forward-looking information or various external actual and expected economic information to determine expected credit loss on each balance sheet date ,

(XIX) Long-term receivables

Long-term receivables include finance lease receivables and other long-term receivables.

For finance lease receivable applies "Accounting Standards for Business Enterprises No. 21 – Leases", the impairment provision is measured according to the amount equivalent to the expected credit loss during the entire duration.

For other receivables, the Company determines expected credit losses on each balance sheet date according to various types of counterparties and risk exposures, considering historical defaults and reasonable forward-looking information or various external actual and expected economic information.

The company uses an amount equivalent to the expected credit loss in the next 12 months or the entire duration to measure the long-term receivable impairment loss based on whether its credit risk has increased significantly since the initial confirmation. In addition to the long-term receivables whose credit risk is assessed individually, they are divided into different portfolio based on their credit risk characteristics:

Items	Basis for determining portfolio
Normal long-term receivables	This portfolio is long-term receivables with normal risks of not overdue
Overdue long-term receivables	This portfolio is long-term receivables with a higher risk of overdue

(XX) Long-term equity investments

1. Basis for determining joint control and significant influence over the investee

Joint control refers to the common control on one arrangement as per the related agreements, and the relevant activities in such arrangement shall be decided with the complete agreement of participants who share the control rights. When identifying if there is any joint control, it is firstly judged whether all parties or combination of parties jointly control this arrangement. If related activities of certain arrangement can only be determined through the joint action of all parties or one group of parties, then it is believed that all parties or one group of parties jointly control this arrangement. Secondly, it should be judged whether the decision on the relevant activities of the arrangement must be unanimously agreed by the parties with collective control over the arrangement, and only if the decision on the relevant activities requires the unanimous consent from the parties with collective control over the arrangement, joint control is formed. Joint control is not constituted if there are two or more than two combinations of the parties with the ability to collectively control a certain arrangement. Protective rights enjoyed are not considered when judging whether there is joint control.

Significant influence refers to the state that Company has the power in making decisions on the financial and operational policies of the investee, but could not solely or jointly control the making of those policies. When determining the capacity of exerting significant influence on investees, it is necessary to consider the number of voting shares held directly or indirectly by the investor, and the impact produced after the current executable potential voting rights held by the investor and other parties are assumed to be converted to the equity of investees, including the current convertible warrants, share options and convertible bonds issued by the investee. When the foreign investment meets the following conditions, it is generally considered to have a significant impact on the investment unit: (1) Has representatives in the board of directors or similar authorities of the investee; (2) Participate in the financial and business policy-making process of the investee; (3) Engage in significant transactions with the investee; (4) Assign management personnel to the investee (5) Provide key technical information to the investee. It is generally considered to have a significant impact on the investee when it directly or indirectly owns more than 20% but less than 50% of the voting shares of the invested enterprise.

2. Recognition for initial investment cost

(1) Long-term equity investment formed due to business combinations

A. Business combinations under common control: Where combination consideration is satisfied in cash, by transfer of non-cash assets, undertaking of debt or issuance of equity securities, the share of the carrying amounts of the owners' equity of the consolidated party in the ultimate controller's consolidated financial statements on the combination day are treated as initial investment cost of long-term equity investment. Where the investees under common control could be controlled due to the additional investment, initial investment cost of long-term equity investment is determined on the combination day in accordance with the share of the carrying amounts of the consolidated party's net assets enjoyed in the ultimate controller's consolidated financial statements. The balance between the initial investment cost of the long-term equity investment and the sum of the carrying amounts of long-term equity investment before the combinations and the carrying amounts of the new consideration paid of stock further acquired on the day of combination is used to adjust the capital reserves. The retained earnings will be adjusted if the capital reserves are insufficient for write-off.

B. For business combinations not under common control, the combination cost determined in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 20 – Business Combination on the acquisition date is taken as the initial investment cost of long-term equity investment. Regarding the investees not under common control could be controlled due to the additional investment, the sum of the original carrying amounts of equity investment and newly added investment cost is recognized as the initial investment cost counted with the cost method.

(2) The initial cost of long-term equity investments acquired other than through a business combination is determined according to the following provisions:

A. For the long-term equity investment obtained by cash payments, the actually paid purchase price should be treated as initial investment cost. The initial cost of long-term equity investments include costs, taxes and other necessary expenditures directly related to the long-term equity investment acquired other than through a business combination.

B. For the long-term equity investment obtained by the issuance of equity securities, the fair value of equity securities issued is treated as the initial investment cost.

C. For the long-term equity investment obtained through the exchange of non-monetary assets, its initial investment cost is determined in accordance with "Accounting Standards for Business Enterprises No. 7 – Exchange of non-monetary assets".

D.For the long-term equity investment obtained through debt restructuring, the initial investment cost is determined in accordance with "Accounting Standards for Business Enterprises No. 12 - Debt Restructuring".

3. Recognition of subsequent measurement and profit or loss

(1) Cost method of accounting: The long-term equity investments that enable the Company to control over the investees are accounted for using the cost method for subsequent measurement. When accounting long-term investment under cost method, the costs of long-term equity investment should be adjusted through addition or recovery of investment. For the long-term equity investment accounted for using the cost method, except for the actual amount paid when the investment is obtained or the cash

dividends or profits declared but not paid contained in the consideration, the Company should recognize the investment income according to the due cash dividends or profits declared by the investee, and the net profit is no longer divided based on whether it is realized by the investee before or after the investment.

(2) Equity method of accounting: For the long-term equity investments that are jointly controlled by the investee or have significant impact, except for the equity investments on joint ventures, if part of the investments is indirectly held by venture capital institutions, mutual funds, trust companies or similar entities including investment with insurance funds, regardless of whether the above entities have a significant impact on this part of the investment, the Company should, in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", measure this part of investments indirectly held at fair value and include its changes in profit or loss, and account for it using the equity method. When using the equity method of accounting, after the acquisition of the long-term equity investment, the Company should recognize the investment income and other comprehensive income separately according to its shares of the net profit or loss and other comprehensive income realized by the investee that should be enjoyed or shared by the Company, and adjust the book amount of the long-term equity investment accordingly. Once the investee declares any cash dividends or profit distributions, the book amount of the equity investment is reduced by the amount attributable to the Company. For other changes in the Company's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income and profit distribution, the book amount of the long-term equity investment should be adjusted and recognized in the owner's equity. The Company confirms the net loss occurring to the investee, within the limit of reducing the carrying amount of long-term equity investment, and other long-term equity substantially forming the net investment of the investee to zero, unless the Company bears obligations to bear the additional losses. After the investee realizes the net profit in the future, the company restores the recognition of the amount of the income that is shared after such amount of income to be shared is used to make up for the amount of loss to be shared that are not recognized. When the Company recognizes its share of the net profit or loss of the investee, it should adjust the net profits of the investee based on the fair value of the various identifiable assets of the investee at the time of obtaining the investment, and the Company should offset the internal transaction profit or loss between the Company and joint ventures and cooperative enterprises, and recognize the investment profit or loss on this basis. For the purpose of Accounting Standards of Enterprise No.8—Assets Impairment, should the loss on internal transaction by and between the Company and invested unit belong to asset depreciation loss, it shall be recognized in full. If the accounting policies and periods adopted by the invested companies are inconsistent with those of the Company, the financial statements of the invested companies are adjusted by adopting the accounting policies and periods of the Company before the profit or loss on investment are recognized.

For the long-term equity investments in associated enterprises and joint ventures that have been held by the Company prior to the first implementation of Accounting Standards for Business Enterprises, the equity investment debit difference relating to the investment shall be amortized according to straight line method for the original remaining period with the amortized amount recorded into current profit or loss.

(3) For disposal of long-term equity investment, the difference between the carrying amount and the

actually acquired payment shall be recognized in current profit or loss. For the disposal of the long-term equity investments which are calculated with equity method and recognized in the owner equity due to the changes in owner equity other than the net profit or loss of the investee, the part initially recognized in the owner equity shall be carried over to current income and losses in corresponding proportion, except for other comprehensive income arising from the remeasurement of the defined benefit plan net liabilities or net assets changes by the investee.

(XXI) Investment property

Investment property refers to the real estate held for generating rent and/or capital appreciation. It mainly includes leased land use rights, land use rights held and to be transferred after appreciation, and leased buildings. When the initial measurement of the investment property of the Company is calculated based on actual expenditures of purchasing and establishing, the subsequent measurement of rental income and value increment of investment property as well as investment properties is calculated by cost model.

The Company adopts the cost model for subsequent measurement of investment property at the balance sheet date. Under the cost model, the Company measures the investment real estate and makes accrual of depreciation or amortization in accordance with the provisions of (XVIII) Fixed Assets and Depreciation and (XXII) Intangible Assets of the accounting policies. An investment property shall be recognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. When the Company sells, transfers, or revokes the investment real estate or when the investment real estate is damaged, the amount of disposal income after its carrying amounts and related taxes and fees are deducted should be recognized in the current profit or loss.

Estimated service life, net residual value rate and annual depreciation (amortization) rate of investment real estate are represented as follows:

Type	Estimated service life (year)	Estimated rate of net residual value	Annual depreciation (amortization) rate
Land use rights	40-50	0%	2.00%-2.50%
Houses and buildings	5-50	0%、3%、5%	2.38%-20.00%

(XXII) Fixed assets

1. Recognition condition of fixed assets

Fixed assets refer to tangible assets holding for manufacturing commodity, providing labor service, renting or operating management with service lives of over one fiscal year.

2. Depreciation

Type	Depreciation period (year)	Residual value rate	Annual depreciation rate
Houses and buildings	5-45	0、3%、5%	2.11%-20%
Machinery and equipment	4-22	3%、5%	4.32%-24.25%
Transportation equipment, and electronic equipment	3.5-13	3%、5%	7.31%-27.71%
Other equipment	3-17	3%、5%	5.59%-32.33%

The company reexamines the service life of fixed assets, expected net residual value and depreciation method at the end of the year.

(XXIII) Construction in progress

Construction in progress is accounted based on actual cost. The loan interest expense and foreign currency translation balance incurred for the construction project should be capitalized or recognized in the current profit or loss according to the relevant provisions of the "Accounting Standards for Enterprises No. 17 - Borrowing Costs". The construction in progress s, of which the fixed assets reach to the predicted condition for use, shall carry forward to fixed assets on schedule, regardless of whether the project's final accounts is audited or not, the construction in progress shall adjust the original valuation value after auditing the final accounts.

(XXIV) Borrowing cost

1. Recognition principle of borrowing costs capitalization

Borrowing costs consist of interests, the discounts or premium to be amortized together with auxiliary expenses associated with loans, supplemented by exchange difference arising from loans nominated in foreign currencies. Borrowing cost incurred directly attributable to the acquisition, and construction or production of a qualifying asset are capitalized as part of the cost of the asset. Other borrowing costs are recognized as expenses and recorded in the profit or loss of the current period when incurred.

Assets conforming to capitalization conditions include the fixed assets, investment property and inventories which can achieve the planned serviceable condition or marketable condition after a very long period of acquisition and construction or production activities.

The borrowing cost begins capitalization when they meet the following conditions simultaneously:

(1) Asset expenditure has been generated. It includes expenditures that are occurred by cash payment, transfer of non-cash assets or assumption of interest-bearing debts arising from assets purchased and constructed or produced conforming to the capitalization conditions;

(2) Borrowing cost has incurred;

(3) The purchase and construction activities needed for the asset to reach the usable or sellable state as expected have begun.

2. Capitalization period of the borrowing costs

The borrowing costs for the purpose of assets purchase or the production of assets, if in compliance with the capitalization conditions, and arising before the assets to be purchased or produced with the borrowing costs are up to the expected state for use or sale, are stated in the costs of the assets accordingly; if the purchase, construction or production suffer abnormal disruption for more than 3 consecutive months, the capitalization of borrowing costs would be suspended; the borrowing costs occurred in the disruption period are regarded as period charges are stated in current profit or loss until the purchase and construction or production activity of the asset restart. When the asset is up to its state for use or sale, the capitalization shall be terminated. Borrowing costs incurred after the assets conforming to the capitalization conditions reaches the intended usable or marketable state are charged into current profit or loss.

3. The calculation of capitalization amount of borrowing costs

During the capitalization period, the capitalization amount of the interest of each accounting period (including amortization of discounts or premiums) is determined in accordance with the following provisions:

(1) In the case of loan specially borrowed for the acquisition and construction or production of assets conforming to capitalization conditions, the capitalized amount is equal to actual interests of the loan specially borrowed minus the interest income of the borrowed capital that has not been used in the bank deposit or the revenue from temporary investment from the actual interests incurred in the current period of specially borrowed capital.

(2) In the case of utilizing general loan for acquisition and construction or production activities of assets conforming to capitalization conditions, the interest amount of general loan needs to be capitalized is calculated by multiplying the weighted average of the part of aggregate assets expenditure in excess of the special loan expenditure of assets by the capitalization rate of utilized general loan.

(XXV) Biological assets

Biological assets are classified into consumptive biological assets, productive biological assets and biological assets for commonweal. The Company's biological assets refer to the productive biological assets forest deer.

1. Consumptive biological assets

(1) Measurement of consumptive biological assets

The consumptive biological assets shall be initially measured at cost. The cost of a purchased biological asset consists of the purchase price, relevant taxes, freight, insurance premium and other expenses that may be directly attributable to the purchase of this asset. The cost of consumptive biological assets such as self-cultivating forest consists of the necessary expenses before closing for forestation, forest tending, forest operating facilities, testing of good species, investigation and design, borrowing costs, indirect apportionment, etc. Subsequent expenditures for replanting forest biological assets due to selective cutting, intermediate cutting or tending cutting should be recognized in the cost of forest biological assets. The necessary expenses such as management and maintenance expenses and borrowing costs incurred for consumptive forest biological assets after closing should be recognized in the current profit or loss. The borrowing costs incurred for consumptive forest biological assets should cease to be capitalized at closing.

(2) Impairment of consumptive biological assets

At the end of the year, the consumptive biological assets should be inspected and the provision for depreciation should be made and recognized in the current profit or loss according to the difference between the net realizable value and the carrying amounts. If the influencing factors of the impairment of consumptive biological assets not existed, the impairment that has been made should be recovered, and the amount recovered should be recognized in the current profit or loss.

(3) Harvest and disposal of consumptive biological assets

When harvesting or selling consumptive biological assets, the cost should be carried forward according to their carrying amounts. The method of carrying forward the cost should be the weighted average method or the specific identification method. The agricultural products after harvest should be processed with the inventory accounting method.

2. Productive biological assets

The initial measurement shall be made to the productive biological assets at its cost. The cost of self-cultivating or self-breeding productive biological assets is the necessary expenditures that can be directly attributable to the asset incurred before the asset reaches its intended production and operation purpose, including borrowing costs that meet the conditions for capitalization.

The subsequent expenses for the management and protection or for the breeding of a productive biological asset after canopy closure of after the accomplishment of the expected objective of production and operation shall be recognized in the current profits and losses.

The balance of the disposal income from the sale, inventory loss, death or damage of productive biological assets after deducting its book value and relevant taxes is recognized in the current profit and loss

(1) Estimated residual value, depreciation period, and depreciation method of productive biological assets

Type	Estimated residual value rate	Depreciation years	Annual depreciation rate	Depreciation
Forest musk deer	0%	10 years	10%	Straight-line method
Trees	0%	10 years	10%	Straight-line method

(2) The Company rechecks the service life, expected net residual value and depreciation method of productive biological assets at the end of each year. If the estimated service life differs from the original estimated service life, the service life of the productive biological assets should be adjusted; if the estimated net residual value differs from the original estimated one, the estimated net residual value should be adjusted; if there is a significant change in the expected realization method of the economic benefits related to the productive biological assets, the depreciation method of productive biological assets should be changed.

3. Biological assets for commonweal are not amortized or depreciated.

(XXVII) Right-of-use asset

On the commencement date of the lease term, the Company, as the lessee, recognizes the right to use the leased asset during the lease term as a right-of-use asset, except for short-term leases and leases of low-value assets.

1. Measurement of the right-of-use asset

Right-of-use assets are initially measured at cost, the cost comprises:

(1) the amount of the initial measurement of the lease liability

(2) any lease payments made at or before the commencement date, less any lease incentives received;

(3) any initial direct costs incurred

(4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

2. Depreciation method and impairment of right-of-use assets

(1) The company adopts the cost model for subsequent measurement of right-of-use assets.

(2) The Company uses the straight-line method to charge depreciation for various right-of-use assets.

If the Company can reasonably determine that it will obtain the ownership of the leased asset by the end of the lease term, the Company shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the right-of-use asset is impaired, the Company conducts subsequent depreciation according to the book value of the right-of-use asset after deducting the impairment loss.

(3) After the commencement date, the Company shall remeasure the lease liability to reflect changes to the lease payments. The Company shall recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company shall recognize any remaining amount of the remeasurement in profit or loss.

(4) For impairment of right-of-use assets, please refer to Note XXVIII Long-term asset impairment

(XXVII) Intangible Assets

1.Valuation method, service life and impairment test of intangible assets

Intangible assets are measured by actual cost. The cost of a purchased asset consists of purchase price, associated taxes and other expenses used for bringing the asset to its expected state for use. If the payment for an intangible asset is delayed beyond the normal credit conditions and is of financing nature in effect, the cost of the intangible asset is the present value of the purchase price. The cost input by the investors in intangible assets shall be determined in accordance with the value stipulated in the investment contract or agreement. And in case of the contract or agreement stipulates that the value is not fair, it shall be recognized as the fair value of intangible assets. For the intangible assets obtained through the exchange of non-monetary assets, its initial investment cost is determined in accordance with Accounting Standards for Business Enterprises No. 7 – Exchange of Non-monetary Assets. For the intangible assets obtained through debt restructuring, the initial investment cost is determined in accordance with "Accounting Standards for Business Enterprises No. 12 - Debt Restructuring". The entry value of intangible asset acquired in business combinations under common control shall be recognized based on the fair value of the merged; the entry value of intangible asset acquired by business combinations not under common control shall be recognized based on the fair value.

The Company shall analyze and assess the useful life of an intangible asset on its acquisition. For intangible assets with limited service life, the straight-line equal amortization installment method shall be adopted from the day the intangible assets are available for use to the day they are not confirmed as intangible asset. For the intangible assets of which the service lives are uncertain, no amortization is required.

Amortization method for the Company's intangible assets with limited service lives:

Type	Estimated service life (year)	Amortization method
Patent right	10-20	Straight-line method
Land use rights	40-50	Straight-line method
Computer software, etc.	2-10	Straight-line method

The Company verifies the service life and depreciation rates of the intangible assets at the end of each year. Amortization period and method shall be changed if the service life and amortization method for intangible assets is different from previous estimates. Service life of intangible assets with unconfirmed service life shall be reviewed in each fiscal period. If there is evidence indicating that the service life is limited, the treatment is conducted in accordance with regulations above with the limited service life estimated.

For the impairment test method and calculation method for impairment provision of intangible assets, please refer to Note III (XXIII) "Long-term assets impairment".

2. Accounting policies for the expenditure of internal research and development

The expenditures of the Company in the internal research and development projects are divided into the expenditures in the research stage and the expenditures in the development stage.

Expenditures in the research stage shall be recognized in current profit or loss when incurred.

Expenditures spent on the development stage shall be capitalized when meeting the following conditions at the same time: The intangible assets are accomplished to have technical practicality in use and sale; the goal is to complete, use or sell the intangible assets; there are ways for intangible assets to generate economic profits, including the markets proving the existence of products produced with intangible assets and the market proving the existence of intangible asset; when the intangible assets are used internally, the usability of such intangible assets can be proved; there are enough resources of technique, finance and other resources supporting to accomplish the development of intangible assets, and such intangible assets can be used or sold; and the expense incurred in the development period of intangible assets can reliably be measured. Expenditures in the development stages which do not meet the conditions above shall be recognized in the profit or loss of the current period.

Once the above conditions were satisfied, the R&D program will be examined in the way of technical and economic practicality research and formed as an established program and then moved into the development stage.

Capitalized expense in the development stage is listed as development expense in the balance sheet, and then is turned into intangible assets on the date when this project is to reach the intended usable state.

(XXVIII) Long-term asset impairment

Impairment test shall be made for long-term assets such as the long-term equity investments, investment-based property calculated at cost model, fixed assets, construction in process, intangible assets, right of use asset with indication for depreciation on balance sheet date. If result of impairment test indicates that the recoverable amount of asset is lower than its carrying amounts, then the difference between them shall be accrued for impairment provision and recognized in impairment loss. Recoverable amount is the higher value between the net amount in which the disposing expense is deducted from the fair value of asset and the current value of the estimated cash flow in the future. Provision for impairment of the assets shall be calculated and recognized on a single asset basis, and if the recoverable amounts of a single asset cannot be estimated, it is allowed to estimate the recoverable amount of the asset group to which the said asset belongs. Asset group is the minimum asset portfolio that can generate cash inflow independently.

Goodwill is subject to impairment test at the end of each year at least. The Company carries out impairment test on goodwill. Its carrying amounts due to business combinations shall be allocated to correlative asset group by a rational way since the date of purchase. And for the part which is difficult to allocate to related asset group, it shall be allocated to relevant asset group combination. When allocating the carrying amount of goodwill to relevant asset group or portfolio, the proportion of fair value of each asset group or portfolio in total fair value of relevant asset groups or portfolios is used for allocation. In case it is difficult to reliably measure the fair value, then the proportion of carrying amounts of each asset group or portfolio in total carrying amounts of relevant asset groups or portfolios is used for allocation. When any sign of impairment to asset group or asset group combination related to goodwill is found in test, the Company shall firstly examine impairment of the ones not including goodwill, and then calculate recoverable amount to finally determine correlative impairment loss. Where impairment test is conducted to asset group or asset group portfolio including goodwill, compare the carrying amount of these relevant asset group or asset group portfolio (including the carrying amounts of amortized goodwill) with its recoverable amount, if the carrying amounts of these relevant asset group or asset group portfolio is lower than its carrying amounts, determine the goodwill impairment loss.

Once the above statement of the impairment loss is confirmed, it shall not be reversed in the later accounting sessions.

(XXIX) Long-term deferred expenses

Long-term prepaid expenses refer to various costs that have occurred to the Company, and are amortized in the current and future periods exceeding one year, including improvement expenses of fixed assets leased for operation and the like. Long-term deferred expenses will be amortized evenly during benefit period of related projects.

Items	Amortization method	Age limit of amortization
Expenses of improvement of leased fixed assets in operation	Straight-line method	Benefit period

(XXX) Contract liabilities

Contract liabilities reflect the company's obligation to transfer goods to customers for consideration received or receivable from customers, before the company transfers the goods to the customer, the customer has paid the contract consideration or the company has obtained the right to unconditionally receive the contract consideration, when the actual payment by the customer is earlier than the payment due, the contract liability shall be confirmed according to the amount received or receivable.

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

(XXXI) Employee remuneration

Employee benefits refer to compensations and other expenditures in any form paid by the Company as a consideration for the services provided by its staff or for employment termination. Welfare which is provided for partner, children and dependents of employees, families of late employees and other beneficiaries by the Enterprise is also recognized in employee remuneration. Employee benefits mainly include short-term benefits, post-employment benefits, termination benefits and other long-term benefits.

1. Accounting methods for short-term remuneration

Short-term remuneration refers to the compensation that shall be paid to the employee after the total completion of the related service annual reporting period of the twelve months, the post-employment benefits and dismiss welfare are excluded. The employee short-term remuneration payable is recognized as liabilities during the fiscal period within the employment period, and is charged to the relevant asset costs and expenses of those served by such employees:

2. Accounting methods for post-employment benefits

Post-employment benefits refers that the Company provides various forms of compensation and welfare, excluding short-term remuneration and termination benefits to the employees, which benefits employees when they are retired or after the employment termination, Post-employment benefits includes defined contribution plan and defined benefit plan. Wherein, a defined contribution plan refers to a post-employment benefit plan for which the Company bears no obligation on further payments after depositing fixed amounts into an independent foundation; and a defined benefit plan refers to any post-employment benefit plan other than the defined contribution plan.

(1) Defined contribution plans

Defined contribution plans include the basic pension insurance, unemployment insurance, and corporation pension plan. During the accounting period when employees are serving the Company, the calculated amount payable according to the locally specified payment base and proportion shall be recognized as liabilities and recognized in current profit or loss or related asset costs.

(2) Defined benefit plans

The welfare obligation of the defined benefit plan calculated with the formulas in the estimated accumulative welfare unit method shall be recognized in current profit or loss or related asset costs when the employees serve the Company. The employee payroll cost incurred by the Company's defined benefit plans include the following components:

A. Service costs, including current service costs, previous service costs, and profit or loss from settlement. Among them, the current service cost refers to the increase in the present value of the defined benefit plan obligation caused by the employee's current service; the previous service cost refers to the increase or decrease in the present value of the defined benefit plan obligation related to the employee's previous service caused by the modification of defined benefit plans.

B. Net interest on the net liabilities or net assets of the defined benefit plan, including the interest income of the plan assets, the interest expense of the obligations under the defined benefit plan, and the interest affected by the asset limit.

C. Re-measurement of changes in net liabilities or net assets in defined benefit plan.

Unless other accounting standards require or allow the welfare costs of employees to be recognized in the cost of assets, the Company should include items A and B above in the current profit or loss, and include item C in other comprehensive income which will not be transferred back to profit or loss in subsequent accounting periods, but the amount recognized in other comprehensive income can be transferred within the scope of interest.

3. Accounting methods for termination welfare

Termination welfare refers to the company's compensation to the employee when the company terminates the labor relations with an employee prior to the expiration of labor contract, or for encouraging the employee to accept job cut willingly. When the Company terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognized with a corresponding expense in profit or loss at the earlier of the following dates: When the Company cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal; when the Company has a formal detailed restructuring plan involving the payment of termination benefits.

4. Accounting methods for welfare for other long-term employees

Other long-term employee benefits refer to all the other employee benefits beside short-term remuneration, post-employment benefits and dismiss welfare, including long-term compensated absence, long-term disability benefit and long-term profit sharing plan, etc. When the company offers other long-term benefits to employees, benefits conforming to the defined contribution plan are treated as per the accounting policies of the above mentioned defined contribution plan. As to long-term benefits other than the above, net liabilities or net assets of other long-term employee benefits are recognized and measured as per the stipulations of the defined benefit plans. At the end of the reporting period, the welfare of the long-term benefits to employees is considered as within the service period of the employees, and shall be calculated in current profit or loss or related asset costs.

(XXXII) Lease liability

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets.

When calculating the present value of lease payments, the Company determines the discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the Company's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Company remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the actual fixed payment

- there is a change in the amounts expected to be payable under a residual value guarantee; - there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;

- there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

(XXXIII) Estimated liability

If obligation of the company related to contingencies occurs and complies with the following conditions simultaneously, the company shall recognize it as liability: (1) The obligation is the current obligation assumed by the Company; (2) the performance of the obligation is likely to cause the outflow of the economic benefits; (3) the amount of the obligation can be measured reliably.

When the payment to clear off estimated liability is expected to be paid entirely or partially by the third or some other party, the amount of compensation is recognized separately as asset when it is basically confirmed to be received. The recognized compensation amount shall be lower than the carrying amounts of the estimated liability. The estimated liabilities shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of relevant current obligations and full consideration of the risks, uncertainty, time value of money and other factors pertinent to the contingencies shall be taken into. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash.

The company shall check the carrying amounts of estimated liabilities at balance sheet date. In case that concrete evidence shows that the carrying amounts fails to authentically reflect current optimum estimation, the carrying amounts shall be adjusted according to the current optimum estimation.

(XXXIV) Share-based payment

1. Types of share-based payment

Share-based payment is divided into share-based payment settled by cash and share-based payment settled by equity.

Share-based payment settled by equity is measured at the fair value of the equity instruments granted to the employees. Share-based payment of which the right can be exercised immediately after the grant, shall be recognized in relevant costs and expenses as fair value of equity instruments, on the grant date. And the capital reserves shall be increased accordingly. As for share-based payment of which the right cannot be exercised until services of the waiting period are fulfilled or prescribed performance conditions are achieved, services obtained in the current period shall be recognized in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the grant date, based on the best estimate of the number of vested equity instruments, on every balance sheet date of the waiting period. After exercise date, relevant cost or expense and total owners' equities, which have been confirmed, should not be adjusted.

Share-based payment settled by cash is computed by the fair value of liabilities undertaken by the Company that are calculated by share or other equity instruments. For the settled share-based payment of which the right can be exercised immediately after the grant, the fair value of liabilities undertaken by the company will be recognized in relevant costs and expenses on the grant date and the liabilities shall be increased accordingly. As to share-based payment settled by cash, if the right cannot be exercised until services of the vesting period are fulfilled or prescribed performance conditions are achieved, services obtained in the current period shall be recognized in costs and expenses and corresponding liabilities based on the best estimate of vesting conditions on every balance sheet date of the vesting period according to the amount of fair value of liabilities undertaken by the Company. Until the liability is settled, the enterprise shall remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recognized in profit or loss for the current period.

2. Accounting for implementing, modifying and terminating share-based payment plans

Regardless of any modifications on the terms and conditions of the granted equity instruments, or even if the granting of equity instruments is cancelled or the equity instruments are settled, the company shall at least confirm to measure the relevant service according to the fair value of the granted equity instruments on the grant date, unless the vesting is not available due to the unfulfilled vesting conditions (market conditions excluded).

If the company cancels the granted equity instruments within the waiting period or settles the granted equity instruments (except the cancellation due to the unfulfilled vesting conditions), the following measures shall be taken:

(1) The cancellation or settlement shall be considered as the accelerated vesting, immediately recognizing the amount to be recognized during the remaining waiting period.

(2) All the payments to the employees at the cancellation or settlement shall be treated as redemption of equity. The amount paid for redemption that is above the fair value of the equity instruments on the redemption date shall be calculated into current expenses.

(3) On condition that new equity instrument proves to be a substitution of the cancelled equity on the date of its conferring to a staff, the company shall dispose the substitution equity instrument in the same ways as disposing the modification of the terms and conditions of the original equity instrument.

(XXXV) Preferred stocks, permanent debts and other financial instruments

The initial recognition and measurement of financial instruments issued by the company are conducted in accordance with financial instrument standards and the differentiation of financial liabilities and equity instruments as well as relevant accounting regulations. Then, based on the classification of the financial instrument issued, the company determines the accounting treatment of interest expenditure, dividend distribution and other aspects of the instrument. As to the financial instrument classified as equity instrument, the interest expenditure and dividend distribution are treated as the profit distribution of issuing enterprise, and the repurchase and cancel will be treated as the changes of rights and interests. As to the financial instrument classified as financial liability, the interest expenditure and dividend distribution are treated as borrowing costs in principle, and the profit or loss attributable to repurchase or redemption are recognized in the current profit or loss.

In case of the issuance of financial instrument, the handling charges, commission and other transaction costs shall be recognized in the initial measurement amount of the instrument issued if the instrument is classified as debt instrument and measured according to amortized cost, or they shall be deducted from equity if classified as equity instrument.

(XXXVI) Revenue

Accounting Policies Used for Recognition and Measurement of Revenue

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Revenue is recognized when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers. Obtaining control over a related commodity means being able to dominate the use of the commodity and obtain almost all economic benefits from it, and it also includes the ability to prevent other parties from dominating the use of the commodity and obtain almost all economic benefits from it.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Company recognizes the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Group recognizes the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortized using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. To determine the transaction price for contracts in which a customer promises consideration in a form other than cash, the Group measures the non-cash consideration at fair value. If the Group cannot reasonably estimate the fair value of the non-cash consideration, the Group measures the consideration indirectly by reference to the stand-alone selling price of the goods or services promised to the customer in exchange for the consideration.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognizes as revenue the amount of the transaction price that is allocated to each performance obligation. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group considers all information that is reasonably available to the entity, maximizes the use of observable inputs to estimate the stand-alone selling price.

The Company satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time: - the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; - the customer can control the asset created or enhanced during the Group's performance; or - the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Company recognizes revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Company considers the following indicators:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods to the customer;

- the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and

- the customer has accepted the goods or services.

Specific method for income recognition of the Company:

(1) In the case of domestic sales, after the goods have been sent, and the relevant payment or the receipt has been received, the Company recognizes the income;

(2) In the case of export sales, after the goods have been declared and exported, and the relevant payment or the receipt has been received, the Company recognizes the income;

(3) The specific recognition method of the sales revenue of goods obtained by the listed company of the Company during the reporting period

A. Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.

In the case of domestic sales, the company delivers the goods to the designated carrier or buyer according to the contract, order or customary trading habit, relevant payment for goods has been received or the consideration that is entitled to obtain due to the transfer of goods is likely to be recovered, and the realization of income from sales of goods shall be confirmed at this point in time; The credit period granted to customers by the Company is consistent with industry practice, and there is no significant financing component.

In the case of export sales, the company is classified according to the delivery mode stipulated in the contract. If the goods are exported according to the customs declaration of the goods under the delivery mode of destination, the income will be recognized after the goods are delivered to the designated destination of the customer and the receipt is confirmed; If the trade form of FOB is adopted, the income of the goods will be recognized after the export declaration.

B. Fujian Longxi Bearing (Group) Co., Ltd.

The main products sold by the company are bearing products, auto parts, steel, etc., which belong to the performance obligations at a certain point in time. The company's product sales revenue is divided into two parts: domestic sales and foreign sales. The specific criteria are:

① For domestic sales, according to the contract signed with the customer, the Group delivers the goods that meet the quality requirements at the designated location. After the customer signs for receipt, the payment has been received or the right to receive payment has been obtained and the relevant economic benefits are likely to flow in;

② Foreign sales: The export goods have completed the customs declaration procedures and obtained the customs declaration form, the payment has been collected or the right to receive payment has been obtained, and the relevant economic benefits are likely to flow in.

(XXXVII) Contract cost

The contract cost accounting policy is applicable to subsidiaries Longxi Bearing and Pien Tze Huang that have implemented the new revenue standards.

Contract costs include incremental costs incurred in obtaining contracts and contract performance costs.

The incremental cost incurred to obtain the contract refers to the cost (such as sales commission, etc.)

that the company would not incur without obtaining the contract. If the cost is expected to be recovered, the company will recognize it as an asset as a contract acquisition cost. The company's expenses incurred to obtain the contract, other than the incremental cost that is expected to be recovered, are recognized in the current profits and losses when they occur.

If the cost incurred in fulfilling the contract does not apply to the scope of regulations of relevant standards such as inventory, fixed assets or intangible assets, and the following conditions are met at the same time, the company will recognize it as the contract performance cost as an asset:

(1) The costs directly relate to an existing contract or to an anticipated contract, including direct labor, direct materials, allocation of overhead (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred solely due to the contract,

(2) The costs generate of enhance resources of the Company that will be used in satisfying performance obligations in the future,

(3) The costs are expected to be recovered.

Assets recognized for the incremental costs of obtaining a contract and assets recognized for the costs to fulfill a contract (the "assets related to contract costs") are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognized in profit and loss for the current period.

The Company recognizes an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

(1) Remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates, less

(2) The costs that relate directly to providing those goods or services that have not yet been recognized as expenses.

If the impairment factors of the previous period change later, so that the difference of (1) minus (2) is higher than the book value of the asset, the original provision for asset depreciation shall be reversed and included in the current profit and loss, however, the book value of the asset after the reversal shall not exceed the book value of the asset on the reversal date under the assumption that no impairment provision is made.

(XXXVIII) Government subsidies

1. Types of government subsidies

Government subsidy refers to monetary assets or non-monetary assets acquired without any charge from the government, including the government subsidies related to assets and incomes.

Government grants related to assets are grants whose primary condition is that the Company qualifying for them should purchase, construct or otherwise acquire long-term assets.

Government grants related to income are grants other than those related to assets.

2. Recognition principle and recognition time point for government subsidies

Recognition principle of government subsidy:

(1) The Company can meet the attached requirements for government subsidy;

(2) The Company subsidy can receive the government subsidy.

Government subsidies can be recognized only when they meet the above conditions.

3. Measurement of government subsidies

(1) If government subsidy is monetary assets, it shall be calculated according to the received or receivable amount.

(2) If the government subsidy is non-monetary assets, it shall be measured at the fair value; if the fair value fails to be obtained reliably, it shall be calculated according to nominal amount (RMB 1).

4. Accounting method for government subsidies

(1) Asset-related government subsidies should offset the carrying amounts of related assets or be recognized as deferred incomes when obtained. The subsidies recognized as deferred incomes should be reasonably and systematically recorded in profit or loss within the useful life of related assets. Government subsidies measured at nominal amount will be recognized in current profit or loss directly.

(2) Government subsidy related to benefits is dealt with according to different situations:

A. If used to make up for the Company's future expenses or losses, they should be recognized as deferred incomes when obtained and recognized in current profit or loss or used to offset relevant costs in the period when relevant expenses or losses are recognized:

B. If used to make up for the Company's expenses or losses already incurred, they should be directly recognized in current profit or loss when obtained or used to offset relevant costs.

(3) Government subsidies containing both asset-related and income-related parts should be separately accounted for if they can be distinguished; if it is hard to distinguish between them, they should be classified as income-related government subsidies as a whole.

(4) The government subsidies related to the Company's daily operation should be recognized in other incomes or used to offset relevant cost expenses based on their substance of transactions. The government grants irrelevant to the Company's daily activities should be recognized in non-operating revenues and expenditures. If the finance discount is directly allocated to the Company, the Company should use the corresponding discount to offset relevant borrowing costs.

(5) If it is necessary to refund any government subsidy which has been recognized, it shall be treated respectively in accordance with the circumstances as follows:

A. If it is recorded to assets during initial recognition, the book balance of the related assets shall be offset against;

B. If there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses;

C. In other circumstances, it shall be directly included in the current profit and loss.

(XXXIX) Deferred income tax assets and deferred income tax liabilities

When the Company obtains assets or liabilities, it determines the tax base. In case of temporary discrepancy between carrying amount of a liability or an asset and its tax base, deferred tax assets or liabilities are recognized as stated.

1. Recognition of deferred tax assets

(1) Recognition of deferred tax assets shall be subject to taxable income possibly obtained by the Company for deduction of deductible temporary differences, deductible losses and tax deductions. However, deferred tax assets incurred from the initial recognition of assets or liabilities are not recognized as follows: (i) the transaction is not business combination; (ii) when it occurs, neither accounting profits nor

taxable incomes or deductible losses are affected.

(2) Where the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint enterprises meet the following requirements simultaneously, the Companies shall recognize the corresponding deferred tax assets: (I) temporary differences are likely to be reversed in the foreseeable future; (ii) it is likely to gain offset deductible temporary differences in the amount of taxable income in the future.

(3)As for any deductible loss or tax deduction that can be carried forward to the next year according to tax law stipulations, they will be treated as deductible temporary differences, and the corresponding deferred tax assets shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

2. Recognition of deferred tax liabilities

(1) Except the deferred tax liabilities incurred from the following transactions, the company shall recognize all the deferred tax liabilities incurred by the temporary difference of payable tax. (I) Initial recognition of goodwill; (ii) the initial recognition of assets or liabilities incurred in the transactions meets the following characteristics: the transaction is not business combination; when it occurs, neither accounting profits nor taxable incomes (or deductible losses) are affected.

(2) Company shall confirm the according deferred income tax liabilities as for the temporary difference of payable taxes related to investment of subsidiaries, affiliated companies and joint ventures. However, what has been mentioned in the above is not applicable to the following condition: (i) the investment company can control the time of reversal of temporary difference; (ii) and the temporary difference is unlikely to be reversed in the expected future.

(XL) Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

1. Recognition of lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is a lease or contains a lease.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(1) The contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;

(2) The lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;

(3) The lessee has the right to direct the use of the asset.

2. Separation and combination of leases

For a contract that contains more separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately.

The right to use the identified asset constitutes a separate lease in the contract if both of the following conditions are met:

(1) The lessee obtains profit from using the asset alone or in combination with other resources that are readily available;

(2) The asset is not highly dependent or highly correlated with other assets in the contract.

3. As a lessee

(1) The right-of-use asset

For the determination method and accounting treatment of right-of-use assets, please refer to accounting policy described in Note XXVI.

(2) Lease liability

For the determination method and accounting treatment of right-of-use assets, please refer to accounting policy described in Note XXVI.

(3) Lease term

The Company determines the lease term as the non-cancellable period of a lease, together with both:

(a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

(b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Company reassess whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances.

(4) Lease modifications

A lessee shall account for a lease modification as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

(5) Short-term leases and leases of low-value assets

Short-term leases are leases that, on the commencement date of the lease term, have a lease term of not more than 12 months and do not include a purchase option. A low-value asset lease refers to a lease with a lower value when a single leased asset is a brand-new asset. The original lease the Company subleases or expects to sublease the leased assets is not a low-value asset lease.

The Company chooses not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, the relevant lease payments shall be recorded in the current profit and loss or the cost of relevant assets on a straight-line basis during each period of the lease term.

4. As a lessor

On the lease commencement date, the Company classifies the leases into finance leases and operating leases. The leases that have substantially transferred almost all the risks and rewards related to the ownership of leased assets are finance leases, and other leases are operating leases. When the Company acts as a sublease lessor, it classifies the sublease based on the right-of-use asset arising from the original lease.

1) Operating lease

The Company recognizes the lease receipts as rental income on a straight-line basis during each period of the lease term. The initial direct expenses incurred are capitalized and amortized on the same basis as rental income recognition, and are included in the current profit and loss in installments. The variable lease payments obtained by the Company related to operating leases but not included in the lease receipts are recorded in the current profit and loss when actually incurred.

2) Finance lease

On the commencement date of the lease term, the Company recognizes the finance lease receivables for the finance lease and derecognizes the finance lease assets. At the commencement date, the Company recognizes assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease, the net investment is the sum of the unguaranteed residual value and the present value of the lease receipts not yet received on the commencement date of the lease term and discounted at the interest rate implicit in the lease.

The Company calculates and recognizes interest income based on the interest rate implicit in the lease. The variable lease payments obtained by the Company, which are not included in the net lease investment measurement, are included in the current profit and loss when actually incurred. For derecognition and impairment of lease, please refer to accounting policy described in Note X.

5. Sale and leaseback

In accordance with the provisions of the Accounting Standards for Business Enterprises No. 14 - Revenue, the Company evaluates and determines whether the asset transfer in the sale and leaseback transaction is a sale.

1) As a lessee

If the transfer of an asset in a sale-and-leaseback transaction is accounted for as a sale of the asset, the Company shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the seller-lessee shall recognize only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Company shall make the following adjustments to measure the gain or loss relevant to the rights transferred to the lessor at fair value:

(a) any below-market terms shall be accounted for as a prepayment of lease payments; and

(b) any above-market terms shall be accounted for as additional financing provided by the buyer-lessor to the seller-lessee.

If the transfer of assets in a sale-and-leaseback transaction is not accounted for a sale, the Company shall continue to recognize the transferred asset, and shall recognize a financial liability equal to the transfer proceeds.

2) As a lessor

The Company shall account for the purchase of the asset applying applicable Standards, and for the lease applying the lessor accounting requirements in this Standard.

If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the receivables for the lease are not at market rates, the Company shall make the following adjustments to measure the sale proceeds at market price:

(a) any below-market terms shall be accounted for as rent received in advance; and

(b) any above- any above-market terms shall be accounted for as additional financing provided by the Company to the lessee.

If the transfer of assets in a sale-and-leaseback transaction is not accounted for a sale, the Company shall recognize a financial asset equal to the transfer proceeds.

(XLI) Fair value

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company measures related assets or liabilities at fair value, assuming that the orderly transaction of selling assets or transferring liabilities takes place in the main market for the relevant assets or liabilities; if there is no main market, the company assumes that the transaction is conducted in the most favorable market for the relevant assets or liabilities . The main market (or the most favorable market) is the trading market that the company can enter on the measurement day. The company adopts the assumptions used by market participants to maximize their economic benefits when pricing the asset or liability.

For financial assets or financial liabilities in an active market, the Company uses the quoted prices in the active market to determine its fair value. If there is no active market for a financial instrument, the company adopts valuation techniques to determine its fair value.

When non-financial assets are measured at fair value, the ability of market participants to use the asset for the best use to generate economic benefits, or the ability to sell the asset to other market participants who can be used for the best use to generate economic benefits is considered.

The Company adopts valuation techniques that are applicable under current situation and supported by sufficient data and other information to give priority to the use of relevant observable input values. Unallowable values are used if the relevant observable input values are not available or are not practicable.

For assets and liabilities that are measured or disclosed at fair value in financial statements, the fair value level to which they belong based is determine based on the lowest level of input value that is important to the fair value measurement as a whole: the input value of the first level is the unadjusted quoted price of the same asset or liability in the active market that can be obtained on the measurement date; the input value of the second level is the directly or indirectly observable related assets or liabilities other than the input value of the first level The input value of; the third level input value is the unobservable input value of related assets or liabilities.

On each balance sheet date, the company re-evaluates the assets and liabilities that are continuously measured at fair value in the financial statements to determine whether there is a transition between the fair value measurement levels.

(XLII) Safety production cost

Safety production costs and maintenance costs are recorded in the cost of the relevant product or current profit and loss at the time of withdrawal, and also recorded in the "special reserve" account.

If the safety production fee and maintenance fee are used and withdrawn within the specified scope, if it is expense expenditure, it will directly offset the special reserve; If a fixed asset is formed, the safety production fee and maintenance fee shall be recorded in "construction in progress" and recognized as a fixed asset when the safety project is completed and reaches the expected usable state; At the same time, the special reserve is offset according to the cost of forming the fixed asset, and the accumulated depreciation of the same amount is recognized. This fixed asset will no longer be depreciated in future periods.

(XLIII) Other significant accounting policies and accounting estimates

1. Repurchase shares of the Company

The consideration and transaction fees paid by the Company for repurchasing its own equity instruments should reduce the owner's equity.

After submitting to a higher authority for approval according to legal procedures, the Company will reduce the capital by means of repurchasing the shares of the Company, reduce the share capital by the total face value of the canceled shares, and adjust the owner's equity based on the difference between the price paid for the repurchased shares (including the transaction fee) and the face value of the shares. The portion exceeding the total face value is used to offset the capital reserve (share premium), surplus reserve and undistributed profit; the portion below the total face value is used to increase the capital reserve (share premium). When the Company repurchases its own equity instruments, gains or losses should not be recognized.

The Company's shares repurchased should be managed as treasury shares before cancellation or transfer, and all the expenditures for repurchase of the shares should be transferred to the cost of treasury shares, and registration for future reference should be made.

During the transfer of treasury shares, transfer the proportion of the income higher than the cost of treasury shares and increase the capital reserve (share premium); and use the proportion of the income lower than the cost of treasury shares to offset capital reserve (share premium), surplus reserve and retained earnings, in turn.

The treasury shares formed by the Company in repurchasing its common shares should not be recognized in the profit distribution of the Company and should be listed as an allowance item for the owner's equity in the balance sheet.

2. Asset-backed securitization

The Company establishes special purpose entities as the carrier of structured financing, and transfers financial assets to special purpose entities. If the Company can control these special purpose entities, they will be regarded as subsidiaries and recognized in the scope of the Company's consolidated financial statements.

When the Company sells financial assets, it promises that when the transferred financial assets suffer credit losses in the future, the Company will make full compensation. The Company essentially retains almost all the risks and returns of the ownership of the financial assets. The Company has not terminated the recognition of the sold financial assets.

The funds raised by asset securitization are recognized in special payables, and the asset securitization financing expenses (including financial advisory fees, bank guarantee fees, etc.) are recognized in the current financial expenses. The difference between the right to earnings and the actually raised entrusted funds is recognized in long-term unamortized expenses. The amortization of the projects implemented under securitization within the duration is recognized in financial expenses.

3. Hedge accounting

The hedge accounting method refers to the method of including the results of offset between the changes in the fair value of the hedging instrument and the changes in the fair value of the hedged item into the current profit or loss in the same accounting period.

The hedging instrument refers to the derivative instrument used by the Company to avoid foreign exchange risk, interest rate risk, commodity price risk, stock price risk, credit risk, etc., and is divided into fair value hedge, cash flow hedge and overseas net investment hedge. For the hedging instruments that meet the following conditions, the hedge accounting method is used:

(1) The Company officially designates the relevant hedging relationships between hedging instrument and hedged items and provides official documents recording the hedging relationships, risk management objective and hedging strategy.

(2) Such hedging is expected to bring great effectiveness, and conform to the risk management strategy confirmed by the Company for such hedging relationship originally.

(3) In case of cash flow hedging for expected transaction, such transaction shall likely to happen, and make the Company to face cash flow change risk ultimately affecting the profit or loss.

(4) The effectiveness of hedging shall be reliably calculated.

(5) The Company shall continue to evaluate the effectiveness of such hedging relationship, so as to confirm that the designated hedging relationship enjoys great effectiveness in the period.

If the fair value hedge meets the above conditions, the gains or losses arising from the changes in fair value should be recognized in profit or loss.

If the cash flow hedge meets the above conditions, the portion of the hedge gains or losses related to effective hedges should be recognized in other comprehensive income, and those related to ineffective hedges should be recognized in the current profit or loss. If the hedged item is an expected transaction and the expected transaction causes the Company to subsequently recognize a financial asset or financial liability, the gains or losses previously recognized as other comprehensive income should be transferred in the same period in which the financial asset or financial liability affects the Company's profit or loss, and recognized in the current profit or loss.

If the net investment hedge in an overseas operation meets the above conditions, the Company should deal with it in accordance with the provisions similar to those for cash flow hedge accounting: The part of the gains or losses formed by the hedging instrument related to effective hedges should be directly recognized as the owner's equity and reflected in a separate item. When disposing of an overseas operation, the gains or losses of the hedging instrument reflected in the above-mentioned separate item in the owner's equity should be transferred out and recognized in the current profit or loss.

The portion of the gains or losses formed by hedging instruments related to ineffective hedges should be recognized in the current profit or loss.

For other fair value hedges, cash flow hedges and overseas net investment hedges that do not meet the above conditions, the changes in fair value should be directly recognized in the current profit or loss.

4. Construction contract

The Company recognizes income and contract costs from labor construct by percentage-on-completion when the results of labor contract can be estimated reliably on balanced sheet date.

The results of construction contract can be recognized reliably on the following basis: (i) total contract incomes can be reliably measured; (ii) economic benefits deriving from contracts are very likely to flow into the Company; (iii) actual contract costs can be clearly identified and reliably measured; (iv) the contract completion and costs for contract completion can be reliably recognized.

One the balance sheet date, the Company should recognize as the current contract income the amount which is calculated through multiplying the total contract income by the percentage of completion from which the accumulated recognized revenues in previous accounting periods are then deducted, and recognize as the current cost of contract the amount which is calculated through multiplying the estimated total contract income by the percentage of completion from which the accumulated recognized expenses in previous accounting periods are then deducted;

If the anticipated total contract cost exceeds the total contract income, the anticipated losses are recognized as current expense.

5. Assets transfer with repurchase agreement

Sales with buyback agreements refer to the sales in which the Company agrees to repurchase the same or similar products in the future while selling the goods. The Company determines whether the goods sold meet the income recognition conditions according to the terms of the contract or agreement. If the transactions of sales with buyback agreements are financing transactions, and the main risks and returns of the property in the goods have not been transferred, the income should not be recognized; if the repurchase price is greater than the original selling price, the Company should make provision for interest expenses on schedule during the repurchase period, which should be recognized in the financial expenses.

6. Derivative financial instruments

The derivative financial instruments of the Company are initially measured with the fair value on the date of signing the derivative business contract, and the subsequent measurement shall be conducted with the fair value. A derivative financial instrument with a positive fair value is recognized as an asset, and a derivative financial instrument with a negative fair value is recognized as a liability.

The Company manages the application of derivative financial instruments in accordance with relevant policies and sets out in writing the principles of the application of derivative financial instruments that are consistent with the Company's risk management strategies.

In the subsequent measurement of derivative financial instruments, gains or losses arising from changes in fair value should be recognized in the income statement. For the derivative financial instruments that qualify for hedge accounting, the recognition of any resulting gains or losses depends on the nature of the hedged item. The derivative financial instruments that do not qualify for hedge accounting should be classified as the financial assets and financial liabilities which are measured at fair value and whose changes are recognized in the current profit or loss.

7. Discontinued operation

Discontinued operation refers to the separately identifiable components that have been disposed of or classified as held for sale and meet one of the following conditions:

① The component represents an independent main business or a major business area;

② This component is a part of a related plan that intends to dispose an independent main business or a separate main operation area;

③ This component is a subsidiary acquired exclusively for resale.

(XLIV) Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

Significant changes in accounting policies during the reporting period

Nature, content and reasons for changes in accounting policies	Note（Significantly affected item names and amounts
In March 2017, the Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments (Cai Kuai [2017] No. 7) and Accounting Standards for Business Enterprises No. 23—Transfer of Financial Assets (Cai Kuai [2017] 8) No. 24), Accounting Standards for Business Enterprises No. 24 - Hedge Accounting (Cai Kuai [2017] No. 9), in May 2017, "Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments" (Cai Kuai [2017] No. 14)) (the above four standards are collectively referred to as the "New Financial Instrument Standards"), it also requires non-listed companies implement the Accounting Standards for Business Enterprises from January 1, 2021. The Company started to implement it from the specified date.	For details, please refer to 4. Other instructions (1)
According to the notice issued by the Ministry of Finance on July 5, 2017 on the revision and issuance of "Accounting Standards for Business Enterprises No. 14 - Revenue" (Cai Kuai [2017] No. 22) (hereinafter referred to as the "New Revenue Standards"), it also requires non-listed companies implement the Accounting Standards for Business Enterprises from January 1, 2021. The company started to implement it from the specified date.	For details, please refer to 4. Other instructions (2)
On December 7, 2018, the Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 21 - Leases (Cai Kuai [2018] No. 35) (hereinafter referred to as the "New Lease Standards"), it also requires other companies that implement the Accounting Standards for Business Enterprises to implement the Standard from January 1, 2021. The company started to implement it from the specified date.	For details, please refer to 4. Other instructions (3)
In January 2021, the Ministry of Finance issued the Interpretation No. 14 of Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 1) (hereinafter referred to as "Interpretation No. 14"),it also requires non-listed companies implement the Accounting Standards for Business Enterprises from January 1, 2021. The company started to implement it from the specified date	The Company has implemented the Interpretation since the date of issuance; and the implementation of the Interpretation has not had a significant impact on the Company's financial position and operating results.
In December 2021, the Ministry of Finance issued the Interpretation No. 15 of Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 35) (hereinafter referred to as "Interpretation No. 15"), The contents of "Related Presentation of Centralized Management of Funds" shall come into force on the date of publication. The company started to implement it from the specified date.	The Company has implemented the interpretation since the date of issuance, and the implementation of the Interpretation has not had a significant impact on the Company's financial position and operating results.

2. Significant accounting estimates

No significant changes in accounting estimates occurred in the Company during the reporting period

3. Correction of errors in previous accounting periods: None

4. From 2021, the new revenue standards, the new financial instrument standards, the new lease standards will be implemented for the first time. Interpretation No. 14 will adjust the financial statements related items at the beginning of the year for the first implementation.

Consolidated Balance Sheet

Item	December 31,2020	January 1,2021	Adjustment amount
Current assets:			
Cash and cash equivalents	10,357,608,206.12	10,357,608,206.12	
Settlement reserve funds			
Lent funds			
Financial assets held for trading	567,871,219.96	570,271,862.72	2,400,642.76
Financial assets at fair value through profit or loss (FVTPL)	2,400,642.76		-2,400,642.76
Derivative financial assets			
Notes receivable	433,332,439.05	393,082,439.05	-40,250,000.00
Accounts receivable	957,745,173.23	957,745,173.23	
Receivable financing	74,470,653.79	114,720,653.79	40,250,000.00
Prepayments	1,032,017,370.12	1,031,770,073.24	-247,296.88
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	2,148,286,606.83	384,064,442.30	-1,764,222,164.53
Including: Interest receivable			
Dividends receivable			
Financial assets purchased under resale agreements			
Inventories	4,912,476,657.08	4,912,476,657.08	
Contractual asset			
Assets held-for-sale	1,286,743.36	1,286,743.36	
Non-current assets due within one year		300,000,000.00	300,000,000.00
Other current assets	189,647,960.57	188,620,056.78	-1,027,903.79
Total current assets	20,677,143,672.87	19,211,646,307.67	-1,465,497,365.20
Non-current assets:			
Loans and advances to customers	169,218,972.69	169,218,972.69	
Debt investment		44,902,822,080.19	44,902,822,080.19

Item	December 31,2020	January 1,2021	Adjustment amount
Financial assets available for sale	2,273,160,859.64		-2,273,160,859.64
Other debt investment			
Held-to-maturity investment	43,459,357,864.49		-43,459,357,864.49
Long-term receivables	9,183,000.00	9,183,000.00	
Long-term equity investments	5,911,089,141.33	5,911,089,141.33	
Other equity instrument investment	470,149,988.79	2,743,354,438.84	2,273,204,450.05
Other non-current financial assets:	60,650,458.07	60,650,458.07	
Investment properties	485,352,718.36	485,352,718.36	
Fixed assets	1,821,365,388.17	1,821,365,388.17	
Construction in progress	4,954,056,913.21	4,954,056,913.21	
Productive biological assets	18,306,429.05	18,306,429.05	
Oil and gas assets			
Right-of-use assets		129,079,224.50	129,079,224.50
Intangible assets	1,245,165,190.47	1,245,165,190.47	
Development expenditure			
Goodwill	2,460,540,936.99	2,460,540,936.99	
Long-term deferred expenses	99,454,049.52	99,454,049.52	
Deferred income tax assets	111,670,671.54	111,670,671.54	
Other non-current assets	2,317,557,808.80	2,338,315,757.63	20,757,948.83
Total non-current assets	65,866,280,391.12	67,459,625,370.56	1,593,344,979.44
Total assets	86,543,424,063.99	86,671,271,678.23	127,847,614.24
Current liabilities:			
Short-term borrowings	10,379,843,120.02	8,889,562,665.44	-1,490,280,454.58
Borrowings from central bank			
Borrowed funds			
Financial liabilities held for trading			
Financial liabilities at fair value through profit or loss (FVTPL)			
Derivative financial liabilities			
Notes payable	1,534,720,353.76	1,534,720,353.76	
Accounts payable	958,931,087.04	958,931,087.04	
Receipts in advance	1,173,440,646.56	5,205,255.24	-1,168,235,391.32
Contract Liabilities	322,493,273.67	1,383,059,602.65	1,060,566,328.98
Financial assets sold for repurchase			

Item	December 31,2020	January 1,2021	Adjustment amount
Deposits from customers and interbank			
Receiving from Vicariously Traded Securities			
Receiving from Vicariously Sold Securities			
Employee remunerations payable	162,217,586.58	162,217,586.58	
Taxes payable	358,487,843.45	358,487,843.45	
Other payables	1,327,377,051.97	587,334,219.95	-740,042,832.02
Including: Interest payable			
Dividends payable			
Fees and commissions payable			
Reinsurance accounts receivable			
Liabilities held for sale			
Non-current liabilities due within one year	8,965,034,377.95	9,099,821,195.11	134,786,817.16
Other current liabilities	55,094,542.64	1,678,993,113.18	1,623,898,570.54
Total current liabilities	25,237,639,883.64	24,658,332,922.40	-579,306,961.24
Non-current liabilities:			
Reserve for insurance contract			
Long-term borrowings	7,068,492,329.00	7,018,208,457.79	-50,283,871.21
Bonds payable	21,116,599,079.16	21,767,518,268.34	650,919,189.18
Including: Preferred shares			
Perpetual debts			
Lease liability		106,475,667.10	106,475,667.10
Long-term payables	720,554,462.94	720,554,462.94	
Long-term employee remunerations payable	49,482,962.64	49,482,962.64	
Accrued liabilities	276,037.48	276,037.48	
Deferred income	124,476,345.81	124,476,345.81	
Deferred tax liabilities	427,878,683.16	427,878,683.16	
Other non-current liabilities	58,399,309.22	58,399,309.22	
Total non-current liabilities	29,566,159,209.41	30,273,270,194.48	707,110,985.07
Total liabilities	54,803,799,093.05	54,931,603,116.88	127,804,023.83
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	4,000,000,000.00	4,000,000,000.00	
Other equity instruments	8,961,123,584.88	8,961,123,584.88	
Including: Preferred shares			
Perpetual debts			
Capital reserve	3,576,587,658.28	3,576,587,658.28	

Item	December 31,2020	January 1,2021	Adjustment amount
Less: Treasury shares			
Other comprehensive incomes	582,160,584.37	582,204,174.78	43,590.41
Special reserve	6,106,259.57	6,106,259.57	
Surplus reserve	577,000,925.45	577,000,925.45	
General risk provisions			
Undistributed profit	5,080,174,063.79	5,080,174,063.79	
Total equity attributable to shareholders of the parent	22,783,153,076.34	22,783,196,666.75	43,590.41
Minority interests	8,956,471,894.60	8,956,471,894.60	
Total shareholder' equity	31,739,624,970.94	31,739,668,561.35	43,590.41
Total liabilities and owners' equity	86,543,424,063.99	86,671,271,678.23	127,847,614.24

Other instructions :

(1) The Company has implemented the new financial instrument standard since January 1, 2021, The Company recognized the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application((i.e. January 1, 2021). No adjustment is made to the information of the comparable period, please refer to Note III (（XLIV）) No.4 for the changes in the corresponding financial statement items. According to the new revenue standards, the new financial instrument standards, the new lease standards and Interpretation No.14. The Company adjusted the relevant items in the financial statements at the beginning of the year of the first implementation.

On the date of initial application, the impacts of implementing the new financial instrument standard are as follow:

Items	Applying original financial instrument standard	Applying new financial instrument standard	Amount of impact（On January 1,2021）
Held-to-maturity investment	43,459,357,864.49		-43,459,357,864.49
Financial assets held for trading	567,871,219.96	570,271,862.72	2,400,642.76
Financial assets at fair value through profit or loss (FVTPL)	2,400,642.76		-2,400,642.76
Notes receivable	433,332,439.05	393,082,439.05	-40,250,000.00
Receivable financing	74,470,653.79	114,720,653.79	40,250,000.00
Other receivables	2,148,286,606.83	384,064,442.30	-1,764,222,164.53
Debt investment		44,902,822,080.19	44,902,822,080.19
Financial assets available for sale	2,273,160,859.64		-2,273,160,859.64
Other equity instrument investment	470,149,988.79	2,743,354,438.84	2,273,204,450.05
Non-current assets due within one year		300,000,000.00	300,000,000.00
Other non-current assets	2,317,557,808.80	2,338,315,757.63	20,757,948.83
Short-term borrowings	10,379,843,120.02	8,889,562,665.44	-1,490,280,454.58

Items	Applying original financial instrument standard	Applying new financial instrument standard	Amount of impact (On January 1,2021)
Other payables	1,325,263,751.62	587,334,219.95	-737,929,531.67
Non-current liabilities due within one year	8,988,476,035.03	9,099,821,195.11	111,345,160.08
Other current liabilities	162,763,604.98	1,678,993,113.18	1,516,229,508.20
Long-term borrowings	7,068,492,329.00	7,018,208,457.79	-50,283,871.21

(2) The Company has implemented the new revenue standards since January 1, 2021, The Company recognized the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application((i.e. January 1, 2021). Comparative information has not been restated, please refer to Note III ((XLIV)) No.4 for the changes in the corresponding financial statement items. According to the new revenue standards, the new financial instrument standards, the new lease standards and Interpretation No. 14. The Company adjusted the relevant items in the financial statements at the beginning of the year of the first implementation.

On the date of initial application, the impacts of implementing the new revenue standard are as follow:

Items	Applying original revenue instrument standard	Applying new revenue standard	Amount of impact (On January 1,2021)
Receipts in advance	1,173,440,646.56	5,205,255.24	-1,168,235,391.32
Contract Liabilities	322,493,273.67	1,383,059,602.65	1,060,566,328.98
Other current liabilities	1,571,324,050.84	1,678,993,113.18	107,669,062.34

(3) The Company has implemented new lease standards since January1, 2021, the Company recognized the cumulative effect of initially applying this Standards as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application((i.e. January 1, 2021). Comparative information has not been restated, please refer to Note III ((XLIV)) No.4 for the changes in the corresponding financial statement items. According to the new revenue standards, the new financial instrument standards, the new lease standards and Interpretation No. 14. the Company adjusted the relevant items in the financial statements at the beginning of the year of the first implementation.

According to the new lease standard, for contracts existed before the date of initial application, the Company has elected not to reassess whether a contract is or contains a lease at the date of initial application. For lease contracts in which the company is the lessee, the company chooses to adjust only the cumulative impact of lease contracts that have not yet been completed on January 1, 2021.

The Company adopts simplified treatment for operating leases whose leased assets are low-value assets before the date of initial application or operating leases that will be completed within 12 months, and no right-of-use assets and lease liabilities are recognized. In addition, the Company has adopted the following simplified treatment for operating leases prior to the date of initial application:

A. The Company applied a single discount rate to leases with similar characteristics when measuring lease liabilities, measurement of right-of-use assets excludes initial direct costs.

B. The Company determined the lease term according to the actual implementation or other updates of options before the date of initial application if the contract contains options to extend or terminate the lease;

C. As an alternative to performing an impairment review on right-of –use asset, the Company assesses whether contracts containing leases are onerous contracts prior to the date of initial application, and adjust the right-of-use asset based on the amount of the loss provision recognized in the balance sheet before the date of initial application.

D. The Company accounted for lease modifications before the initial year of application ,according to the final arrangement of the change under new leases standard .

On the date of initial application, the impacts of implementing the new lease standard are as follow:

Item	Applying original lease standard	Applying new lease standard	Amount of impact (On January 1,2021)
Prepayments	1,032,017,370.12	1,031,770,073.24	-247,296.88
Other current assets	189,647,960.57	188,620,056.78	-1,027,903.79
Right-of-use assets		129,079,224.50	129,079,224.50
Other payables	589,447,520.30	587,334,219.95	-2,113,300.35
Non-current liabilities due within one year	9,076,379,538.03	9,099,821,195.11	23,441,657.08
Lease liability		106,475,667.10	106,475,667.10

Balance Sheet of Parent Company

Item	December 31,2020	January 1,2021	Adjustment amount
Current assets:			
Cash and cash equivalents	2,694,426,927.44	2,694,426,927.44	
Settlement reserve funds			
Lent funds			
Financial assets held for trading	5,198,029.71	5,198,029.71	
Financial assets at fair value through profit or loss (FVTPL)			
Derivative financial assets			
Notes receivable	233,140,200.00	192,890,200.00	-40,250,000.00
Accounts receivable			
Receivable financing		40,250,000.00	40,250,000.00
Prepayments	582,063,979.84	582,063,979.84	
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	9,905,701,373.92	8,573,387,034.90	-1,332,314,339.02
Including: Dividends receivable			
Financial assets purchased under resale agreements			

Item	December 31,2020	January 1,2021	Adjustment amount
Inventories	925,686,404.65	925,686,404.65	
Contractual asset			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets			
Total current assets	14,346,216,915.56	13,013,902,576.54	-1,332,314,339.02
Non-current assets:			
Loans and advances to customers			
Debt investment		34,816,652,967.47	34,816,652,967.47
Financial assets available for sale	774,320,714.59		-774,320,714.59
Other debt investment			
Held-to-maturity investment	33,484,338,628.45		-33,484,338,628.45
Long-term receivables	7,150,000.00	7,150,000.00	
Long-term equity investments	13,105,473,721.19	13,105,473,721.19	
Other equity instrument investment		774,320,714.59	774,320,714.59
Other non-current financial assets			
Investment properties	10,972,253.84	10,972,253.84	
Fixed assets	5,990,847.82	5,990,847.82	
Construction in progress	282,879,320.00	282,879,320.00	
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	87,528.10	87,528.10	
Development expenditure			
Long-term deferred expenses	11,248.13	11,248.13	
Deferred income tax assets	31,557.33	31,557.33	
Other non-current assets	1,250,000,000.00	1,250,000,000.00	
Total non-current assets	48,921,255,819.45	50,253,570,158.47	1,332,314,339.02
Total assets	63,267,472,735.01	63,267,472,735.01	
Current liabilities:			
Short-term borrowings	9,426,432,682.60	7,936,152,228.02	-1,490,280,454.58
Borrowings from central bank			
Borrowed funds			
Financial liabilities held for trading			
Financial liability at fair value through profit or loss (FVTPL)			
Derivative financial liabilities			

Item	December 31,2020	January 1,2021	Adjustment amount
Notes payable	1,435,095,983.45	1,435,095,983.45	-
Accounts payable	372,518,027.36	372,518,027.36	-
Receipts in advance	813,840,404.49		-813,840,404.49
Contract Liabilities		720,212,747.34	720,212,747.34
Financial assets sold for repurchase			
Deposits from customers and interbank			
Receiving from Vicariously Traded Securities			
Receiving from Vicariously Sold Securities			
Employee remunerations payable	2,819,621.91	2,819,621.91	
Taxes payable	114,869,271.45	114,869,271.45	
Other payables	2,022,807,737.56	1,285,891,334.70	-736,916,402.86
Including: Dividends payable			
Fees and commissions payable			
Reinsurance Accounts Receivable			
Liabilities held for sale			
Non-current liabilities due within one year	8,930,141,282.89	8,986,702,333.60	56,561,050.71
Other current liabilities		1,609,857,165.35	1,609,857,165.35
Total current liabilities	23,118,525,011.71	22,464,118,713.18	-654,406,298.53
Non-current liabilities:			
Reserve for insurance contract			
Long-term borrowings	1,390,592,329.00	1,394,079,438.35	3,487,109.35
Bonds payable	21,116,599,079.16	21,767,518,268.34	650,919,189.18
Including: Preferred shares			
Perpetual debts			
Lease liability			
Long-term payables	21,219,651.86	21,219,651.86	
Long-term employee remunerations payable			
Accrued liabilities			
Deferred income			
Deferred tax liabilities	103,640,601.46	103,640,601.46	
Other non-current liabilities			
Total non-current liabilities	22,632,051,661.48	23,286,457,960.01	654,406,298.53
Total liabilities	45,750,576,673.19	45,750,576,673.19	-
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	4,000,000,000.00	4,000,000,000.00	
Other equity instruments	8,961,123,584.88	8,961,123,584.88	

Item	December 31,2020	January 1,2021	Adjustment amount
Including: Preferred shares			
Perpetual debts			
Capital reserve	1,737,486,106.77	1,737,486,106.77	
Less: Treasury shares			
Other comprehensive incomes	307,884,377.69	307,884,377.69	
Special reserve	116,098.69	116,098.69	
Surplus reserve	577,000,925.45	577,000,925.45	
General risk provisions			
Undistributed profit	1,933,284,968.34	1,933,284,968.34	
Total shareholder's equity	17,516,896,061.82	17,516,896,061.82	
Total liabilities and owners' equity	63,267,472,735.01	63,267,472,735.01	

Other instructions :

On the date of initial application, the impacts of implementing the new financial instrument standard are as follow:

Items	Applying original financial instrument standard	Applying new financial instrument standard	Amount of impact (On January 1,2021)
Notes payable	233,140,200.00	192,890,200.00	-40,250,000.00
Receivable financing		40,250,000.00	40,250,000.00
Other receivables	9,905,701,373.92	8,573,387,034.90	-1,332,314,339.02
Financial assets available for sale	774,320,714.59		-774,320,714.59
Debt investment		34,816,652,967.47	34,816,652,967.47
Held-to-maturity investment	33,484,338,628.45		-33,484,338,628.45
Other equity instrument investment		774,320,714.59	774,320,714.59
Short-term borrowings	9,426,432,682.60	7,936,152,228.02	-1,490,280,454.58
Other payables	2,022,807,737.56	1,285,891,334.70	-736,916,402.86
Non-current liabilities due within one year	8,930,141,282.89	8,986,702,333.60	56,561,050.71
Other current liabilities		1,516,229,508.20	1,516,229,508.20
Long-term borrowings	1,390,592,329.00	1,394,079,438.35	3,487,109.35
Bonds payable	21,116,599,079.16	21,767,518,268.34	650,919,189.18

On the date of initial application, the impacts of implementing the new revenue standard are as follow:

Items	Applying original revenue instrument standard	Applying new revenue standard	Amount of impact (On January 1,2021)
Receipts in advance	813,840,404.49		-813,840,404.49
Contract Liabilities		720,212,747.34	720,212,747.34
Other current liabilities		93,627,657.15	93,627,657.15

IV. Taxes

(1) Main taxes and tax rates

Taxes	Tax calculation basis	Tax rate
VAT	Value added during the sale of goods or the provision of taxable services	13%、10%、6%、5%、9%、3%
Urban maintenance and construction tax	VAT payable	7%、5%
Education surtax	Turnover tax payable	3%、2%
Housing property tax	House property for private use: 75% of the original value of the house property	1.2%
	House property for leasing: income from rental	12%

(2) Tax rates of enterprise income tax

Subsidiary name	Income tax rate
The Company	25%
Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.	15%、25%（注1）
Zhangzhou Pien Tze Huang Assets Management Co., Ltd.	15%、25%
Fujian Longxi Bearing (Group) Corp. Ltd.	15%、20%、25%（注2）
Zhangzhou State Asset Investment Management Co., Ltd.	25%
Xiamen Xiangjiang Import and Export Co., Ltd.	25%
Zhanghou Investment Group Co., Ltd.	25%
Zhangzhou Jiulongjiang Yuanshan Investment Co., Ltd.	25%
Zhangzhou Jiulongjiang Gulei Development Group Co., Ltd.	25%
Zhangzhou Sinopharm Real Estate Co., Ltd.	25%

Note 1: Since April 1, 2018, Hong Kong has implemented a two-tier profits tax rate, and the profits tax rate for the first 2 million yuan (HK$) of a corporation has been reduced to 8.25%, and subsequent profits will continue to be taxed at 16.50%. Pien Tze Huang Electronic Commerce International Trading (Hong Kong) Co., Ltd., the second-level subsidiary of subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd., applies a profit tax rate of 8.25% in 2020.

Note 2: American Bearing Co., Ltd., a subsidiary of subsidiary Fujian Longxi Bearing (Group) Corp., Ltd., is registered in Delaware and its income tax rate is implemented in accordance with local taxation regulations.

(3) Tax preference

1) The high-tech enterprise review of subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. has been approved, with the High-tech Enterprise Certificate issued on December 1, 2020 (Certificate No.: GR202035000548), valid for three years. The Company will pay the enterprise income tax at a preferential rate of 15% from 2020 to 2022 in accordance with the Enterprise Income Tax Law of the People's Republic

of China, the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China, Regulations on Recognition of High-Tech Enterprises, as well as the Guidelines for Recognition of High-Tech Enterprises.

2) The high-tech enterprise review of subsidiary Fujian Longxi Bearing (Group) Corp., Ltd. has been approved on December 1,2020 , with the High-tech Enterprise Certificate (Certificate No.: GR201735000451) issued, valid for three years. Therefore, the Company continues to enjoy a preferential enterprise income tax rate of 15% since 2020.

3) According to the "Notice of the Ministry of Finance and the State Administration of Taxation on Implementing Inclusive Tax Reduction and Exemption Policies for Small and Micro Enterprises" (Cai Shui [2019] No. 13), from January 1, 2019 to December 31, 2021, the annual taxable income of small and low-profit enterprises not exceeding 1 million yuan shall be included in the taxable income at a reduced rate of 25%, with the applicable enterprise income tax rate of 20%; The annual taxable income exceeding 1 million yuan but not more than 3 million yuan shall be included in the taxable income at a reduced rate of 50%, with the applicable enterprise income tax rate of 20%.

4) According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Implementing the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households " (Announcement No. 12 [2021] of the Ministry of Finance and the State Taxation Administration), the annual taxable income of small and micro-profit enterprises that is not more than 1 million yuan, it is stipulated in Article 2 of the "Notice of the Ministry of Finance and the State Taxation Administration on Implementing Inclusive Tax Reduction and Exemption Policies for Small and Micro Enterprises" (Cai Shui [2019] No. 13). On the basis of preferential policies, corporate income tax shall be halved. The implementation period is from January 1, 2021 to December 31, 2022.

5) According to the "Announcement of the Ministry of Finance and the State Taxation Administration on the Value-Added Tax Policies on Supporting the Resumption of Work and Business of Individual Industrial and Commercial Households" (Announcement No. 13 [2020] of the Ministry of Finance and the State Taxation Administration) : From March 1 to May 31, 2020, for small-scale VAT taxpayers in Hubei Province, the taxable sales income with a levy rate of 3% shall be exempted from VAT; Prepaid VAT items with a 3% pre-collection rate will be suspended. Except for Hubei Province, small-scale VAT taxpayers in other provinces, autonomous regions and municipalities directly under the Central Government are subject to a taxable sales income of 3%, and VAT is levied at a reduced rate of 1%; Prepaid VAT items subject to a 3% pre-collection rate shall be prepaid at a reduced rate of 1%.

6) According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Clarifying the Policy for Exempting Small-Scale Value-Added Tax Taxpayers from Value-added Tax" (Announcement No. 12 [2021] of the Ministry of Finance and the State Taxation Administration), from April 1, 2021 to December 31, 2022, small-scale VAT taxpayers with a monthly sales amount of 150,000 yuan or less shall be exempt from VAT.

7) According to the "Notice of the Ministry of Finance and the State Administration of Taxation on

Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (Cai Shui [2019] No. 13): From 1 January 2019 to 31 December 2021, as determined by the people's government of a province autonomous region, or municipality directly under the Central Government in light of the actual circumstances of the local area and according to the macro-control needs, a small-scale VAT taxpayer may be subject to resource tax, urban maintenance and construction tax, house property tax, urban land use tax, stamp tax (excluding securities trading stamp tax), farmland occupation tax, educational surtax, or local education surcharges at the reduced tax rate of 50% or less.

8) According to the "Notice by the Ministry of Finance, the State Taxation Administration, and the Publicity Department of the CPC Central Committee of Continuing Implementing Several Tax Policies for the Transformation of Cultural Public Institutions with For-Profit Operations into Enterprises During the Cultural System Reform" (Cai Shui [2019] No. 16):

A. Cultural public institutions with for-profit operations that are transformed into enterprises shall be exempt from enterprise income tax within five years from the date of registration of transformation. The enterprises that have completed transformation before December 31, 2018, may continue to be exempt from enterprise income tax for five years from January 1, 2019.

B. Cultural institutions funded by the finance departments that are transformed into enterprises shall be exempt from real estate tax on their self-used real estate within five years from the date of registration of transformation. The enterprises that have completed transformation before December 31, 2018, may continue to be exempt from real estate tax on their self-used real estate for five years from January 1, 2019.

9) According to the "Notice of National Development and Reform Commission, Ministry of Finance, Ministry of Civil Affairs, Ministry of Human Resources and Social Security, State Taxation Administration, China Disabled Persons' Federation on Printing and Distributing the <The Overall Plan on Improving the Employment Security Fund System for the Disabled to Better Promote the Employment of the Disabled> (development and reform price regulation [2019] No. 2015), Article 2(4) of the Annex stipulates that from January 1, 2020, for enterprises with less than 30 employees (inclusive), the collection of disability insurance benefits will be temporarily exempted. .

10) According to the "Notice of the Ministry of Finance and the State Taxation Administration on Expanding the Exemption Scope of the Relevant Government Funds"(Cai Shui [2016] No. 12): The scope of education surcharge, local education surcharge, and water conservancy construction funds will be exempted. Expansion from the current taxpayer whose monthly sales or turnover does not exceed 30,000 yuan (quarterly taxable quarterly sales or turnover does not exceed 90,000 yuan) to those whose monthly sales or turnover does not exceed 100,000 yuan. (quarterly sales or turnover not exceeding 300,000 yuan for quarterly tax payments).

V. Notes to Main Items of Consolidated Financial Statements

The following financial statement data are disclosed, unless otherwise specified, "Opening balance" means January 1, 2021

(I) Cash and cash equivalent's

Item	Closing balance	Opening balance
Cash on hand	192,995.44	220,122.41
Bank deposit	13,965,929,872.11	10,244,570,045.31
Other cash and cash equivalent's	201,778,478.37	112,818,038.40
Total	14,167,901,345.92	10,357,608,206.12
Including: Total amount deposited in the foreign countries	46,164,024.22	47,318,953.61

Note: The amount of restricted cash and cash equivalents was RMB 4,689,124,178.67, mainly including fixed-term deposits, refundable deposits and deposits for housing reform.

(II) Assets held for trading

Items	Closing balance	Opening balance
Financial assets at fair value through profit or loss (FVTPL)	11,228,724.82	567,871,219.96
Including: 1. Bond instrument investment		
2. Equity instrument investment	11,228,724.82	410,857,853.68
3. Others		157,013,366.28
Financial assets designated to be measured at fair value through profit or loss	634,854,049.68	2,400,642.76
Including: 1. Bond instrument investment	56,893,000.00	1,500,000.00
2. Equity instrument investment	417,261,049.68	900,642.76
3. Others	160,700,000.00	
Total	646,082,774.50	570,271,862.72

(III) Notes receivable

1. Classification of notes receivable

Items	Closing balance	Opening balance
Low risk acceptance	362,144,924.83	367,314,952.53
Trade acceptance	29,140,236.56	27,123,670.02
Less: provision for bad debts	1,457,011.83	1,356,183.50
Total	389,828,149.56	393,082,439.05

2. Notes receivable pledged at the end of the period: None.

3. Notes receivable endorsed or discounted by the company at the end of the period and not yet due on the balance sheet date

Items	Derecognition amount at the end of the period	Non-derecognized amount at the end of the period
Bank acceptance bill	271,268,756.94	62,310,882.76
Trade acceptance bill		
Total	271,268,756.94	62,310,882.76

4. For the year ended 31 December 2021, there was no amount transferred to accounts receivable from bills receivable due to non-performance of the issuers of the Company.

5. Notes receivable by provisioning method

Type	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Individual assessment for provision for bad and doubtful debt										
Collective assessment for provision for bad and doubtful debt	391,285,161.39	100.00	1,457,011.83	0.37	389,828,149.56	394,438,622.55	100.00	1,356,183.50	0.31	393,082,439.05
Including:										
Low risk acceptance	362,144,924.83	92.55			362,144,924.83	367,314,952.53	93.12			367,314,952.53
Trade acceptance	29,140,236.56	7.45	1,457,011.83	5.00	27,683,224.73	27,123,670.02	6.88	1,356,183.50	5.00	25,767,486.52
Total	391,285,161.39	100.00	1,457,011.83	0.37	389,828,149.56	394,438,622.55	100.00	1,356,183.50	0.31	393,082,439.05

6. Collective assessment for Provision for bad and doubtful debt:

Items	Closing balance		
	Notes receivable	Provision for bad and doubtful debts	Proportion (%)
Trade acceptance bills and bank acceptance bills issued by unlisted banks	29,140,236.56	1,457,011.83	5.00
Total	29,140,236.56	1,457,011.83	5.00

Note: For the bank acceptance bills issued by listed banks held by the Company, due to the high credit rating of the acceptance bank, there is no significant credit risk, and no impairment provision is made; Trade acceptance bills held and bank acceptance bills issued by other unlisted banks, the Company refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, the expected credit losses are calculated from the default risk exposure and the lifetime expected credit loss rate.

7. Bad debt provision charged, collected or reversed in the current period

Type	Opening balance	Movement				Closing balance
		Charged	Collected or reversed	Written off	Other	
Trade acceptance bills and bank acceptance bills issued by unlisted banks	1,356,183.50	100,828.33				1,457,011.83
Total	1,356,183.50	100,828.33				1,457,011.83

(IV) Accounts receivables

1. List by age analysis

Age	Closing balance
Within 1 year (including 1 year)	1,053,369,272.12
1 - 2 year (s) (including 2 years)	80,881,024.83
2 - 3 years (inclusive)	11,136,194.73
3-4 years (including 4 years)	10,470,020.39
4-5 years (including 5 years)	13,161,781.76
Over 5 years	57,564,704.56
Less: bad debts	96,891,805.18
Total	1,129,691,193.21

2. Categories by bad debt provision method

Item	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Individual assessment for provision for bad and doubtful debt	27,740,631.42	2.26	27,740,631.42	100.00	
Collective assessment for provision for bad and doubtful debt	1,198,842,366.97	97.74	69,151,173.76	5.77	1,129,691,193.21
Including: Aging portfolio	1,164,391,578.93	94.93	69,151,173.76	5.94	1,095,240,405.17
Other portfolio	34,450,788.04	2.81			34,450,788.04
Total	1,226,582,998.39	100.00	96,891,805.18	7.90	1,129,691,193.21

Item	Opening balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Individual assessment for provision for bad and doubtful debt	31,310,265.57	2.98	31,310,265.57	100.00	
Collective assessment for provision for bad and doubtful debt	1,019,783,580.00	97.02	62,038,406.77	6.08	957,745,173.23
Including: Aging portfolio	1,000,899,499.23	95.22	62,038,406.77	6.20	938,861,092.46
Other portfolio	18,884,080.77	1.80			18,884,080.77
Total	1,051,093,845.57	100.00	93,348,672.34	8.88	957,745,173.23

3. Accounts receivables subject to individual assessment for provision for bad and doubtful debts

Accounts receivable (by unit)	Closing balance			
	Accounts receivable	Provision for bad debts	Proportion (%)	Reason for provision
Shenzhen Yuanxin Pharmaceutical Co., Ltd.	961,999.06	961,999.06	100.00	The client involved in lawsuits, and no property to enforce
Fujian Tongkang Pharmaceutical Co., Ltd	416,021.06	416,021.06	100.00	The client involved in lawsuits, and no property to enforce
Heyuan Guosheng Knitting Co., Ltd	8,129,551.53	8,129,551.53	100.00	Litigation involved, not expected to be recovered
Huzhou Youyi Knitting Equipment Operation Department	2,543,165.83	2,543,165.83	100.00	Litigation involved, not expected to be recovered
Tianjin Lianyi Textile & Garment Co., Ltd.	2,185,352.00	2,185,352.00	100.00	Litigation involved, not expected to be recovered
Xiamen Yitong Machinery Co., Ltd.	1,478,527.83	1,478,527.83	100.00	Litigation involved, not expected to be recovered
Tongxiang Sanxin Garment Factory	1,231,034.50	1,231,034.50	100.00	Litigation involved, not expected to be recovered
Sichuan Jinyuan Textile Co., Ltd.	1,207,003.68	1,207,003.68	100.00	Litigation involved, not expected to be recovered
Zhangzhou Xiaxin Machinery Co., Ltd.	1,167,086.98	1,167,086.98	100.00	Litigation involved, not expected to be recovered
Other	8,420,888.95	8,420,888.95	100.00	Not expected to be recovered
Total	27,740,631.42	27,740,631.42	100.00	

4. Accounts receivables subject to collective assessment for provision for bad and doubtful debts

Aging portfolio

Aging	Closing balance		
	Accounts receivable	Provision for impairment	Proportion (%)
Within 1 year (including 1 year)	1,023,670,377.54	25,765,600.06	2.52
1 - 2 year (s) (including 2 years)	75,713,110.31	4,727,589.44	6.24
2 - 3 years (inclusive)	10,877,257.09	3,201,622.02	29.43
3-4 years (including 4 years)	9,598,225.13	1,970,494.83	20.53
4-5 years (including 5 years)	13,067,181.76	2,806,891.31	21.48
Over 5 years	31,465,427.10	30,678,976.10	97.50
Total	1,164,391,578.93	69,151,173.76	5.94

This portfolio takes the age of receivables as the credit risk feature, and makes provision for bad debts based on the expected credit losses of each age group of the company's businesses.

Other portfolio

Portfolio items	Closing balance		
	Accounts receivable	Provision for bad debts	Proportion (%)
Related party	400.00		
Accounts receivable related to government	3,091,100.00		
Others	31,359,288.04		
Total	34,450,788.04		

5. Bad debt provision collected or reversed in the current period

Type	Opening balance	Movement				Closing balance
		Charged	Collected or reversed	Written off	Other	
Individual assessment for provision for bad and doubtful debt	31,310,265.57		3,150,712.15	418,922.00		27,740,631.42
Collective assessment for provision for bad and doubtful debt	62,038,406.77	16,512,435.89	7,309,401.53	2,090,267.37		69,151,173.76
Total	93,348,672.34	16,512,435.89	10,460,113.68	2,509,189.37		96,891,805.18

6. Accounts receivables actually written off in this period

Items	Amount of written off
Accounts receivable actually written off	2,509,189.37

Significant write-off of impairment loss for accounts receivable in current period are as follows:

Organization name	Nature of accounts receivable	Amount of written off	Reason of written off	Perform the written off procedures	Whether the funds are generated by related transactions
Fujian Quanzhou Haifa Pharmaceutical Co., Ltd.	Payment on goods	717,163.44	Uncollectible for long-term	Management decision	No
Yiyantang Biotechnology (Shenzhen) Co., Ltd.	Payment on goods	99,135.36	Uncollectible for long-term	Management decision	No
Zhangmu Pharmacy, Xiangcheng District, Zhangzhou City	Payment on goods	48,424.36	Uncollectible for long-term	Management decision	No
Huarong County Qianwangse Cosmetics Store	Payment on goods	21,448.80	Uncollectible for long-term	Management decision	No
Jiangxi Gannan Vehicle Manufacturing Co., Ltd.	Payment on goods	137,337.70	Settlement of agreement	Agreement Sighed	No
Haikou Jinlu Tractor Manufacturing Co., Ltd. Meizhou Branch	Payment on goods	86,550.00	Settlement of agreement	Agreement Sighed	No
Fuquan Jinlu Tractor Manufacturing Co., Ltd.	Payment on goods	208,240.51	Settlement of agreement	Agreement Sighed	No
Sichuan Jinlu Funong Machinery Manufacturing Co., Ltd.	Payment on goods	189,181.00	Settlement of agreement	Agreement Sighed	No
Yunnan Huaning County Jinlu Tractor Manufacturing Co., Ltd.	Payment on goods	120,299.00	Settlement of agreement	Agreement Sighed	No
Total	—	1,627,780.17	—	—	—

7. Five largest accounts receivable by debtor at the end of the year

Organization name	Closing balance	Percentage in accounts receivable (%)	Closing balance of provision for bad debts
Zhangzhou High-tech Zone Finance Bureau	105,391,091.30	8.59	
The 909th Hospital of the Joint Logistics Support Force of the Chinese People's Liberation Army	40,741,857.21	3.32	860,118.86
The largest AR customer of Fujian Longxi Bearing (Group) Co., Ltd.	28,971,794.38	2.36	1,448,589.72
Shanghai Jahwa Sales Co., Ltd	21,762,935.09	1.77	1,088,146.75
Zhangzhou Hospital, Fujian Province	20,204,779.67	1.65	141,506.89
Total	217,072,457.65	17.69	3,538,362.22

(V) Accounts receivable financing

Item	Closing balance	Opening balance
Notes receivable	168,296,569.51	114,720,653.79
Total	168,296,569.51	114,720,653.79

Notes receivable pledged by the company at the end of the period

Items	Derecognition amount at the end of the period	Non-derecognized amount at the end of the period
Bank acceptance bills	1,571,234,685.63	
Trade acceptance bills		
Total	1,571,234,685.63	

Note: As of December 31, 2021, there were 1,571,234,685.63 yuan of the bank's acceptance bills that have been endorsed or discounted by the company but not yet due. Since the main risks and rewards such as interest risk related to these bank acceptance bills have been transferred to the endorsed or discounted party, the Company derecognizes the endorsed or discounted unexpired bank acceptance bills

(VI) Prepayments

1. List by age analysis

Aging	Closing balance			Opening balance		
	Amount	Proportion (%)	Provision for bad and doubtful debts	Amount	Proportion (%)	Provision for bad debts
Within 1 year	2,859,324,559.00	95.91		910,174,049.09	88.11	
1 - 2 year (s)	59,124,277.10	1.98		32,473,720.76	3.14	
2 - 3 years	16,272,681.86	0.55		37,312,041.57	3.61	
Over 3 years	46,421,980.33	1.56	1,309,667.86	53,119,929.68	5.14	1,309,667.86
Total	2,981,143,498.29	100.00	1,309,667.86	1,033,079,741.10	100.00	1,309,667.86

2. Top five closing balances of prepayments collected by prepayment objects

Name	Closing balance	Proportion of total prepayments (%)
Zhangzhou Housing and Urban-Rural Development Bureau	371,079,320.00	12.45
Sinopec Northern Energy (Dalian) Co., Ltd.	268,749,999.99	9.02
Fujian Nenghua Supply Chain Management Co., Ltd.	153,548,010.79	5.15
Yishengda Petrochemical Co., Ltd.	143,092,950.00	4.80
Qingdao Haiwangda Energy Co., Ltd.	138,995,555.92	4.66
Total	1,075,465,836.70	36.08

(VII) Other receivables

Items	Closing balance	Opening balance
Interests receivable		
Dividends receivable		
Other receivables	1,217,731,943.09	384,064,442.30
Total	1,217,731,943.09	384,064,442.30

Other receivables

1. List by age analysis

Aging	Closing balance
Within 1 year (including 1 year)	926,061,220.23
1 - 2 year (s) (including 2 years)	192,426,073.46
2 - 3 years (inclusive)	15,775,963.87
3-4 years (including 4 years)	8,237,942.89
4-5 years (including 5 years)	2,129,542.23
Over 5 years	208,886,381.10
Less: bad debts	135,785,180.69
Total	1,217,731,943.09

2. Other receivables categorized by nature

Items	Closing balance	Opening balance
Petty cash and deposit	201,802,141.40	16,393,594.23
Current account	280,087,188.03	89,006,508.29
Amount withheld	14,218,117.93	37,449,991.06
Temporary loan	10,000,000.00	143,270,200.00
Relocation grants and loans	504,538,877.83	9,073,226.83
Special fund	1,145,853.84	30,117,603.74
Export rebates	4,624,361.68	513,708.08
Government subsidy receivable	186,293,605.84	46,573,892.04
Settlement fees		3,698,320.58
Legal cost	4,620,057.24	4,220,835.00
Trust loan and management fee	88,351,229.08	90,135,248.62
Deposit before joint venture	2,980,000.00	
Prepaid sea freight		46,709.57
Others	54,855,690.91	22,902,743.52
Total	1,353,517,123.78	493,402,581.56

3. Provision for bad and doubtful debts

Provision for bad and doubtful debts	The first stage	The second stage	The third stage	Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses (no credit impairment)	Lifetime expected credit losses (credit-impaired)	
Balance of January 1, 2021	98,569,203.91	518,651.16	10,250,284.19	109,338,139.26
Balance of January 1, 2021 carried forward in the period	——	——	——	——
--Transfer-in phase II	-87,212.42	87,212.42		
--Transfer-in phase III	-883.65	-22,370.08	23,253.73	
- Switch back phase II				
- Switch back phase I				
Charged in the period	11,732,077.52	12,499,047.31	6,996,764.85	31,227,889.68
Reversed back in the period	2,633,464.77	465,243.27	1,608,678.98	4,707,387.02
Written off in the period	21,626.49		51,834.74	73,461.23
Other movement				
Balance of December 31,2021	107,558,094.10	12,617,297.54	15,609,789.05	135,785,180.69

4. Bad debt provision charged, recovered or reversed in the current period

Bad debt provision charged in the current period:

Type	Opening balance	Movement				Closing balance
		Charged	Recovered or reversed	Written off	Other	
Other receivables subjects to collective assessment for provision for bad and doubtful debt	109,338,139.26	31,227,889.68	4,707,387.02	73,461.23		135,785,180.69
Total	109,338,139.26	31,227,889.68	4,707,387.02	73,461.23		135,785,180.69

Significant bad debt collected or reversed in the current period

Name	Amount of collected or reverseded	Collection method
Fujian Furen Pharmaceutical Co., Ltd.	641,650.00	Cash and cash equivalent
Jiangsu Jinshiyuan Wine Sales Co., Ltd.	600,000.00	Cash and cash equivalent
Fujian Keren Biotechnology Co., Ltd.	315,476.00	Cash and cash equivalent
Total	1,557,126.00	—

5. Other accounts receivables written off in this period

Items	Amount of written off
Other accounts receivables actually written off	73,461.23

6. Top five closing balances of other accounts receivable collected by debtors

Name	Nature	Closing balance	Aging	Proportion in total closing balance of other receivables (%)	Reserve for bad debts Closing balance
Zhangzhou Huimin Housing Collection Co., Ltd.	Compensation for land and house purchase, storage and relocation	489,825,651.00	Within a year	36.19	4,898,256.51
Zhangzhou Municipal Bureau of Finance	Subsidy	127,500,000.00	Within a year	9.42	
Zhangzhou Xiangcheng Auction House	Security deposit	53,000,000.00	1-2 year	3.92	
Zhangzhou Xiangcheng District Urban and Rural Development Bureau	Project upfront cost	42,589,435.00	1-2 year	3.15	
Baohetang Pharmaceutical Co., Ltd.	Current account	39,321,470.67	Within a year	2.91	1,966,073.53
Total	—	752,236,556.67	—	55.59	6,864,330.04

Note: RMB 489,825,651.00 Compensation receivable of Zhangzhou Huimin Housing Collection Co., Ltd. is based on the "Compensation Agreement for Land and Housing Purchase and Storage in Yan'an North Plant Area "jointly signed by Zhangzhou Xiangcheng Housing and Urban-Rural Development Bureau, Zhangzhou Huimin Housing Expropriation Co., Ltd., and Zhangzhou Xiangcheng District People's Government on December 15, 2021, 489 million was confirmed as compensation receivable for land and housing purchase and storage. On March 31, 2022, the Company received RMB 250 million in compensation for land and housing purchase and storage.

7. Other receivables related to government grants

Name	Name of government subsidy project	Closing balance	Age	Estimated time, amount and basis for collection
Zhangzhou Municipal Bureau of Finance	Financing Subsidy for Tenglong Xianglu Restructuring Project	127,500,000.00	Within 1year	Note 1
Total		127,500,000.00		

Note 1: According to the document Zhang Caiqi [2021] No. 3 of the Zhangzhou Municipal Finance Bureau on the approval of the municipal state-owned capital operating budget in 2021, according to the minutes of the 23rd municipal executive meeting in 2017, a financing subsidy of 178 million yuan was arranged for the Tenglong Xianglu restructuring project, 50.5 million yuan has been subsidized in this period, and the remaining 127.5 million yuan is expected to be issued in May 2022.

(VIII) Inventory

1. inventories by category:

Items	Closing balance			Opening balance		
	Carrying amount before valuation allowance	Valuation allowance	Net carrying amount	Carrying amount before valuation allowance	Valuation allowance	Net carrying amount
Raw materials	1,659,376,660.86	44,099,680.83	1,615,276,980.03	1,480,911,064.80	35,773,643.07	1,445,137,421.73
Products in process and self-manufactured semi-finished products	763,377,328.42	39,019,430.37	724,357,898.05	293,738,175.42	38,097,114.42	255,641,061.00
Goods on hand	1,885,167,404.63	69,420,854.21	1,815,746,550.42	1,861,086,093.77	46,796,496.37	1,814,289,597.40

Items	Closing balance			Opening balance		
	Carrying amount before valuation allowance	Valuation allowance	Net carrying amount	Carrying amount before valuation allowance	Valuation allowance	Net carrying amount
Goods delivered	37,611,318.24	1,438,693.09	36,172,625.15	16,692,266.39	1,384,182.19	15,308,084.20
Low-value consumables and packaging	50,988,852.16	126,045.81	50,862,806.35	60,632,482.50	110,568.85	60,521,913.65
Outsourced semi-finished products	1,577,185.36	76,370.29	1,500,815.07	1,880,440.28	65,411.52	1,815,028.76
Material on consignment for further processing	14,825,574.73	79,081.04	14,746,493.69	13,607,353.50	136,019.66	13,471,333.84
Development cost	610,797,268.29		610,797,268.29	800,572,221.07		800,572,221.07
Development products	354,360,613.38		354,360,613.38	505,709,120.26		505,709,120.26
Others				10,875.17		10,875.17
Total	5,378,082,206.07	154,260,155.64	5,223,822,050.43	5,034,840,093.16	122,363,436.08	4,912,476,657.08

2. Provision for impairment of inventories

Items	Opening balance	Charge during current period		Reductions during current period		Closing balance
		Accrual	Others	Recovery or write-off	Others	
Raw materials	35,773,643.07	17,675,630.10		9,349,592.34		44,099,680.83
Products in process and self-manufactured semi-finished products	38,097,114.42	32,854,476.42		31,932,160.47		39,019,430.37
Good on hand	46,796,496.37	44,177,289.32		21,552,931.48		69,420,854.21
Goods delivered	1,384,182.19	58,409.22		3,898.32		1,438,693.09
Low-value consumables	110,568.85	39,726.52		24,249.56		126,045.81
Outsourced semi-finished products	65,411.52	72,273.67		61,314.90		76,370.29
Material on consignment for further processing	136,019.66	79,081.04		136,019.66		79,081.04
Total	122,363,436.08	94,956,886.29		63,060,166.73		154,260,155.64

(IX) Non-current assets due within one year

Item	Closing balance	Opening balance
Debt investment due within one year	155,000,000.00	300,000,000.00
Other debt investment due within one year		
Total	155,000,000.00	300,000,000.00

Significant debt investments and other debt investments:

Items	Closing balance				Opening balance			
	Book balance	Coupon rate	Actual interest rate	Maturity date	Book balance	Coupon rate	Actual interest rate	Maturity date
Zhangzhou Yuanshan Xincheng Construction Co., Ltd.	120,000,000.00	8%	8%	2022-12-05	300,000,000.00	8%	8%	2021-11-05
Zhangzhou Yuanshan Xincheng Construction Co., Ltd.	35,000,000.00	8%	8%	2022-12-24				
Total	155,000,000.00				300,000,000.00			

(X) Other current assets

Items	Closing balance	Opening balance
Value-added tax to be deducted	227,482,459.93	147,474,178.14
Deferred rent	254,004.84	
Prepaid income tax	7,904,099.31	6,268,361.03
Prepaid other taxes	4,461,483.86	3,836,321.78
Other deferred expenses	20,217,923.39	31,041,195.83
Total	260,319,971.33	188,620,056.78

(XI) Loans and advances

1. Loans and advances classified by individuals and enterprises

Items	Closing balance	Opening balance
Personal loans and advances	56,090,648.00	137,270,648.00
—Credit card		
—Home mortgage	32,434,600.00	113,544,600.00
—Others	23,656,048.00	23,726,048.00
Corporate loans and advances	106,101,908.36	33,121,908.36
—Loan	106,101,908.36	33,121,908.36
—Discount		
—Others		
Total loans and advances	162,192,556.36	170,392,556.36
Less: loan loss reserves	1,173,583.67	1,173,583.67
Including: Single item provision	1,173,583.67	1,173,583.67
Portfolio provision		
Book value of loans and advances	161,018,972.69	169,218,972.69

2. Loans and advances classified by means of guarantees

Items	Closing balance	Opening balance
Credit loan		
Guarantee credit		
Collateral loan	162,192,556.36	170,392,556.36
Including: Mortgage loan	93,614,600.00	100,539,588.92
Pledge loan	68,577,956.36	69,852,967.44
Total loans and advances	162,192,556.36	170,392,556.36
Less: Provision for loan losses	1,173,583.67	1,173,583.67
Including: Single item provision	1,173,583.67	1,173,583.67
Portfolio provision		
Book value of loans and advances	161,018,972.69	169,218,972.69

(XII) Debt investment

1. Category of debt investment inventory

Items	Closing balance			Opening balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Agreement investment	45,299,844,943.91		45,299,844,943.91	37,900,766,730.44		37,900,766,730.44
Entrusted Loans	1,755,317,383.36		1,755,317,383.36	7,002,036,113.71		7,002,036,113.71
National bonds	19,236.04		19,236.04	19,236.04		19,236.04
Total	47,055,181,563.31		47,055,181,563.31	44,902,822,080.19		44,902,822,080.19

2. Significant debt investment at the end of the period

Items	Counterpart	Amount
Agreement investment	Zhangzhou Jinzhan Real Estate Co., Ltd.	800,000,000.00
Agreement investment	Zhangzhou High-tech Zone Jingcheng Construction Development Co., Ltd.	920,202,222.29
Agreement investment	Zhangzhou Yuanxin Construction Group Co., Ltd.	300,000,000.00
Agreement investment	Zhangzhou Yuanshan Xincheng Construction Co., Ltd.	4,187,870,000.00
Agreement investment	Zhangzhou Yuanshan Municipal Construction Co., Ltd.	1,700,000,000.00
Agreement investment	Zhangzhou Yuanshan Daffodils Development Co., Ltd.	333,000,000.00
Agreement investment	Zhangzhou Yuanshan Development Co., Ltd.	350,435,555.56
Agreement investment	Longhai Road and Bridge Construction and Development Co., Ltd.	318,333,333.35
Agreement investment	Fujian Zhangzhou Gulei Port Economic Development Zone Management Committee	18,293,863,822.29
Agreement investment	Zhangzhou Gulei Public Utilities Development Co., Ltd.	758,025,625.00
Agreement investment	Fujian Gulei Port Economic Development Co., Ltd.	7,008,750,000.00
Agreement investment	ujian Gulei Port Economic Development Co., Ltd.	1,692,057,500.00
Agreement investment	Zhangzhou Gulei Port Investment Co., Ltd.	8,180,134,458.34
Entrusted Loans	Nanjing Jingjiang State-owned Assets Investment Co., Ltd.	60,146,666.67
Entrusted Loans	Fujian Zhao'an Jindu Assets Operation Co., Ltd.	340,928,888.88
Entrusted Loans	Zhao'an County Urban Construction Investment Development Co., Ltd.	400,800,000.00
Entrusted Loans	Zhangzhou Xiangcheng Urban Investment Development Co., Ltd.	180,374,449.93
Entrusted Loans	Zhangzhou Jinfeng Municipal Construction Co., Ltd.	280,666,666.74
Entrusted Loans	Fujian Longrui Investment Co., Ltd.	492,400,711.14
Agreement investment	Haishunde (Zhangzhou) Environmental Protection Catalyst Co., Ltd.	22,484,027.69
Total		46,620,473,927.88

(XIII) Long-term accounts receivables

Details of long-term accounts receivable

Items	Closing balance			Opening balance		
	Book balance	Bad debts Allowance	Book value	Book balance	Provision for bad debts	Book value
Zhongyuan Trust	7,150,000.00		7,150,000.00			
Shenzhen Yirui Investment Development Co., Ltd.	1,000,000.00		1,000,000.00			
The tailwater drainage pipeline in the northern part of Gulei Port	2,091,000.00		2,091,000.00	2,033,000.00		2,033,000.00
Zhongrong International Trust	10,000,000.00		10,000,000.00			
Xiamen International Trust	10,000,000.00		10,000,000.00			
Minmetals International Trust Co., Ltd.				7,150,000.00		7,150,000.00
Total	30,241,000.00		30,241,000.00	9,183,000.00		9,183,000.00

(XIV) Long-term equity investment

The investee	Opening balance	Changes in this period								Closing balance	
		Additional investments	Capital reduction	Investment gain/loss recognized under equity method	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Provision for impairment	Others	Ending balance	Ending balance of impairment provision
Associated enterprise											
Funeng (Zhangzhou) Finance Leasing Co., Ltd.	147,711,600.67			-2,066,197.03						145,645,403.64	
Fujian Fuhua Environmental Protection Technology Co., Ltd.	183,754,885.27			1,119,189.73						184,874,075.00	
Zhangzhou Fuhua Environmental Protection Technology Co., Ltd.	78,073,453.89			975,463.55						79,048,917.44	
Zhangzhou Power Distribution and Sales Co., Ltd.	17,021,807.42			1,471,689.26						18,493,496.68	
Fujian Fuhua Gulei Petrochemical Co., Ltd.	4,259,345,734.36	132,300,000.00		-427,824,649.54						3,963,821,084.82	
Zhangzhou Tourism Investment Group Co., Ltd.	357,223,830.93			-68,410,248.42						288,813,582.51	
Fujian Gulei Energy Technology Co., LTD		8,000,004.00								8,000,004.00	
Zhangzhou Lantian Development Company	72,021,449.52			-1,553,977.51						70,467,472.01	
Fujian Tongchun Pharmaceutical Co., Ltd.	115,375,310.03			10,587,652.41		-255,439.68	10,680,000.00			115,027,522.76	
Sichuan Qixiang Pien Tze Huang Industry Co., Ltd.	6,453,040.31			-192,253.95						6,260,786.36	
Zhangzhou Xingzheng Pien Tze Huang Equity Investment Partnership (Limited Partnership)	126,039,648.86			-561,130.96						125,478,517.90	
Shanghai Qingke Pien Tze Huang Investment Management Center (Limited Partnership)	216,802,084.04		70,733,318.64	-183,427.22	-77,140,003.81		704,471.23		-62,448,977.81	5,591,885.33	

The investee	Opening balance	Changes in this period								Closing balance	
		Additional investments	Capital reduction	Investment gain/loss recognized under equity method	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Provision for impairment	Others	Ending balance	Ending balance of impairment provision
Zhangzhou Pien Tze Huang Aizhiwei Shengji Food Co., Ltd.	11,403,391.18			-1,083,336.93						10,320,054.25	
Fujian Longfu Bearing Co., Ltd.	7,787,951.18		7,743,160.83	-44,790.35							
Fujian Kaidi Hangxiao Steel Structure Co., Ltd.	32,022,639.39			-6,337,319.46						25,685,319.93	
Zhangzhou Shuixian Pharmaceutical Co., Ltd.	115,421,652.87			17,055,450.88			3,000,000.00			129,477,103.75	
Fujian Zhongxing cinema line Co., Ltd	156,513.00									156,513.00	
Zhangzhou Gaoke Pien Tze Huang Protection Products Co., Ltd	4,134,148.41			-297,538.00						3,836,610.41	
Zhangzhou Whole-process Engineering Management Consulting co. LTD	340,000.00			20,791.51						360,791.51	
Zhangzhou Xiangcheng Zhangtou Equity Investment partnership		50,000,000.00		11,394,318.57						61,394,318.57	
Haixia Equity Exchange		390,080.23		224,354.09						614,434.32	
Huaneng (Fujian Zhangzhou) energy Co., Ltd	160,000,000.00	10,000,000.00								170,000,000.00	
Total	5,911,089,141.33	200,690,084.23	78,476,479.47	-465,705,959.37	-77,140,003.81	-255,439.68	14,384,471.23		-62,448,977.81	5,413,367,894.19	

(XV) Other Equity Instrument Investment

1. Details of other Equity Instrument Investment

Items	Closing balance	Opening balance
Industrial Securities Co., Ltd.	801,735,086.88	704,358,355.68
Liaoning Chengda Co.,Ltd.	9,189,059.52	11,448,664.32
Industrial Bank Co.,Ltd.	199,357,596.45	218,518,541.94
China Resources Double-Crane Pharmaceutical Co.,Ltd.	11,196,078.11	10,040,461.97
Shanghai qingke hongkai investment management partnership (limited partnership)	303,413.50	4,069,302.96
Xiamen Qunxian Fengyuan Equity Investment Management Co., Ltd	574,222.62	505,605.00
Zhangzhou Talent Development Group Co. Ltd	54,858,366.78	49,997,760.99
Shandong xinhai guarantee co., LTD	1,356,845.92	2,000,000.00
Xiamen Huitong Dingsheng Equity Investment Partnership (Limited Partnership)		20,798,642.11
Huafu Securities Co., Ltd.	361,149,750.00	336,149,750.00
Fujian Broadcast & TV Network Group Co.Ltd.	293,923,368.06	293,923,368.06
China Merchants Zhangzhou Development Co., Ltd.	236,028,617.30	236,028,617.30
Fujian Xinhua Distribution (Group) Co., Ltd.	19,894,464.22	19,894,464.22
Zhangzhou Rural Commercial Bank	55,542,468.28	43,244,468.28
Zhangtou Equity Investment Partnership (Limited Partnership), Xiangcheng District, Zhangzhou City	10,000,000.00	79,000,000.00
Fleet registration funds		500,000.00
Dongshan Refrigeration Plant		2,550,000.00
Strait Equity Exchange Center (Zhangzhou) Co., Ltd.		390,080.23
Zhangzhou Centennial Xintou Equity Investment Partnership	23,900,000.00	
Zhangzhou Development Zone Recruitment Innovation Ecological Wisdom Venture Capital Fund Partnership (Limited Partnership)	31,500,000.00	31,500,000.00
Zhangzhou Xiangcheng District Xintou New Page Qunxian Food Investment Partnership (Limited Partnership)	62,226,000.00	62,226,000.00
Fujian Wanchen Biotechnology Co., Ltd.		3,547,339.14
Stock of China Pacific Insurance and others	261,150.00	271,222.00
Investment in non-trading equity instruments	37,951,850.56	32,336,679.87
Zhangzhou Rural Commercial Bank Co., Ltd.	69,987,674.14	69,987,674.14
Longhai Jiaomei Development Zone Water Supply Plant	3,210,876.69	3,210,876.69
Fujian Longhai Rural Commercial Bank Co., Ltd.	97,344,960.00	97,344,960.00
Zhangpu County Rural Credit Cooperative Association	108,000,000.00	108,000,000.00
Huajin Securities Co., Ltd.	86,772,940.12	81,828,235.53
Zhangzhou Lantian Development Zone Co., Ltd.	17,129,104.26	17,129,104.26
Xiamen International Bank	79,158,000.00	79,158,000.00
Zhangzhou Mineral Water Joint Development Company	110,000.00	110,000.00
Zhangzhou Irradiation Center	560,000.00	560,000.00

Items	Closing balance	Opening balance
Zhangzhou Office in Beijing	5,000,000.00	5,000,000.00
Zhangzhou Chengjia Real Estate Co., Ltd.	31,670,000.00	31,670,000.00
Pingan Yingzhi to Jiashu Fund	93,776,264.15	93,776,264.15
Fujian Min Southwest Development Investment Fund	1,000,000.00	1,000,000.00
Less: Impairment provision	5,670,000.00	8,720,000.00
Total	2,798,998,157.56	2,743,354,438.84

2. Details of non-traded investments in equity instruments

Items	The dividend income recognized in the current period	Accumulated profits	Accumulated losses	The amount of other comprehensive income transferred to retained earnings	Reasons for designating fair value through comprehensive income	Reasons for transferring other comprehensive income into retained earnings
Industrial Securities Co., Ltd.	6,740,090.46	208,739,105.76			The financial instrument is not held for trading purposes	
Liaoning Chengda Co.,Ltd.	103,565.22		3,960,585.08		The financial instrument is not held for trading purposes	
Industrial Bank Co.,Ltd.	10,797,251.23	99,077,359.96			The financial instrument is not held for trading purposes	
China Resources Double-Crane Pharmaceutical Co.,Ltd.	242,846.87		1,963,945.79		The financial instrument is not held for trading purposes	
Shanghai qingke hongkai investment management partnership (limited partnership)		255,246.80		3,078,378.06	The financial instrument is not held for trading purposes	
Fujian Taier Group Co., Ltd. (formerly known as: Fujian Taier Electronic Technology Co., Ltd.)			9,376,310.23		The financial instrument is not held for trading purposes	
Zhangzhou Talent Development Group Co. Ltd			141,633.22		The financial instrument is not held for trading purposes	
Xiamen Qunxian Fengyuan Equity Investment Management Co., Ltd		124,222.62			The financial instrument is not held for trading purposes	
Shandong xinhai guarantee co., LTD			643,154.08		The financial instrument is not held for trading purposes	

Items	The dividend income recognized in the current period	Accumulated profits	Accumulated losses	The amount of other comprehensive income transferred to retained earnings	Reasons for designating fair value through comprehensive income	Reasons for transferring other comprehensive income into retained earnings
Xiamen Huitong Dingsheng Equity Investment Partnership (Limited Partnership)			-24,294,000.00		The financial instrument is not held for trading purposes	
Zhangzhou Development stock	249,300.00	9,545,029.23			The financial instrument is not held for trading purposes	
Rural Commercial Bank of Zhangzhou	856,351.20				The financial instrument is not held for trading purposes	
Rural Commercial Bank Co., LTD of Zhangzhou	3,270,983.52	13,606,335.38			The financial instrument is not held for trading purposes	
Longhaijiaomei Development Zone Water Supply Plant	408,606.17	1,903,629.64			The financial instrument is not held for trading purposes	
Rural Commercial Bank Co., LTD of Longhai	4,824,982.90	16,956,368.52			The financial instrument is not held for trading purposes	
Zhangpu County Rural Credit Cooperative Association	3,795,288.00	6,724,603.00			The financial instrument is not held for trading purposes	
Zhangtou non-trading equity instrument investment	7,492,627.61				The financial instrument is not held for trading purposes	
Pingan Yingzhi to Jiashu Fund	6,784,676.35				The financial instrument is not held for trading purposes	
Total	45,566,569.53	356,931,900.91	-9,494,679.76	3,078,378.06		

(XVI) Other non-current financial assets

Items	Closing balance	Opening balance
Financial assets at fair value through profits and losses	61,687,985.95	60,650,458.07
Total	61,687,985.95	60,650,458.07

(XVII) Investment property

Investment property measured under cost model

Items	Houses and buildings	Land use rights	Total
I. Original carrying value			
1. Opening balance	578,376,859.02	48,755,252.59	627,132,111.61

Items	Houses and buildings	Land use rights	Total
2. Additions during this period	24,147,599.78		24,147,599.78
(1) Purchase			
(2) Transferred from inventories/ fixed assets/construction in progress	24,147,599.78		24,147,599.78
(3) Additions by business combination			
3. Reduction in this period	9,533,090.63	306,135.39	9,839,226.02
(1) Disposal	2,272,665.00		2,272,665.00
(2) Other transfer-out	7,260,425.63	306,135.39	7,566,561.02
4. Closing balance	592,991,368.17	48,449,117.20	641,440,485.37
II. Accumulative depreciation and amortization			
1. Opening balance	128,371,268.19	13,408,125.06	141,779,393.25
2. Charge during this period	31,549,183.70	1,232,088.66	32,781,272.36
(1) Depreciation or amortization	22,722,309.39	1,232,088.66	23,954,398.05
(2) Transferred from inventories/ fixed assets/construction in progress	8,826,874.31		8,826,874.31
(3) Charges by business combination			
3.Reduction during this period	3,679,200.00	87,901.74	3,767,101.74
(1) Disposal	242,890.92		242,890.92
(2) Other transfer-out	3,436,309.08	87,901.74	3,524,210.82
4. Closing balance	156,241,251.89	14,552,311.98	170,793,563.87
III.Provision for impairment			
1. Opening balance			
2. Additions during this period			
(1) Charges			
3. Reduction during this period			
(1) Disposal			
(2) Other transfer-out			
4. Closing balance			
IV. Book value			
1. Closing book value	436,750,116.28	33,896,805.22	470,646,921.50
2. Opening book value	450,005,590.83	35,347,127.53	485,352,718.36

(XVIII) Fixed assets

Items	Closing Balance	Opening Balance
Fixed assets	3,052,343,134.69	1,798,415,136.20
Disposal of Fixed assets	17,779,800.39	22,950,251.97
Total	3,070,122,935.08	1,821,365,388.17

1.Fixed assets

(1) Details of fixed assets

Items	Houses and buildings	Machinery and equipment	Electronic equipment	Transportation equipment	Others	Total
I. Original carrying value						
1. Opening balance	1,851,439,573.68	1,048,150,179.15	50,932,122.45	42,379,436.80	111,503,377.88	3,104,404,689.96
2. Additions during this period	1,351,604,274.11	166,786,413.00	11,448,132.52	2,441,220.20	30,235,310.07	1,562,515,349.90
(1) Purchase	607,637,095.93	141,263,802.55	8,894,559.08	1,796,358.37	13,868,740.96	773,460,556.89
(2) Transferred from construction in progress	497,096,679.45	24,808,038.37	2,553,573.44	644,861.83	6,818,143.91	531,921,297.00
(3) Other additions	239,610,073.10	714,572.08			9,548,425.20	249,873,070.38
3. Reduction in this period	168,586,205.27	68,306,012.67	2,741,351.33	1,996,004.42	4,705,299.10	246,334,872.79
(1) Disposal or discard	79,845,567.07	54,958,326.22	2,741,351.33	1,988,757.41	4,705,299.10	144,239,301.13
(2) Reductions by business combination						
(3) Other reductions	64,388,952.29	13,347,686.45		7,247.01		77,743,885.75
4. Closing balance	3,034,457,642.52	1,146,630,579.48	59,638,903.64	42,824,652.58	137,033,388.85	4,420,585,167.07
II. Accumulated depreciation						
1. Opening balance	546,539,390.95	635,920,229.65	33,321,601.32	29,281,710.21	57,060,610.38	1,302,123,542.51
2. Additions during this period	91,704,973.64	57,625,039.92	3,741,497.26	3,359,970.81	17,370,772.98	173,802,254.61
(1) Depreciation charges	88,268,664.56	57,421,639.23	3,741,497.26	3,359,970.81	11,580,022.67	164,371,794.53
(2) Other additions		203,400.69			5,790,750.31	5,994,151.00
3. Reductions during this period	56,784,744.55	56,847,837.09	2,264,599.47	1,917,763.29	3,760,718.42	121,575,662.82
(1) Disposal or discard	46,806,525.07	51,322,183.08	2,264,599.47	1,908,310.56	3,760,573.07	106,062,191.25

Items	Houses and buildings	Machinery and equipment	Electronic equipment	Transportation equipment	Others	Total
(2)Reductions by business combination	8,945,652.44					8,945,652.44
(3) Other reductions	1,032,567.04	5,525,654.01		9,452.73	145.35	6,567,819.13
4. Closing balance	581,459,620.04	636,697,432.48	34,798,499.11	30,723,917.73	70,670,664.94	1,354,350,134.30
III. Provision for impairment						
1. Opening balance	1,127,576.40	1,312,378.71			1,426,056.14	3,866,011.25
2. Additions in this period		10,005,431.06		6,258.03	14,197.74	10,025,886.83
(1) Provision		10,005,431.06		6,258.03	14,197.74	10,025,886.83
3. Reductions during this period						
(1) Disposal or discard						
4. Closing balance	1,127,576.40	11,317,809.77		6,258.03	1,440,253.88	13,891,898.08
IV. Book value						
1. Closing book value	2,451,870,446.08	498,615,337.23	24,840,404.53	12,094,476.82	64,922,470.03	3,052,343,134.69
2. Opening book value	1,303,772,606.33	410,917,570.79	17,610,521.13	13,097,726.59	53,016,711.36	1,798,415,136.20

(2) Information of fixed assets with uncompleted property ownership certificates

Items	Book value	Reasons for uncompleted property ownership certificate
Lantian factory I	15,097,954.09	In progress
Lantian factory II	49,903,600.65	In progress
No. 1-6 factory building in Hua 'an factory area	87,629,747.29	Unsettled
Houses and buildings (Caohai International Health Base)	2,283,245.24	In progress

Items	Book value	Reasons for uncompleted property ownership certificate
Unit 7B, No.81 Hubin South Road, Kaiyuan District, Xiamen City	7,842,100.00	Already allocated, certificate of ownership has not been changed
Parking No.23, No.81, Hubin South Road, Kaiyuan District, Xiamen City	1,169,900.00	Already allocated, certificate of ownership has not been changed
Parking No.25, No.81, Hubin South Road, Kaiyuan District, Xiamen City	1,169,900.00	Already allocated, certificate of ownership has not been changed
Room 403, No.9, Xilin Xili, Kaiyuan District, Xiamen	1,221,816,000.00	Already allocated, certificate of ownership has not been changed
23-29 Park West Road, Xiamen (3rd Floor)	706,038.05	Due to geographic reason, changes of ownership cannot be made at this time
Room 7-206, Narcissus Garden	100,784.42	Unsettled
Room 7-306, Narcissus Garden	169,836.17	Unsettled
Room 4-402, New East China Business Plaza	231,689.17	Unsettled
Room 5-405, New East China Business Plaza	169,171.10	Unsettled
No. 1-7, 64 Xiuwen Road East (storefront, Building 3, 65 Qingnian Road)	1,106,619.37	Already allocated, certificate of ownership has not been change
Room 203, Building B2, Xinrong Garden	1,241,700.00	Demolition and resettlement property
Room 204, Building B2, Xinrong Garden	1,218,300.00	Demolition and resettlement property
Room 028, Building B2, Xinrong Garden	1,106,800.00	Demolition and resettlement property
Room 303, Building B2, Xinrong Garden	1,241,700.00	Demolition and resettlement property
Room 304, Building B2, Xinrong Garden	1,218,300.00	Demolition and resettlement property
Total	1,395,423,385.55	

2. Disposal of Fixed assets

Items	Closing Balance	Opening Balance
Building demolished part	17,703,759.06	22,950,251.97
Machinery and equipment	40,143.99	
Transportation equipment	33,067.59	
Others	2,829.75	
Total	17,779,800.39	22,950,251.97

Note 1: The requisition and relocation of the subsidiary Zhangzhou State-owned Assets Investment Management Co., Ltd. has not been completed, the Company has received 21,829,870.00 yuan for demolition and relocation, which was directly remitted to the account of the State-owned Industrial Assets Preservation and Appreciation Office in Zhangzhou City

(XIX) Construction in progresss

Items	Closing Balance	Opening Balance
Construction in progress	8,291,615,384.49	4,954,056,913.21
Engineering material		
Total	8,291,615,384.49	4,954,056,913.21

1. Construction in progress

Details of construction in progress

Items	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
High-end joint	2,543,743.58		2,543,743.58	18,723,662.80		18,723,662.80
Maintenance-free joint cross				221,238.95		221,238.95
High-end bushing				557,866.56		557,866.56
High-end joint - construction of military facilities				921,463.62		921,463.62
Technical Transformation Project for Vehicle Bearing	7,696,950.26		7,696,950.26	2,934,890.93		2,934,890.93
Other sporadic projects	1,772,088.35		1,772,088.35			
Others	203,348.59		203,348.59	10,796,642.49		10,796,642.49
Mine Restoration Landscape Project	681,740.62		681,740.62			
Red Army Liao Decoration Project	28,569.57		28,569.57			
Camp area D and new dormitory building	3,765,179.60		3,765,179.60	1,916,770.06		1,916,770.06
Hongjunliao				2,113,816.68		2,113,816.68
New office building	48,772.19		48,772.19	31,982.93		31,982.93
Ant exhibition hall	35,754.04		35,754.04	23,446.10		23,446.10
Pollution prevention and sewage treatment system project				499,467.32		499,467.32

Items	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Desilting and land backfilling works				2,386,930.28		2,386,930.28
High pole lamp and lightning protection device project				221,892.55		221,892.55
Other upfront expenses				1,634,568.17		1,634,568.17
Security prevention monitoring system	400,120.64		400,120.64	398,263.21		398,263.21
Reconstruction of berth	395,674.13		395,674.13	41,225.50		41,225.50
Firefighting project	14,005.83		14,005.83	274,652.32		274,652.32
Crane rust removal and anti-corrosion project	50,300.13		50,300.13	50,300.13		50,300.13
Inspection and acceptance of environmental protection				446,550.88		446,550.88
Occupational disease control				71,116.50		71,116.50
Maintenance and renovation of berth facilities	2,594,175.56		2,594,175.56	2,583,805.26		2,583,805.26
Greening fire protection works	1,660,127.85		1,660,127.85	1,174,863.90		1,174,863.90
Water Supply Works for Gulei Petrochemical Start-up Project	164,911.15		164,911.15	12,635,500.70		12,635,500.70
Sewage Discharge Pipeline Works for Gulei Petrochemical Start-up Area				13,079,724.92		13,079,724.92
Rear Water Supply Main Pipe Project from Gulei Water Plant 1 to Xiamei Town				2,442,924.85		2,442,924.85
Water Diversion Project in Gulei Area	10,773,790.18		10,773,790.18	482,952,069.24		482,952,069.24
Qianpu Wastewater Treatment Plant Project	150,936.00		150,936.00	46,318,739.24		46,318,739.24
Technical Renovation Project of Gulei Water Plant 1	12,355,133.77		12,355,133.77	10,909,546.97		10,909,546.97
Second line installation project of waterworks	886,270.00		886,270.00	886,270.00		886,270.00
Haishunde Road Water Supply Pipeline Project				1,832,781.70		1,832,781.70
Water Plant 2	24,392,501.27		24,392,501.27	19,717,510.68		19,717,510.68
Remote Monitoring System for Water Supply Pipeline Network				80,925.00		80,925.00
Reconstruction and expansion Project of Gulei Water Plant 1	119,000.00		119,000.00	119,000.00		119,000.00
Installation of DN100 water pipeline flowmeter at the outlet of Mazulin Reservoir	216,278.80		216,278.80	216,278.80		216,278.80
Laboratory equipment procurement	45,002.00		45,002.00	45,002.00		45,002.00
Zhongyi Chemical water supply pipeline project	445,288.00		445,288.00	445,288.00		445,288.00

Items	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Petrochemical water supply mains maintenance works	84,900.00		84,900.00	84,900.00		84,900.00
Armed Police Building	6,175,976.26		6,175,976.26	6,175,976.26		6,175,976.26
Decoration Project for firefighter station building	89,600.00		89,600.00	89,600.00		89,600.00
Rain and sewage diversion covering film project in general industrial waste landfill reservoir area	1,019,147.03		1,019,147.03			
Industrial Waste Disposal Site Project	445,283.02		445,283.02			
Three water supply pipeline flowmeter project	6,332.50		6,332.50			
Jiulongjiang Real Estate Plaza (Gemini Project)	231,464.39		231,464.39			
Darling valley landscape bridge project	50,135.18		50,135.18	32,876.72		32,876.72
Chimei Huaneng District Water Supply Pipeline Project	1,148,500.44		1,148,500.44			
Emergency treatment project for side slope at the entrance of Wushi-Hucun tunnel	16,270.00		16,270.00			
Purchase of assets of Lijia shares				92,612,451.16		92,612,451.16
Construction of Pien Tze Huang Science and Technology Building	11,346,421.08		11,346,421.08	262,264.16		262,264.16
Pien Tze Huang Cosmetics Phase III Project	3,391,948.76		3,391,948.76			
Green and intelligent manufacturing of spherical plain bearings	44,191,080.40		44,191,080.40			
National III 13034 Machining Center				2,507,692.32		2,507,692.32
South Lake Hot Spring Hotel	28,499,804.55		28,499,804.55	7,032,536.08		7,032,536.08
Miyouyuan Second District Agricultural Industrial Park	253,240.00		253,240.00	155,740.00		155,740.00
Nanjing County Urban and Rural Water Supply Integration Project (Phase I)	828,557.85		828,557.85	136,129.28		136,129.28
Pinghe County Urban and Rural Water Supply Integration Project (Phase I)	842,348.38		842,348.38			
Zhangzhou Chengjia Real Estate Co., Ltd.				282,879,320.00		282,879,320.00
Jiulong River Real Estate Plaza (Twin Star Building Project)				231,464.39		231,464.39
Gulei refining and chemical integration	17,067,556.30		17,067,556.30	13,461,535.90		13,461,535.90
The second phase of the integration of urban and rural water supply	2,279,015.00		2,279,015.00	125,500.00		125,500.00
Gulei Public Thermal Power Plant	205,387.00		205,387.00	203,387.00		203,387.00
Reconstruction and expansion of sewage pipes in Gulei Petrochemical Zone	49,800.00		49,800.00	49,800.00		49,800.00
Public pipe gallery project	1,204,566,001.49		1,204,566,001.49	1,161,918,289.74		1,161,918,289.74
Waste project				577,656,725.75		577,656,725.75

Items	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Saltworks project	2,720,446,792.06		2,720,446,792.06	2,167,084,950.93		2,167,084,950.93
Dormitory decoration project				557,055.51		557,055.51
Trial production cost of waste site				595,170.91		595,170.91
Fire System Engineering				69,573.40		69,573.40
Office building renovation	58,512.97		58,512.97	55,498.94		55,498.94
Carport project				310,012.35		310,012.35
Fender and mooring facilities project	63,319.29		63,319.29	61,483.17		61,483.17
Public pipe pier project	3,710,216.68		3,710,216.68			
Shannan Road Pipe Gallery Supporting Facilities Project	4,450,058.54		4,450,058.54			
Renovation Project of Fine Chemical Industry Park	1,520,731.63		1,520,731.63			
Temporary road earthwork formation project	2,830,425.17		2,830,425.17			
Zhongsha Project	3,824,360,237.84		3,824,360,237.84			
Public pipe pier project- Ⅰ Tenglong West Road to Xiliao Road Section	612,961.93		612,961.93			
Public Pipe Pier Project - II Huaneng to Chimei Steam Pipeline Section	1,072,230.55		1,072,230.55			
Public Pipe Gallery Safety Ancillary Facilities Project	1,066,264.38		1,066,264.38			
Cisan Road Construction Project (Fine Chemical Industry Park Connection Line-01)	1,733,173.88		1,733,173.88			
Cisan Road Branch Corridor Project	9,900.99		9,900.99			
Chlor-alkali Phase I Project	299,631,250.00		299,631,250.00			
Petrochemical Avenue Xilin Section Road Engineering Project (Fine Chemical Industry Park Connection Line-02)	2,316,534.26		2,316,534.26			
Huanke Approach Road Expansion Project	1,277,070.00		1,277,070.00			
Bihai Building 2 and 3 Renovation Project	39,603.96		39,603.96			
Bihu City Plaza 2# Office Building Decoration Project EPC Project (EPC)	31,538,835.65		31,538,835.65			
Decoration project supervision fee	418,301.89		418,301.89			
Fire acceptance of decoration project	46,485.44		46,485.44			
Decoration engineering cost consulting fee	184,045.64		184,045.64			
Total	8,291,615,384.49		8,291,615,384.49	4,954,056,913.21		4,954,056,913.21

2. Movement of significant construction in progress in current period

Items	Budget (10,000 yuan)	Opening balance	Additions during current period	Transferred to fixed assets at current period	Amount of other reductions of this period	Closing balance	Total investment in projects Proportion of budget (%)	Project progress (%)	Capital sources
Construction of Pien Tze Huang Science and Technology Building	99,908.00	262,264.16	11,084,156.92			11,346,421.08	1.14%		Self-funded
Pien Tze Huang Cosmetics Phase III Project	11,528.48	757,230.73	2,634,718.03			3,391,948.76	2.94%		Self-funded
Green and intelligent manufacturing of spherical plain bearings	44,500.00	92,612,451.16	84,441,768.31	132,863,139.07		44,191,080.40	9.93%	Under construction	Self-funded
Technical Transformation Project for Vehicle Bearing	30,000.00	2,934,890.93	9,704,556.71	4,942,497.38		7,696,950.26	2.57%	Under construction	Self-funded
High-end joint	32,000.00	18,723,662.80	43,528,911.90	37,610,282.79	22,098,548.33	2,543,743.58	0.79%	Under construction	Self-funded
Maintenance and renovation of berth facilities	258.38	2,583,805.26	10,370.30			2,594,175.56	100.40%	Have been completed	Self-funded
Greening fire protection works	166.01	1,174,863.90	485,263.95			1,660,127.85	100.00%	Have been completed	Self-funded
Rain and sewage diversion covering film project in general industrial waste landfill reservoir area	193.84		1,006,290.59			1,006,290.59	51.91%		Self-funded
Technical Renovation Project of Gulei Water Plant 1	1,235.51	10,909,546.97	1,445,586.80			12,355,133.77	100.00%	Have been completed	Self-funded
Water Plant 2	48,086.51	19,717,510.68	4,674,990.59			24,392,501.27	5.07%	Under construction	Self-funded
Gulei refining and chemical integration	1,706.76	13,461,535.90	3,606,020.40			17,067,556.30	100.00%	Have been completed	Self-funded
Public plumbing gallery project	134,000.00	1,191,954,265.71	51,611,592.72			1,243,565,858.43	92.80%		集团借款
Saltworks project	280,766.84	2,222,877,716.69	630,980,226.49		46,189,533.69	2,807,668,409.49	100.00%		集团借款
Public pipe pier project	496.00		3,710,216.68			3,710,216.68	74.80%		集团借款
Shannan Road Pipe Gallery Supporting Facilities Project	607.95		3,704,994.89			3,704,994.89	60.94%		Self-funded

Items	Budget (10,000 yuan)	Opening balance	Additions during current period	Transferred to fixed assets at current period	Amount of other reductions of this period	Closing balance	Total investment in projects Proportion of budget (%)	Project progress (%)	Capital sources
Renovation Project of Fine Chemical Industry Park	171.00		1,520,731.63			1,520,731.63	88.93%		Self-funded
Temporary road earthwork formation project	350.00		2,830,425.17			2,830,425.17	80.87%		Self-funded
Zhongsha Project	400,000.00		3,946,522,801.10			3,946,522,801.10	98.66%		集团借款
Public Pipe Pier Project - II Huaneng to Chimei Steam Pipeline Section	146.59		1,072,230.55			1,072,230.55	73.14%		Self-funded
Public Pipe Gallery Safety Ancillary Facilities Project	365.00		1,066,264.38			1,066,264.38	29.21%		Self-funded
Cisan Road Construction Project (Fine Chemical Industry Park Connection Line-01)	9,052.83		1,733,173.88			1,733,173.88	1.91%		Self-funded
Chlor-alkali Phase I Project	29,925.00		299,631,250.00			299,631,250.00	100.13%		集团借款
Petrochemical Avenue Xilin Section Road Engineering Project (Fine Chemical Industry Park Connection Line-02)			2,316,534.26			2,316,534.26			Self-funded
Huanke Approach Road Expansion Project			1,277,070.00			1,277,070.00			Self-funded
Bihu City Plaza 2# Office Building Decoration Project EPC Project (EPC)	4,655.98		31,538,835.65			31,538,835.65	67.74%	80.00%	Self-funded
Camping Area D and new dormitory building	1,072.94	2,126,289.13	2,140,217.35			4,266,506.48	39.76%	24.00%	Self-funded
South Lake Hot Spring Hotel	67,269.43	7,032,536.08	21,467,268.47			28,499,804.55	4.30%	5.00%	Self-funded
Total	1,198,463.05	3,587,128,570.10	5,165,746,467.72	175,415,919.24	68,288,082.02	8,509,171,036.56			

(XX) Productive biological assets

Productive biological assets measured under cost models

Items	Forest musk deer	Honey pomelo tree	Tea tree	Total
I. Original carrying value				
1. Opening balance	17,115,089.15	11,129,969.52	36,000.00	28,281,058.67
2. Additions during this period	2,760,196.08	789,996.89		3,550,192.97
(1) Purchase		789,996.89		789,996.89
(2) Self-cultivation	2,760,196.08			2,760,196.08
(3) Additions by business combination				
3. Reductions during this period	2,955,403.37			2,955,403.37
(1) Disposal	2,955,403.37			2,955,403.37
(2) Others				
4. Closing balance	16,919,881.86	11,919,966.41	36,000.00	28,875,848.27
II. Accumulated depreciation				
1. Opening balance	3,907,236.06	6,067,393.56		9,974,629.62
2. Additions of this period	1,432,550.10	113,093.40		1,545,643.50
(1) Depreciation charges	1,432,550.10	113,093.40		1,545,643.50
3. Reductions in this period	839,266.01			839,266.01
(1) Disposal	839,266.01			839,266.01
(2) Others				
4. Closing balance	4,500,520.15	6,180,486.96		10,681,007.11
III. Provision for impairment				
1. Opening balance				
2. Additions in this period				
(1) Charges during this period				
3. Reductions in this period				
(1) Disposal				
(2) Others				
4. Closing balance				
IV. Book value				
1. Closing book value	12,419,361.71	5,739,479.45	36,000.00	18,194,841.16
2. Opening book value	13,207,853.09	5,062,575.96	36,000.00	18,306,429.05

(XXI) Right-of-use assets

Items	Houses and buildings	Machinery and equipment	Total
I. Original carrying value			
1. Opening balance	123,998,634.75	5,080,589.75	129,079,224.50
2. Additions during this period	7,452,067.29		7,452,067.29
(1) Rental	7,452,067.29		7,452,067.29
(2) Other additions			
3. Reductions during this period	1,584,820.79		1,584,820.79
(1) Disposal or discard	1,584,820.79		1,584,820.79
(2) Transfer out			
4. Closing balance	129,865,881.25	5,080,589.75	134,946,471.00
II. Accumulated depreciation			
1. Opening balance			
2. Additions during this period	24,698,955.96	2,540,294.88	27,239,250.84
(1) Depreciation	24,698,955.96	2,540,294.88	27,239,250.84
(2) Other increases			
3. Reductions during this period	1,087,432.99		1,087,432.99
(1) Disposal or discard	1,087,432.99		1,087,432.99
(2) Transfer out			
4. Closing balance	23,611,522.97	2,540,294.88	26,151,817.85
III. Provision for impairment			
1. Opening balance			
2. Additions during this period			
(1) Provision			
(2) Others			
3. Reductions during this period			
(1) Disposal or discard			
(2) Transfer out			
4. Closing balance			
IV. Book value			
1. Closing book value	106,254,358.28	2,540,294.87	108,794,653.15
2. Opening book value	123,998,634.75	5,080,589.75	129,079,224.50

(XXII) Intangible assets

1. Details of intangible assets

Items	Land use rights	Patent right	Computer software	Warrants qualifications, etc.	Total
I. Original carrying value					
1. Opening balance	711,811,615.76	1,252,963,410.45	19,743,870.01	183,863,866.26	2,168,382,762.48
2. Additions during this period	243,492,232.34	48,000.00	3,552,291.77	230,089,078.40	477,181,602.51
(1) Purchases	234,430,737.48	48,000.00	3,552,291.77	230,089,078.40	468,120,107.65
(2) Internal R&D	8,755,359.47				8,755,359.47
(3) Additions due to business combination	306,135.39				306,135.39
3. Reductions during this period	34,896,955.30		19,564.05	2,646,226.74	37,562,746.09
(1) Disposal	34,896,955.30		19,564.05	2,646,226.74	37,562,746.09
4. Closing balance	920,406,892.80	1,253,011,410.45	23,276,597.73	411,306,717.92	2,608,001,618.90
II. Accumulated amortization					
1. Opening balance	55,773,034.30	749,687,566.10	13,602,046.47	104,154,925.14	923,217,572.01
2. Additions of this period	18,462,985.22	86,589,550.44	2,648,446.75	22,086,681.54	129,787,663.95
(1) Amortization	18,375,083.48	86,589,550.44	2,648,446.75	22,086,681.54	129,699,762.21
(2) Transferred from investment property	87,901.74				87,901.74
3. Reductions during this period	8,140,905.78		19,564.05	2,646,226.74	10,806,696.57
(1) Disposal	8,140,905.78		19,564.05	2,646,226.74	10,806,696.57
4. Closing balance	66,095,113.74	836,277,116.54	16,225,341.27	123,600,967.84	1,042,198,539.39
III. Provision for impairment					
1. Opening balance					
2. Additions of this period					
(1) Provision charges					
3. Reduction during this period					
(1) Disposal					
4. Closing balance					
IV. Book value					
1. Closing book value	854,311,779.06	416,734,293.91	7,051,256.46	287,705,750.08	1,565,803,079.51
2. Opening book value	656,038,581.46	503,275,844.35	6,141,823.54	79,708,941.12	1,245,165,190.47

2. Land-use right of uncompleted ownership certificates

Items	Book value	Reasons for uncompleted ownership certificate
Z.G.G.Y. (2015) No. 00002	3,838,172.65	The transfer has not yet been completed
Total	3,838,172.65	

(XXIII) Goodwill

1. Carrying value of goodwill

Name of the investee and the formation of goodwill	Opening balance	Additions during the year	Reductions during the year	Closing balance
		Formed through business combination	Disposal	
Xiamen Pien Tze Huang Honest Medicine Co., Ltd. (Note 1)	41,580,000.00			41,580,000.00
Changsha Bode Metallurgical Materials Co., Ltd. (Note 2)	106,104.49			106,104.49
Zhangzhou Gulei Water Development Co., Ltd. (Note 3)	5,151,899.37			5,151,899.37
Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.	1,833,775,797.15			1,833,775,797.15
Fujian Longxi Bearing (Group) Corp. Ltd.	584,117,473.97			584,117,473.97
Fujian Xinhe Real Estate Development Co., Ltd.	37,389,662.01			37,389,662.01
Fujian Hongqi Co., Ltd.	13,658,045.56			13,658,045.56
Total	2,515,778,982.55			2,515,778,982.55

2. Provision for goodwill impairment

Name of the investee and the formation of goodwill	Opening balance	Increase in current period		Decrease in current period		Closing balance
		Withdrawing	Others	Disposal	Others	
Xiamen Pien Tze Huang Hongren Pharmaceutical Co., Ltd. (Note 1)	41,580,000.00					41,580,000.00
Fujian Hongqi Co., Ltd.	13,658,045.56					13,658,045.56
Total	55,238,045.56					55,238,045.56

Note 1: When the subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. carries on impairment testing, the recoverable amount of the asset group(including goodwill) is the higher of its fair value less costs of disposal and its present value of estimated future cash flows. Goodwill is allocated to the Company's portfolio which are expected to benefit from the synergistic effect of merger of Xiamen Pien Tze Huang Honest Medicine Co., Ltd. The asset group portfolio includes assets of Xiamen Pien Tze Huang Honest Pharmaceutical Co., Ltd. and assets of its subsidiary Zhangzhou Pien Tze Huang Honest Pharmaceutical Co., Ltd.

In 2018 &2019, after testing, the estimated recoverable amount of the asset group of Xiamen Pien Tze Huang Hongren Pharmaceutical Co., Ltd. and Zhangzhou Pien Tze Huang Hongren Pharmaceutical Co., Ltd. was lower than the book value of the asset group (including goodwill). The Company has made separate provisions for impairment of goodwill of RMB 39,659,300 and RMB 1,920,700 according to the proportion of equity held by the above two companies.

Note 2: The subsidiary Fujian Longxi Bearing (Group) Corp., Ltd. calculates the recoverable amount of the asset groups by means of forecasting the present value of future cash flow. According to the results of the impairment test, no goodwill impairment was charged on Changsha Bode Metallurgic Material Co., Ltd.

Note 3: When the subsidiary Zhangzhou Jiulongjiang Gulei Investment Co., Ltd. prepares its consolidated statement, it adopts the business combination policy not under the common control for Zhangzhou Gulei Water Development Co., Ltd. and Zhangzhou Jiulongjiang Gulei Investment Co., Ltd. recognizes the favorable difference between the combination cost and the fair value of the net identifiable assets obtained from the acquiree during combination as goodwill. In accordance with the *Assets Appraisal Report* (M.J.Y.P.B.Z. No. 20162003) issued by Fujian Jianyou Assets and Real Estate Appraisal Co., Ltd. using September 30, 2016 as the evaluation benchmark, the equity valuation value of Zhangzhou Gulei Water Development Co., Ltd. was RMB 455,527,200, with RMB 39,418,955.68 of increase from the appraisal, the fair value of the net identifiable assets on December 31, 2016 was RMB 455,078,140.17, and the amount of RMB5,151,899.37 was recognized as goodwill in accordance with 50% equity ratio.

(XXIV) Long-term deferred expenses

Items	Opening balance	Additions during the year	Amortization amount of the current period	Other decrease	Closing balance
Decoration fee	37,595,770.27	14,055,881.93	10,564,618.31		41,087,033.89
Land compensation	72,083.49		27,000.00		45,083.49
Endorsement fee	4,360,062.78		2,783,018.76		1,577,044.02
Transformation of the first workshop	15,096,327.28		3,178,174.16		11,918,153.12
Others	3,410,742.30	7,002,697.93	2,052,245.99		8,361,194.24
Establishing fee	107,119.75		107,119.75		
Hard outfit project	4,454,499.67	84,394.87	856,497.24		3,682,397.30
Soft outfit project	200,767.50	-2,601.53	88,189.36		109,976.61
Million view repair fee	607,211.89	242,483.91	621,454.53		228,241.27
Wanjing repair fee	291,399.13		193,610.73		97,788.40
The curtain money of group business building and subsidiary building	42,506.79		28,337.87		14,168.92
Group dormitory Building Renovation project	170,964.75		113,976.49		56,988.26
The cost of increase capacity to electricity	495,643.46		330,428.96		165,214.50
Construction of exterior wall facade and interior supporting facilities	2,272,839.81	897,288.16	252,721.45		2,917,406.52
Intelligent business building project	1,071,746.96	71,837.59	77,948.64		1,065,635.91
Group compound parking shed		136,758.45			136,758.45
Land contract payment	13,775,000.00		300,000.00		13,475,000.00
Organization costs	9,745,647.00	8,081,588.52			17,857,591.78
Operation planning fee	20,833.23		20,833.23		

Items	Opening balance	Additions during the year	Amortization amount of the current period	Other decrease	Closing balance
Cost of production of advertising materials	267,440.10		200,395.44		67,044.66
Opening ceremony fee	9,722.28		9,722.28		-
VIS visual recognition system	66,111.12		28,333.32		37,777.80
Tailings pond pin	3,811,801.00	2,774,283.77			6,586,084.77
The cost of making the Roman flag	14,933.44		14,933.44		
Incidental repair	150,837.41		40,223.28		110,614.13
Crane maintenance	412,743.37		93,451.32		319,292.05
Technical Service Fee (Sewage Permit)	29,702.97		29,702.97		
Measurement service fee (multi - speed wave sweep sea survey)	88,118.81		88,118.81		
The dormitory rent	28,080.00		28,080.00		
Pole light and street light maintenance		60,024.31	55,022.33		5,001.98
Iron ore cleaning fee		130,415.09	97,811.37		32,603.72
15T sewage treatment system		122,522.00	24,504.36		98,017.64
Anti-pollution agreement fee		290,094.33	69,476.01		220,618.32
Sewage treatment system rectification budget audit fee		970.87	194.16		776.71
Sewage treatment project budget preparation fee		970.87	194.16		776.71
Land backfill project		397,316.70	79,463.40		317,853.30
Land backfill and port basin dredging		1,532,708.07	306,541.56		1,226,166.51
Port Basin Desilting Project		241,774.55	48,354.96		193,419.59
Measurement technology service fee for the dredging project of the harbor basin		131,067.96	26,213.64		104,854.32
Land backfill dredging budget audit fee		9,479.00	1,895.76		7,583.24
Land backfill dredging cost for dredging		9,584.00	1,916.76		7,667.24
Land backfill design fee		15,000.00	3,000.00		12,000.00
Sporadic projects such as sewage pipes, maintenance workshops, etc.		62,953.00	12,590.64		50,362.36
Crane safety monitoring management system fee		42,000.00	8,400.00		33,600.00
Site leveling fee		31,752.36	6,350.52		25,401.84
Rectification and design fee for cutting-edge ancillary facilities		13,679.25	2,735.88		10,943.37
Office building renovation project design fee		8,000.00	1,599.96		6,400.04
Crane Verification Fee		38,150.00	7,629.96		30,520.04

Items	Opening balance	Additions during the year	Amortization amount of the current period	Other decrease	Closing balance
Dock Basin Bathymetry Fee		34,000.00	6,800.04		27,199.96
General aviation safety analysis report preparation fee		169,902.91	33,980.64		135,922.27
Berth measurement service fee		64,077.67	12,815.52		51,262.15
Completion review survey project agency fee		961.17	192.24		768.93
Cargo ship feasibility study fee		113,207.55	22,641.48		90,566.07
Port Basin Dredging Engineering Design Fee		50,000.00	9,999.96		40,000.04
High pole light telescopic door repair project		199,845.05	39,969.00		159,876.05
High pole light and retractable door repair settlement audit fee		970.87	194.16		776.71
Lightning protection device renovation project		18,949.00	3,789.84		15,159.16
Budget preparation for the repair of high pole lights and retractable doors		2,127.63	425.52		1,702.11
Environmental improvement		123,193.07	6,159.66		117,033.41
Environmental improvement		76,637.17			76,637.17
Organization expenses	51,693.27	6,322,375.49	215,531.60		6,158,537.16
Furniture fee	317,327.18	237,202.25	127,320.98		427,208.45
The greening renovation project of the compound	2,956.40		2,956.40		
Renovation of the water supply canteen	8,010.44		8,010.44		
Renovation project of water Affairs complex building	403,405.67		100,851.48		302,554.19
Water supply network remote monitoring system		217,340.00	30,186.10		187,153.90
Maintenance of inclined pipe in sedimentation tank of a water plant		296,544.00	16,474.66		280,069.34
Supervision fee for the renovation of the water affairs complex		3,000.00	750.00		2,250.00
No. 1 Water Plant Monitoring Equipment Reconstruction Project		98,242.00	32,747.28		65,494.72
No. 1 Water Plant Monitoring Equipment Reconstruction Project		198,322.70	66,107.52		132,215.18
Maintenance of fire protection system in No:1water plant		2,000.00			2,000.00
Total	99,454,049.52	44,711,974.49	23,620,936.28		120,575,443.99

(XXV) Deferred income tax assets/deferred income tax liabilities

1.Non-offset deferred income tax assets

Items	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for assets impairment/Provision for credit impairment	148,327,321.33	28,721,409.57	103,065,645.12	18,792,617.24
Salary expense	78,815,917.72	12,129,873.74	67,373,566.41	10,208,869.17
Deductible losses	40,708,316.18	10,177,079.05	48,362,407.36	8,863,102.88
Accrued expense	284,806,752.45	50,461,454.05	140,181,121.96	24,057,593.34
Defined benefit plans	32,231,672.82	4,955,542.46	29,424,577.86	4,529,968.37
Deferred income	14,751,706.37	2,212,755.95	10,970,449.03	1,832,215.92
Unrealized profit and loss	141,103,480.37	34,362,474.80	78,409,412.30	18,659,010.11
Long-term equity investments at fair value through other comprehensive income	3,661,415.65	549,212.35		
Fair value of financial assets held for trading	160,552.16	40,138.04		
Deductible difference of fixed asset depreciation	647,927.50	97,189.13	717,363.24	107,604.49
Deductible difference of intangible assets amortization	51,140,376.57	12,785,094.15	48,650,336.35	12,162,584.09
Other equity investments at fair value through other comprehensive income	40,379,628.38	6,056,944.23	17,811,182.77	2,683,350.75
Receivable financing at fair value through other comprehensive income	64,483.07	16,120.77	198,549.94	49,637.49
Other non-current financial assets at fair value measurement through profits and losses in current period	2,325,624.39	348,843.66	78,947.68	11,842.15
Estimated demolition cost items can offset the difference			26,720,145.22	6,680,036.31
Government subsidies	19,598,781.26	3,103,096.78	20,214,928.22	3,032,239.23
Others	3,137,147.63	774,128.90		
Total	861,861,103.85	166,791,357.63	592,178,633.46	111,670,671.54

2.Non-offset deferred income tax liabilities

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Changes in fair value of financial assets held for trading	281,453,496.35	42,058,182.66	252,114,319.71	37,818,028.93
Changes in fair value of available-for-sale financial assets recognized in other comprehensive incomes	859,613,673.52	189,742,764.61	1,552,418,171.77	267,201,705.30
Evaluation increment	774,337,546.66	193,584,386.66	431,676,927.96	107,919,231.99
Accrued interest income	62,273,500.66	9,554,026.67	39,514,085.04	6,018,633.46

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Not under the same control of the fair value of the enterprise merger adjustment	1,471,152.55	367,788.14	22,206,198.82	8,118,360.07
Other non-current financial assets at fair value through profits and losses in current period	12,138,445.09	1,820,766.76	5,351,489.32	802,723.41
Gain on disposal of assets	165,737,290.27	24,860,593.54		
Others	11,394,318.57	2,848,579.64		
Total	2,168,419,423.67	464,837,088.68	2,303,281,192.62	427,878,683.16

(XXVI) Other non-current assets

Items	Closing balance	Opening balance
Prepaid land transferring fee	317,252,504.09	36,242,504.09
Prepayment for house and equipment	594,450,106.63	491,617,802.08
Advances on construction	233,893,448.42	213,544,637.54
Project cooperation funds (Note 1)	1,250,000,000.00	1,250,000,000.00
Prepayment for intangible assets		13,278,742.74
Capital for debt payment	7,118,934.66	7,118,934.66
Longwen District School Infrastructure Group Construction Project PPP Project	7,008,222.26	
PPP project of S318 (Lian 14) Line, Jingcheng Chess Club to Niuqitou section of highway engineering	158,039,106.95	66,941,008.40
PPP projects for sewage collection and treatment		207,796,279.43
Certificates of deposit of more than one year	51,860,861.30	20,757,948.83
Others	16,007,607.67	31,017,899.86
Total	2,635,630,791.98	2,338,315,757.63

Note : As an inferior-level limited partner, the Company invested RMB 1.25 billion to Zhangpu Gulei Tiancheng Investment Management Center (Limited Partnership) , and the Limited Partnership had a plan to invest RMB 6,250 million to the Company's subsidiary Zhangzhou Jiulongjiang Gulei Investment Co., Ltd. (Jiugu Investment). During the period of Zhangpu Gulei Tiancheng Investment Management Center (Limited Partnership) investing in Jiugu Investment, the Company would not participate any investment income and profit distribution of the partnership.

(XXVII) Short-term loans

Classification of short-term loans

Items	Closing balance	Opening balance
Pledged loans	95,000,000.00	125,000,000.00
Mortgage loans	34,293,066.00	10,000,000.00

Items	Closing balance	Opening balance
Guaranteed loans	79,972,444.44	87,000,000.00
Credit loans	12,041,549,395.32	8,657,090,708.98
Accrued interest	10,442,705.19	10,471,956.46
Total	12,261,257,610.95	8,889,562,665.44

(XXVIII) Notes payable

Type	Closing balance	Opening balance
Commercial acceptance bills		1,498,024,309.19
Letter of credit	254,238,266.70	
Bank acceptance bills	3,795,793,038.53	36,696,044.57
Total	4,050,031,305.23	1,534,720,353.76

There is no note payable due and unpaid in current period.

(XXIX) Accounts payable

1. List of accounts payable

Items	Closing balance	Opening balance
Payment for goods	810,519,817.58	735,460,776.57
Payment for project and equipment amount	159,368,534.87	211,778,345.47
Others	4,610,847.31	11,691,965.00
Total	974,499,199.76	958,931,087.04

2. Significant accounts payable with age of more than one year

Items	Closing balance	Reasons for outstanding
Xiamen Shengyuekang Pharmaceutical Technology Co., Ltd.	634,427.74	The purchase balance has not been settled
Shanghai United Cell Bioengineering Co., Ltd.	606,990.00	The purchase balance has not been settled
Abazhou Jiuzhai Foreign Trade Co., Ltd	559,898.00	The purchase balance has not been settled
Fujian Xinhuang Construction Development Co., Ltd.	366,483.28	The purchase balance has not been settled
Xiamen Waitu Import & Export Co., Ltd.	364,000.00	The purchase balance has not been settled
Fujian Pacific Pharmaceutical Co., Ltd.	350,902.80	The purchase balance has not been settled
Changzhou Zhiye Medical Instrument Research Institute Co., Ltd.	342,863.10	The purchase balance has not been settled
Sunflower Pharmaceutical Group Pharmaceutical Co., Ltd.	317,269.73	The purchase balance has not been settled
Nanjing Chengong Pharmaceutical Co., Ltd.	316,000.00	The purchase balance has not been settled
City Metal Company	1,100,000.00	Not yet settled
City Food Wholesale Market	1,000,000.00	Not yet settled

Items	Closing balance	Reasons for outstanding
Henan Qiankun Road and Bridge Engineering Co., Ltd.	500,000.00	Not yet settled
Zhangzhou Longji Industry and Trade Co., Ltd.	3,542,021.55	Instalment payment for raw material purchases
Yandong Branch of Shanghai Pharmaceutical Company	332,022.60	Issues left over by history
Zhongqing Foreign Economic and Technological Cooperation	131,824.66	Issues left over by history
Shanghai Gaosha Jianchen Spice Co., Ltd.	72,617.18	Issues left over by history
Hangzhou Jingwei Daily Chemical Factory	64,228.87	Issues left over by history
City Printing Factory	58,547.55	Issues left over by history
Fujian Zhanglong Construction Investment Group Co., Ltd.	83,049,229.99	Estimated project cost
Total	93,709,327.05	

(XXX) Receipts in advance

1.List of receipts in advance

Items	Closing balance	Opening balance
Payment for goods	7,478,636.41	7,581.56
Rent and electricity charge	1,110,388.29	1,307,443.50
Others	153.28	3,890,230.18
Total	8,589,177.98	5,205,255.24

2. Significant receipts in advance with age of more than one year.

Items	Amount owed	Reasons for outstanding
Toniu (Xiamen) E-Commerce Co., Ltd.	1,096,640.00	Settlement balance
Yunnan Furunda Pharmaceutical Co., Ltd.	191,520.00	Settlement balance
Lin Zeng (equipment for Nanjing Cement Plant)	120,000.00	Unsettled
Yu Yiyi	12,420.00	Unsettled
Total	1,420,580.00	

(XXXI) Contract liability

Items	Closing balance	Opening balance
Payment for goods	1,320,196,238.66	1,319,071,650.63
Unredeemed points from sales	2,470,805.90	1,821,134.92
Consideration from customer	78,099,717.04	59,631,025.97
Equipment rental	917,336.28	
Advance deposit	11,325,808.63	
Others	2,581,695.84	2,535,791.13
Total	1,415,591,602.35	1,383,059,602.65

(XXXII) Accrued payroll

1. List of accrued payroll

Items	Opening balance	Increase in current period	Decrease in current period	Other changes in consolidated statements	Closing balance
I. Short-term remuneration	150,165,599.63	806,611,068.00	795,480,600.47		161,296,067.16
II.Post-employment benefit-defined contribution plans	11,843,606.31	72,956,803.80	65,865,860.21		18,934,549.90
III. Termination benefits	208,380.64	266,928.71	475,309.35		
IV. Other welfare due within one year					
Total	162,217,586.58	879,834,800.51	861,821,770.03		180,230,617.06

2. List of short-term remuneration

Items	Opening balance	Increase in current period	Decrease in current period	Other changes in consolidated statements	Closing balance
1. Salaries, bonus, allowances and subsidies	99,345,153.47	649,467,793.65	647,132,093.86		101,680,853.26
2. Staff welfare expenses	1,969,855.63	38,983,373.95	40,689,767.50		263,462.08
3. Social insurance premiums	7,964,648.49	45,638,689.99	46,266,290.54		7,337,047.94
Including: Medical insurance premiums	1,522,452.22	33,038,933.16	34,306,648.98		254,736.40
Industrial injuries insurance premium	10,547.27	2,799,116.89	2,807,531.84		2,132.32
Maternity insurance premiums	63,085.06	2,201,520.61	2,253,761.73		10,843.94
Supplementary medical insurance	6,368,563.94	7,179,004.53	6,478,233.19		7,069,335.28
Others		715,954.40	715,954.40		
4. Housing provident fund	118,005.16	48,808,364.71	48,778,662.45		147,707.42
5. Union expenses and employee educational expenditure	40,767,836.88	23,712,645.70	12,613,586.12		51,866,896.46
6. Short-term compensated absences					
7. Short-term profit sharing plan					
8. Other short-term compensation	100.00	200.00	200.00		100.00
Total	150,165,599.63	806,611,068.00	795,480,600.47		161,296,067.16

3. List of defined contribution plans

Items	Opening balance	Increase in current period	Decrease in current period	Other changes in consolidated statements	Closing balance
1. Basic endowment insurance	195,690.00	46,391,628.19	46,462,635.03		124,683.16
2. Unemployment insurance premiums	5,805.87	2,263,707.20	2,265,646.51		3,866.56
3. Supplementary endowment insurance	215,667.87	7,449,982.33	756,848.46		11,964.59
4. Company annuity payment	11,426,442.57	24,493,207.10	17,125,614.08		18,794,035.59
Total	11,843,606.31	72,956,803.80	65,865,860.21		18,934,549.90

(XXXIII) Taxes payable

Items	Closing balance	Opening balance
VAT	29,331,064.12	78,071,443.37
Enterprise income tax	755,136,777.55	199,060,681.21
Urban maintenance and construction tax	3,401,358.42	4,495,436.41
Housing property tax	5,023,458.31	3,456,614.47
Education surcharge	2,477,548.00	3,695,891.72
Individual income tax	1,629,071.06	5,668,131.28
Land use tax	3,667,069.86	1,636,667.47
Stamp duty	2,837,528.71	1,057,892.22
Land value increment tax	53,715,550.44	49,102,208.44
Other taxes and fees	25,026,353.96	12,242,876.86
Total	882,245,780.43	358,487,843.45

(XXXIV) Other payables

Items	Closing balance	Opening balance
Interests payable		
Dividends payable	18,151,664.36	24,117,200.05
Other payables	640,265,131.51	563,217,019.90
Total	658,416,795.87	587,334,219.95

1. Dividends payable

Items	Closing balance	Opening balance
Dividends on common stock	11,722,256.58	18,253,222.74
Dividends of subsidiary shareholders	6,429,407.78	5,863,977.31
Total	18,151,664.36	24,117,200.05

2. Other payables

(1) Other payable listed by nature of accounts

Items	Closing balance	Opening balance
Current account	257,331,859.06	220,786,729.33
Deposit and guarantee deposit	89,290,687.13	73,244,110.43
Accrued expenses (Note 1)	221,998,063.95	219,307,858.46
Agency fees	3,954,646.38	
Withholding and remitting payment	15,997,031.07	11,016,078.91
Construction cost	2,822,807.33	670,716.71
Resettlement compensation	3,508,177.95	2,266,197.95
Underwriting fees	1,875,000.00	3,820,754.72

Items	Closing balance	Opening balance
State-owned enterprise financing assessment reward	1,582,764.50	1,342,764.50
Reservation agreement price	140,000.00	848,676.00
Pre-borrowing	500,000.00	500,000.00
New septic tank reconstruction subsidy funds		6,749,800.00
Temporary receipts to be paid	3,723,883.16	149,467.50
Housing reform fund	1,308,317.97	
Others	36,231,893.01	22,513,865.39
Total	640,265,131.51	563,217,019.90

Note: The accrued expenses were mainly related expenses that have not been settled for market promotion in accordance with the marketing plan of the subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. in 2021.

Accrued expenses by industry	Closing balance	Opening balance
Pharmaceuticals industry	101,935,454.29	97,573,782.02
Cosmetics industry/ Oral care and daily chemical industry	110,661,764.03	111,571,916.50
Food, e-commerce and other industries	1,734,295.42	7,301,534.72
Total	214,331,513.74	216,447,233.24

(2) Other significant payables with age of more than one year

Items	Closing balance	Reasons for outstanding or non-carryover
Zhuhai Bengao Building Material Hardware Co., Ltd.	1,037,400.00	Deposit for specific product models
Fujian Zhanglong Construction Investment Group Co., Ltd.	8,094,171.80	The settlement period has not expired
Fuzhou Zhengda Pharmaceutical Technology Co., Ltd.	1,000,000.00	Deposit
Opal Cosmetics (Huizhou) Co., Ltd.	500,000.00	Deposit
Zhangzhou Yilv Agricultural Development Co., Ltd.	350,000.00	Deposit
Fujian Leo Pharmaceutical Co., Ltd	500,000.00	Deposit
Xiamen Meizhongfu Trading Co., Ltd. Fujian Xihai Pharmaceutical Co., Ltd.	250,000.00	Deposit
Fujian Xihai Pharmaceutical Co., Ltd.	203,719.95	The settlement period has not expired
Fujian Yanhuangshijia Food Co., Ltd.	200,000.00	Deposit
Municipal Finance (Renovation of Armed Police Building)	6,097,947.21	Unsettled
Dong Leng Company	3,079,662.00	Unsettled
Yuanguang North Branch of Industrial Bank	2,606,394.19	Unsettled
Zhangzhou City Finance Bureau	2,000,000.00	Unsettled
Fuzhou Zhucheng United Pipeline Co., Ltd.	1,982,596.80	Unsettled
Zhangzhou Promise Pharmaceutical Co., Ltd.	9,884,495.75	Dividends (25% of dividends received by entrusted management)

Items	Closing balance	Reasons for outstanding or non-carryover
Demolition and resettlement compensation	4,289,955.00	Requisition and demolition compensation for the Yinhe Plaza project of the Sanitary Dressing Factory
Housing reform fund	3,576,784.02	historical issues
Employee Housing Reform Special Account Payment	3,564,979.99	Housing reform fund
Futang Housing Fund	2,567,856.78	Issues left over by history
Demolition expenses received	2,568,041.49	Issues left over by history
Idle funds of Longxi Machinery Factory Labor Service Company	1,650,346.30	Idle funds managed for the company
Assets to be liquidated from investment	1,022,293.19	Issues left over by history
Zhangzhou Zhangtang Construction Engineering Co., Ltd., Zhangzhou City, Fujian Province	655,577.98	Issues left over by history
Employees' economic compensation of Fujian Lijia Co., Ltd.	615,851.65	Lijia's retired employee placement expenses, such as holiday condolences, hospital condolences, and difficulties condolences from then on
Total	58,298,074.10	

(XXXV) Non-current liability due within one year

Items	Closing balance	Opening balance
Long-term loan due within one year	1,725,835,136.76	87,184,109.37
Long-term bonds payable due within one year	10,326,885,415.89	8,983,872,144.92
Long-term payables due within one year		2,830,188.68
Long-term payroll payable due within one year	1,876,874.91	2,493,095.06
The interest of long-term bonds payable due within one year	54,935,410.23	
The interest of long-term loan due within one year	2,726,249.91	
Lease liabilities due within 1 year	22,752,504.22	23,441,657.08
Total	12,135,011,591.92	9,099,821,195.11

(XXXVI) Other current liabilities

Items	Closing balance	Opening beginning
Short-term bonds payable	3,009,397,260.28	1,516,229,508.20
Deposited guarantee deposit	10,000.00	515,360.00
Reserves for guarantee compensation	22,944,550.50	9,916,090.00
Short-term liability reserve funds	4,743,069.71	9,304,769.13
Accrued expense	6,388,191.10	1,259,200.00
Notes receivable for short-term bonds payable that have not been derecognized	35,992,314.43	
Output tax to be transferred	177,194,348.14	141,768,185.85
Total	3,256,669,734.16	1,678,993,113.18

(XXXVII) Long-term loans

Classification of long-term loans

Items	Closing balance	Opening balance
Pledged borrowings	809,700,000.00	728,900,000.00
Mortgage borrowings	1,259,375,000.00	90,500,000.00
Guaranteed loan	1,019,900,000.00	4,560,729,019.44
Credit loans	5,375,117,196.26	1,638,079,438.35
Total	8,464,092,196.26	7,018,208,457.79

(XXXVIII) Bonds payable

1.Bonds payable

Items	Closing balance	Opening balance
16 Zhangjiulong Debt	2,496,331,216.61	
17 Zhangjiu 01		2,893,795,606.56
18 Jiulongjiang MTN001	798,098,500.28	796,440,778.46
18 Jiulongjiang MTN002	399,003,097.43	398,177,478.37
18 Jiulongjiang MTN003	598,341,267.67	597,113,133.59
19 Zhangjiu 01		1,996,964,794.78
19 Zhangjiu 02		998,448,778.06
19 Zhangjiu 03		998,425,892.87
Three year foreign dollar bonds		3,356,046,831.28
20 Jiulongjiang MTN001	997,764,758.79	996,838,614.34
20 Jiulongjiang MTN002	997,542,711.94	996,780,554.16
20 Jiulongjiang MTN004	1,096,660,708.45	1,096,009,941.87
20 Jiulongjiang PPN001	998,934,314.14	998,096,695.77
20 Jiulongjiang PPN002	998,548,559.18	998,866,379.11
20 Zhangjiu 01	1,298,608,443.47	1,297,318,711.47
20 Zhangjiu 02	1,499,550,195.51	1,499,174,581.60
20 Zhangjiu 03	1,198,796,394.44	1,198,100,306.87
21 Zhangjiu 01	1,498,358,518.19	
21 Jiulongjiang PPN001	998,588,865.74	
21 Zhangjiu 02	1,498,052,390.48	
21 Jiulongjiang MTN002	299,109,237.46	
21 Jiulongjiang MTN003	99,662,032.51	
21 Jiulongjiang MTN004	498,931,964.96	
Bond interest payable	620,426,107.67	650,919,189.18
Total	18,891,309,284.92	21,767,518,268.34

2. Movement of bonds payable (excluding other financial instruments, such as preferred shares and perpetual capital securities that were classified into financial liabilities):

Name of bonds	Nominal value	Issuing date	Bond period (year)	Opening balance	Issuance in the current period	Balance before initial reclassification	Interest accrued at nominal value	Amortization of premium or discount	Repayment/reclassification to non-current liabilities due within one year	Closing balance
14 Zhangjiulong Debt	700,000,000.00	2014-6-25	7年	140,000,000.00	280,000,000.00		4,225,315.07		140,000,000.00	
16 Jiulongjiang MTN001	800,000,000.00	2016-3-14	5年	799,171,198.15	1,700,000,000.00		5,633,753.43		799,171,198.15	
16 Jiulongjiang PPN001	1,000,000,000.00	2016-12-1	5年	998,527,179.51	799,171,198.15		42,093,150.72		998,527,179.51	
16 Zhangjiulong Debt	2,500,000,000.00	2016-4-11	5+2年	2,494,245,345.73	998,527,179.51		90,000,000.00	2,085,870.88		2,496,331,216.61
17 Zhangjiu 01	3,000,000,000.00	2017-7-10	5年	2,893,795,606.56	2,494,245,345.73		166,287,800.00	2,513,346.38	2,896,308,952.94	
18 Jiulongjiang MTN001	800,000,000.00	2018-5-3	5年	796,440,778.46	200,000,000.00		45,600,000.00	1,657,721.82		798,098,500.28
18 Jiulongjiang MTN002	400,000,000.00	2018-5-24	5年	398,177,478.37	998,972,639.46		22,280,000.00	825,619.06		399,003,097.43
18 Jiulongjiang MTN003	600,000,000.00	2016-7-12	5年	597,113,133.59	799,152,218.86		32,100,000.00	1,228,134.08		598,341,267.67
18 Zhangjiu 01	1,100,000,000.00	2018-1-16	3+2年	1,098,498,064.91	2,996,795,606.56		71,390,000.00		1,098,498,064.91	
18 Zhangjiu 02	1,400,000,000.00	2018-3-27	3+2年	1,397,903,656.91	796,440,778.46		91,000,000.00		1,397,903,656.91	
18 Zhangjiu 03	1,000,000,000.00	2018-10-26	3年	999,528,896.73	398,177,478.37		46,455,342.47		999,528,896.73	
18 Zhangjiu 04	1,000,000,000.00	2018-12-14	3年	999,436,752.27	597,113,133.59		47,534,246.58		999,436,752.27	
19 Three-year offshore US$500 million bond	3,488,100,000.00	2019-9-10	3年	3,356,046,831.28	1,098,498,064.91		180,520,318.77	78,891,220.03	3,434,938,051.31	
19 Zhangjiu 01	2,000,000,000.00	2019-3-14	3+2年	1,996,964,794.78	1,397,903,656.91		88,000,000.00	989,700.71	1,997,954,495.49	
19 Zhangjiu 02	1,000,000,000.00	2019-4-8	3+2年	998,448,778.06	999,528,896.73		44,700,000.00	493,277.70	998,942,055.76	
19 Zhangjiu 03	1,000,000,000.00	2019-12-10	3+3年	998,425,892.87	999,436,752.27		39,500,000.00	315,967.52	998,741,860.39	
20 Jiulongjiang MTN001	1,000,000,000.00	2020-3-6	5年	996,999,499.61	999,732,704.41		36,500,000.00	765,259.18		997,764,758.79

Name of bonds	Nominal value	Issuing date	Bond period (year)	Opening balance	Issuance in the current period	Balance before initial reclassification	Interest accrued at nominal value	Amortization of premium or discount	Repayment/reclassification to non-current liabilities due within one year	Closing balance
20 Jiulongjiang MTN002	1,000,000,000.00	2020-4-3	5年	996,780,554.16	3,356,046,831.28		37,500,000.00	762,157.78		997,542,711.94
20 Jiulongjiang MTN004	1,100,000,000.00	2020-10-20	5年	1,095,849,056.60	1,996,964,794.78		48,400,000.00	811,651.85		1,096,660,708.45
20 Jiulongjiang PPN001	1,000,000,000.00	2020-5-22	3+2年	998,096,695.77	998,448,778.06		37,000,000.00	837,618.37		998,934,314.14
20 Jiulongjiang PPN002	1,000,000,000.00	2020-11-4	3+2年	998,866,379.11	998,425,892.87		42,000,000.00	-317,819.93		998,548,559.18
20 Zhangjiu 01	1,300,000,000.00	2020-3-16	3+2年	1,297,318,711.47	996,838,614.34		48,100,000.00	1,289,732.00		1,298,608,443.47
20 Zhangjiu 02	1,500,000,000.00	2020-4-27	3+2年	1,499,174,581.60	996,780,554.16		54,000,000.00	375,613.91		1,499,550,195.51
20 Zhangjiu 03	1,200,000,000.00	2020-10-20	3+2年	1,198,100,306.87	1,096,009,941.87		50,280,000.00	696,087.57		1,198,796,394.44
21 Zhangjiu 01	1,500,000,000.00	2021-1-8	3+2年		998,096,695.77	1,500,000,000.00	56,642,465.75	-1,641,481.81		1,498,358,518.19
21 Jiulongjiang PPN001	1,000,000,000.00	2021-3-19	3年		998,866,379.11	1,000,000,000.00	34,481,095.89	-1,411,134.26		998,588,865.74
21 Zhangjiu 02	1,500,000,000.00	2021-3-18	3+2年		1,297,318,711.47	1,497,390,000.00	46,081,643.84	662,390.48		1,498,052,390.48
21 Jiulongjiang MTN002	300,000,000.00	2021-6-17	5年		1,499,174,581.60	300,000,000.00	7,111,726.03	-890,762.54		299,109,237.46
21 Jiulongjiang MTN003	100,000,000.00	2021-6-18	5年		1,198,100,306.87	100,000,000.00	2,428,767.12	-337,967.49		99,662,032.51
21 Jiulongjiang MTN004	500,000,000.00	2021-10-25	3+2年		280,000,000.00	500,000,000.00	3,325,479.45	-1,068,035.04		498,931,964.96
Total	35,788,100,000.00			30,043,910,173.37	35,264,767,736.10	4,897,390,000.00	1,521,171,105.12	89,534,168.25	16,759,951,164.37	18,270,883,177.25

(XXXIX) Lease liability

Items	Closing balance	Opening balance
Lease Payments	128,533,112.25	153,981,240.34
Less: Unrecognized financing charges	19,112,427.91	24,063,916.16
Reclassified to non-current liabilities due within one year	22,752,504.22	23,441,657.08
Total	86,668,180.12	106,475,667.10

(XL) Long-term payables

Items	Closing balance	Opening balance
Long-term payables	588,798,063.18	453,088,986.46
Special payables	242,970,530.56	267,465,476.48
Total	831,768,593.74	720,554,462.94

1. Long-term payables

Other long-term payable listed by the nature of accounts

Items	Closing balance	Opening balance
Zhangzhou Urban Land Acquisition Reserve Center	7,470,960.66	7,470,960.66
Zhanglong Industrial Co., Ltd.	369,015,306.48	310,186,229.76
Financial Leasing	76,880,000.00	
Special long-term support funds for exports	4,434,000.00	
Zhangzhou Finance Bureau		3,934,000.00
Zhangzhou Foreign Trade & Economy Commission		500,000.00
Drinking Water Project in Gulei Area	51,997,796.04	51,997,796.04
Urban rural integration construction fund	79,000,000.00	79,000,000.00
Total	588,798,063.18	453,088,986.46

2. Special payables

Special payables listed by the nature of accounts

Items	Opening balance	Increase in current period	Other decreases	Closing balance	Notes
Venture loan guarantee fund principal	31,568,878.45			31,568,878.45	
Industry and trade emergency working capital	48.13			48.13	
Interest on policy-guaranteed funds	3,272.22			3,272.22	
Entrepreneurship guidance fund for small, medium and micro enterprises	147,799.29			147,799.29	
Risk compensation fund	50,315,791.33		33,518,910.03	16,796,881.30	
Insurance assistance fund	2,801,269.01			2,801,269.01	
Technical renovation fund	124,000,000.00			124,000,000.00	
Help insure interest	615,849.69			615,849.69	
Interest on venture guarantee fund	141,341.97	378,760.38	417,689.27	102,413.08	
Interest on emergency working capital	180,577.30			180,577.30	
Other		1,628,772.09		1,628,772.09	
Science-technology three-expense	13,600.00			13,600.00	
Relocation costs	78,277.00			78,277.00	
Research and maintenance project of aviation joint bearing (note 2)	48,730,000.00			48,730,000.00	Note 1
Advance payment for land expropriation compensation in Chenda factory area	7,220,000.00		7,220,000.00		Note 2
National Defense Science and Industry Administration Industrialization Capacity Building Project		16,250,000.00		16,250,000.00	Note 3
Gulei Development Zone Municipal Fire Hydrant Rectification Project		389,302.00	336,409.00	52,893.00	
Twelfth Five-Year Rural Drinking Water Safety Project	1,648,772.09		1,648,772.09		
Total	267,465,476.48	18,646,834.47	43,141,780.39	242,970,530.56	

Note 1: The balance of the Aviation Joint Bearing Research and Maintenance Project was RMB 48,730,000.00, which was mainly due to the fixed assets investment

of the military industry funded with cash and cash equivalents by Zhangzhou Finance Bureau. It is proposed to be transferred to state-owned capital reserve fund and can be transferred to state-owned shares in accordance with the plan approved by the shareholders' meeting when the Company increases its capital and shares.

Note 2: The compensation for land expropriation in the Chenda factory area is part of the relocation compensation received by the subsidiary Sanming Gearbox in 2020. According to the agreement reached with the People's Government of Chenda Town, Sanming City, this part of the funds is used as a special fund for the follow-up technological transformation of the company's relocation.

Note 3: In May 2021, the company received a payment of RMB 16,250,000.00 for the industrialization capacity construction project of the National Defense Science and Industry Bureau. This project was directly allocated by Zhangzhou Municipal Finance Bureau and was a national investment project with monetary funds as capital injection, it is planned to converted to state-owned capital accumulation fund, when the company increases capital and shares, it can be converted into state-owned shares according to the plan approved by the general meeting of shareholders.

(XLI) Long-term accrued payroll

1. Form of long-term accrued payroll

Items	Closing balance	Opening balance
I. Post-employment benefit - net liabilities of defined benefit plan	53,544,166.79	50,955,911.30
II. Welfare of dismissal	1,394,779.91	1,008,753.84
III. Other long-term benefits		
Less: Long-term payroll payable due within one year	1,876,874.91	2,481,702.50
Total	53,062,071.79	49,482,962.64

2. Changes in defined benefit plan

Items	Amount incurred in the current period	Amount incurred in the previous period
I. Opening balance	50,955,911.30	55,664,463.64
II. Defined benefit cost recognized in the current profit and loss	6,709,640.93	4,767,590.74
1. Current service costs	5,186,338.26	2,958,622.79
2. Past service costs		

Items	Amount incurred in the current period	Amount incurred in the previous period
3. Settled gains (loss is listed with "-")		-26,900.00
4. Net interest	1,523,302.67	1,782,067.95
III. Defined benefit cost recognized in other comprehensive incomes	-56,346.62	-5,441,531.25
1. Actuarial gains (loss is listed with "-")	-56,346.62	-5,441,531.25
2. Others		
IV. Other movements	-4,065,038.82	-4,034,611.83
1. Consideration paid in settlement		
2. Benefits paid	-4,065,038.82	-4,034,611.83
V. Closing balance	53,544,166.79	50,955,911.30

Net liabilities (net assets) of defined benefit plan

Items	Amount incurred in the current period	Amount incurred in the previous period
I. Opening balance	50,955,911.30	55,664,463.64
II. Defined benefit cost recognized in the current profit and loss	6,709,640.93	4,767,590.74
III. Defined benefit cost recognized in other comprehensive incomes	-56,346.62	-5,441,531.25
IV. Other movements	-4,065,038.82	-4,034,611.83
V. Closing balance	53,544,166.79	50,955,911.30

(XLII) Accrued liabilities

Items	Closing balance	Opening balance	Cause
Product quality assurance		276,037.48	After-sales "three guarantees" obligation
Residential supporting public welfare funds	1,259,200.00		
Total	1,259,200.00	276,037.48	

(XLIII) Deferred incomes

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Government subsidies	119,858,235.70	279,954,061.10	35,879,165.99	363,933,130.81
Party building expenses	94,339.62	147,324.77	231,174.64	10,489.75
Relocation compensation	4,523,770.49	2,394,192.00	620,802.54	6,297,159.95
Total	124,476,345.81	282,938,840.35	37,174,405.65	370,240,780.51

Items involving governmental subsidies

Items of liabilities	Opening balance	This period of consolidation of the new subsidy amount	Newly increased Subsidies	Amount recognized in other income in current period.	Amount recognized in non-operating income in current period	Other movements	Closing balance	Related to assets/income
Construction of Musk Industrialization Base	2,040,000.00			340,000.00			1,700,000.00	Related to assets
Weining Infrastructure Construction Reward and Support Fund	3,164,086.81			137,362.50			3,026,724.31	Related to assets
Annual output of 5,000 tons of Chinese medicine decoction pieces and medicine and food homology project	106,386.11						106,386.11	Related to assets
Musk Base Construction (Kuantan)	270,000.00				90,000.00		180,000.00	Related to assets
2009 Provincial Connotation Deepening Technological Reform and Promotion of Special Fund Interest Discount	400,000.00			50,000.00			350,000.00	Related to assets
Study on Pien Tze Huang Pathway Regulating Autophagy and Inhibiting Liver Fibrosis	14,431.86						14,431.86	Related to incomes
Study on the mechanism of Pien Tze Huang's treatment of liver cancer based on (phosphorylated) proteomics	4,000.00						4,000.00	Related to incomes
Study on the Mechanism of Pien Tze Huang's Treatment of Liver Cancer Based on Tumor Immunity	40,000.00						40,000.00	Related to incomes

Items of liabilities	Opening balance	This period of consolidation of the new subsidy amount	Newly increased Subsidies	Amount recognized in other income in current period.	Amount recognized in non-operating income in current period	Other movements	Closing balance	Related to assets/income
A multi-center clinical study on the treatment of herpes zoster with the famous Chinese medicine Pill Zihuang	79,562.56						79,562.56	Related to incomes
2020 Twin Innovation Star Subsidy Fund	202,198.50		1,000,000.00				1,202,198.50	Related to incomes
National Enterprise Technology Center	1,500,000.00			112,500.00			1,387,500.00	Related to assets
Research on the secondary development of the famous Chinese patent medicine Pien Tze Huang in the treatment of liver cancer			300,000.00	300,000.00				Related to incomes
Construction Expenditures of the famous and veteran pharmaceutical studio in Zhangzhou Traditional Chinese Medicine Hospital	30,000.00				8,566.95		21,433.05	Related to incomes
Eight measures to promote scientific and technological innovation and development incentives			1,081,600.00	1,081,600.00				Related to incomes
2021 Fujian Provincial Demonstration Academician and Expert Workstation Funding Subsidy			200,000.00		128,079.55		71,920.45	Related to incomes
Fujian Province Science and Technology Little Giant Grant			1,310,000.00		1,310,000.00			Related to incomes
2020 National Quality Benchmark Grant			800,000.00		800,000.00			Related to incomes
2021 Fujian Provincial Science and Technology Achievement Purchase Subsidy			600,000.00	600,000.00				Related to incomes
The appropriation of investment funds within the provincial budget for the first year			3,500,000.00	96,500.00			3,403,500.00	Related to assets
Subsidy funds for the construction of emergency material security system	938,479.33			216,699.97			721,779.36	Related to assets
Subsidy for machine equipment during the new coronavirus epidemic	833,666.67			130,000.00			703,666.67	Related to assets

Items of liabilities	Opening balance	This period of consolidation of the new subsidy amount	Newly increased Subsidies	Amount recognized in other income in current period.	Amount recognized in non-operating income in current period	Other movements	Closing balance	Related to assets/income
Provincial e-commerce development funds in 2021			480,000.00		480,000.00			Related to incomes
Zhangzhou Science and Technology Bureau recognized the National High-tech Enterprise Award for the first time			1,413,460.00	1,413,460.00				Related to incomes
Zhangzhou Science and Technology Bureau provincial high-tech enterprise storage award and subsidy funds			300,000.00	300,000.00				Related to incomes
Zhangzhou Science and Technology Bureau Annual R&D Subsidy Fund			387,300.00	387,300.00				Related to incomes
Academician Station Grant	439,077.42			17,982.92			421,094.50	Related to incomes
Special funds for "large, medium and small" integrated characteristic carrier projects			350,000.00	29,166.67			320,833.33	Related to assets
Special funds for "large, medium and small" integrated characteristic carrier projects			150,000.00				150,000.00	Related to incomes
R&D expense subsidy income			25,100.00	25,100.00				Related to incomes
Stable Job Subsidy			999,007.81	999,007.81				Related to incomes
Others			1,443,644.08	787,611.08	626,033.00		30,000.00	Related to incomes
Subsidy for Sanchi Relocation Technical Transformation Project	29,214,794.27			2,825,916.34			26,388,877.93	Related to assets
Relocation technical transformation project	27,132,161.54			4,099,943.29			23,032,218.25	Related to assets
high-end spherical plain bearing technical transformation project (national funding)	9,986,156.63			2,263,944.00			7,722,212.63	Related to assets
Industrial Strong Base Project	8,050,000.00		1,610,000.00				9,660,000.00	Related to assets
Industrial revitalization and technological transformation	5,496,944.42			256,666.67			5,240,277.75	Related to assets

Items of liabilities	Opening balance	This period of consolidation of the new subsidy amount	Newly increased Subsidies	Amount recognized in other income in current period	Amount recognized in non-operating income in current period	Other movements	Closing balance	Related to assets/income
2012 Science and Technology Achievement Transformation Project Heavy Truck Thrust Rod Joint Bearing	5,346,229.58			1,271,199.60			4,075,029.98	Related to assets
Land subsidy for vehicle bearing technical transformation project	4,816,650.00			118,200.00			4,698,450.00	Related to assets
Fujian High-end Plain Bearing Engineering Research Center	4,116,725.26			510,882.24			3,605,843.02	Related to assets
National Enterprise Technology Center Construction Project	3,785,006.55			444,799.92			3,340,206.63	Related to assets
Temporary production and operation difficulties and post-stabilization subsidies	2,111,535.42			2,111,535.42				Related to incomes
Research and development of special grease for high-end graphene bearings	1,999,342.00			366,546.03			1,632,795.97	Related to assets
Special spherical bearing project	1,717,836.49			975,737.68			742,098.81	Related to assets
Special subsidy for the development of intelligent manufacturing equipment (automobile and machining safety test system manufacturing)	1,471,249.39			712,302.84			758,946.55	Related to assets
Special subsidy for technical transformation of relocation compensation in Chenda factory area			17,626,200.00	345,435.07			17,280,764.93	Related to assets
Purchase and storage of land and houses in Yan'an North factory area to compensate for newly built assets			236,491,749.21				236,491,749.21	Related to assets (Note)
other	2,689,773.19		882,000.00	740,443.84			2,831,329.35	Related to assets and incomes
Government Grants - PPP Project Funding	186,129.03				35,980.00		150,149.03	Related to assets
Government Subsidy-Special Fund for Modern Agriculture	112,906.72				3,893.28		109,013.44	Related to assets
Zhangzhou Municipal Finance Bureau's Agricultural Special Fund Subsidy	284,375.00			7,500.00			276,875.00	Related to assets
Special funds for tourism project construction of Zhangzhou Municipal Finance Bureau	189,583.24			5,000.05			184,583.19	Related to assets

Items of liabilities	Opening balance	This period of consolidation of the new subsidy amount	Newly increased Subsidies	Amount recognized in other income in current period	Amount recognized in non-operating income in current period	Other movements	Closing balance	Related to assets/income
Eco-Valley toilet construction subsidy funds	180,104.26			4,749.95			175,354.31	Related to assets
Special funds for modern agricultural park construction projects	568,750.00			15,000.00			553,750.00	Related to assets
Tourist toilet construction subsidy funds	200,804.31			5,250.00			195,554.31	Related to assets
Retirement allowance			9,004,000.00			-8,162,701.32	841,298.68	Related to assets
Subsidy for the construction of water quality testing center	139,289.14			128,568.00			10,721.14	Related to assets
Total	119,858,235.70		279,954,061.10	24,233,911.89	3,482,552.78	-8,162,701.32	363,933,130.81	

Note: The factory area and the surrounding land, buildings, staff apartments in Yan'an North area , which belongs to subsidiary Fujian Longxi Bearing (Group) Co., Ltd., are included in the scope of acquisition and storage of the "Chinese Women's Volleyball Mother's Home" base project., the compensation for the acquisition and storage of land, houses and attachments totaled 489,825,651.00 yuan, which RMB 236,491,749.21 of the new asset expenditures for the relocated factory area are used as government subsidies related to assets.

(XLIV) Other non-current liabilities

Items	Closing balance	Opening balance
Special reserve for bird flu	99,111.00	99,111.00
Drug reserve	1,849,762.45	1,849,762.45
Influenza A reserve	595,795.50	595,795.50
Novel Coronavirus Emergency Reserve	30,333,960.05	54,549,009.20
Unsettled claims		400,000.00
Unexpired liability reserves - long-term liability reserves	2,683,049.33	905,631.07
Total	35,561,678.33	58,399,309.22

(XLV) Paid-in capital

Investor	Opening balance		Increase in this period	Decrease in this period	Closing balance	
	Investment amount	Proportion(%)			Investment amount	Proportion(%)
State-owned Assets Supervision and Administration Commission of Zhangzhou Municipal People's Government	3,600,000,000.00	90.00			3,600,000,000.00	90.00
Fujian Provincial Department of Finance	400,000,000.00	10.00			400,000,000.00	10.00
Total	4,000,000,000.00	100.00			4,000,000,000.00	100.00

According to "Notice of the Fujian Provincial Department of Finance, the Fujian Provincial Department of Human Resources and Social Security, and the State-owned Assets Supervision and Administration Commission of the Fujian Provincial People's Government on matters related to the transfer of some state-owned capital " Min Caiqi [2020] No. 22 issued by the Fujian Provincial Department of Human Resources and Social Security and the State-owned Assets Supervision and Administration Commission of the Fujian Provincial People's Government on December 20, 2020, the Company will transfer 10% of the shares of the Company held by the State-owned Assets Supervision and Administration Commission of Zhangzhou City to the Fujian Provincial Department of Finance at one time, and the transfer base date is December 31, 2019.

(XLVI) Other equity instruments

1. Information on other financial instruments such as preference shares and perpetual bond

(1) On March 24, 2016, the Company issued " The Second Phase of 2016 Medium-term Notes of Zhangzhou Jiulongjiang Group Co., Ltd.". The medium-term note with face value of RMB one billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the note is as follows:

Mid-term Financing Bill Code: 101659020, referred to as: 16 Jiulongjiang MTN002; total amount of issuance: RMB one billion, with an annual interest rate of 4.38% and a face value of RMB 100, with interest calculation method: interest-bearing floating and interest payment frequency: annual interest payment, date of creditor's rights and debts registration: March 28, 2016, date of value: March 28, 2016, date of flow starting: March 28, 2016, period: 5+N.

(2) On September 27, 2017, the Company issued "The First Phase of 2017 Medium-term Notes of Zhangzhou Jiulongjiang Group Co., Ltd.". The medium-term note with face value of RMB one billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the note is as follows:

Mid-term Financing Bill Code: 101759064, referred to as: 17 Jiulongjiang MTN001; total amount of issuance: RMB one billion, with an annual interest rate of 5.92% and a face value of RMB 100, with interest calculation method: fixed interest rate and interest payment frequency: Annual interest payment, date of value: September 28, 2017, date of flow starting: September 29, 2017, period: 5+N.

(3) On March 28, 2019, the Company issued "The First Phase of 2019 Renewable Corporate Bond of Zhangzhou Jiulongjiang Group Co., Ltd.". The renewable corporate bond with face value of RMB 1 billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the corporate bond is as follows:

Corporate Bond Code: 155947, referred to as: 19 Zhangjiu Y1; total amount of issuance: RMB 1 billion, with an annual coupon rate of 5.69% and a face value of RMB 100, with interest calculation method: progressive interest rate and interest payment frequency: periodic interest payment, date of release: March 27, 2019, date of value: March 28, 2019, date of listing: April 10, 2019, period: 2+N.

(4) On June 20, 2019, the Company issued "The Second Phase of 2019 Renewable Corporate Bond of Zhangzhou Jiulongjiang Group Co., Ltd.". The renewable corporate bond with face value of RMB 1.5 billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the corporate bond is as follows:

Corporate Bond Code: 155913, referred to as: 19 Zhangjiu Y2; total amount of issuance: RMB 1.5 billion, with an annual coupon rate of 5.45% and a face value of RMB 100, with interest calculation method: progressive interest rate and interest payment frequency: periodic interest payment, date of release: June 20, 2019, date of value: June 21, 2019, date of listing: July 2, 2019, period: 2+N.

(5) On April 28, 2020, the Company issued "The Third Phase of 2020 Medium-term Bond of Zhangzhou Jiulongjiang Group Co., Ltd. (debt for epidemic prevention and control)". The debt for epidemic prevention and control with face value of RMB 1.0 billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the corporate bond is as follows:

Corporate Bond Code: 102000864, referred to as: 20 Zhangjiu (debt for epidemic prevention and control)MTN003; total amount of issuance: RMB 1.0 billion, with an annual coupon rate of 2.25% and a face value of RMB 100, with interest calculation method: progressive interest rate and interest payment frequency: periodic interest payment, date of release: April 27, 2020, date of value: April 28, 2020, date of listing: April 29, 2020, period: 3+N.

(6) On September 7, 2020, the Company issued "The First Phase of 2020 Renewable Corporate Bond of Zhangzhou Jiulongjiang Group Co., Ltd.. The Renewable Corporate Bond with face value of RMB 1.5 billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and

shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the corporate bond is as follows:

Corporate Bond Code: 175102, referred to as: 20 Zhangjiu Y1; total amount of issuance: RMB 1.5 billion, with an annual coupon rate of 4.48% and a face value of RMB 100, with interest calculation method: progressive interest rate and interest payment frequency: periodic interest payment, date of release: September 7, 2020, date of value: September 7, 2020, date of listing: September 11, 2020, period: 2 years. The period of the current bond is 2 years. At the end of the agreed basic period and the end of each renewal cycle, the company has the right to exercise the renewal option to extend the bond period of the current bond by one cycle (that is, extend it by 2 years), or Choose to mature the full amount of the bonds at the end of the period.

(7) On September 7, 2020, the Company issued "The Third Phase of 2020 Renewable Corporate Bond of Zhangzhou Jiulongjiang Group Co., Ltd.. The Renewable Corporate Bond with face value of RMB 0.5 billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the corporate bond is as follows:

Corporate Bond Code: 175555, referred to as: 20 Zhangjiu Y3; total amount of issuance: RMB 0.5 billion, with an annual coupon rate of 4.9% and a face value of RMB 100, with interest calculation method: progressive interest rate and interest payment frequency: periodic interest payment, date of release: December 18, 2020, date of value: December 21, 2020, date of listing: December 25, 2020, period: 2 years. The period of the current bond is 2 years. At the end of the agreed basic period and the end of each renewal cycle, the company has the right to exercise the renewal option to extend the bond period of the current bond by one cycle (that is, extend it by 2 years), or Choose to mature the full amount of the bonds at the end of the period.

(8) On February 3, 2021, the Company issued "The First Phase of 2021 Renewable Corporate Bond of Zhangzhou Jiulongjiang Group Co., Ltd.. The Renewable Corporate Bond with face value of RMB 1.0 billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the corporate bond is as follows:

Corporate Bond Code: 175722, referred to as: 21 Zhangjiu Y1, total amount of issuance: RMB 1.0 billion, with an annual coupon rate of 4.5% and a face value of RMB 100, with interest calculation method: progressive interest rate and interest payment frequency: periodic interest payment, date of release: February 4, 2021, date of value: February 5, 2021, date of listing: February 18, 2021, period: 2 years. The period of the current bond is 2 years. At the end of the agreed basic period and the end of each renewal cycle, the company has the right to exercise the renewal option to extend the bond period of the current bond by one cycle (that is, extend it by 2 years), or Choose to mature the full amount of the bonds at the end of the period.

On June 7, 2021, the Company issued "The First Phase of 2021 Medium-term Notes of Zhangzhou Jiulongjiang Group Co., Ltd.". The medium-term note with face value of RMB one billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the note is as follows:

Mid-term Financing Bill Code: 102101039, referred to as: 21 Jiulongjiang MTN001; total amount of issuance: RMB one billion, with an annual interest rate of 5.0% and a face value of RMB 100, with interest calculation method: fixed interest rate and interest payment frequency: Annual interest payment, date of release : June 7,2021, date of value: June 9, 2021, date of listing: June10, 2021, period: 3+N.

On October 22, 2021, the Company issued "The Fifth Phase of 2021 Medium-term Notes of Zhangzhou Jiulongjiang Group Co., Ltd.". The medium-term note with face value of RMB 0.5 billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the note is as follows:

Mid-term Financing Bill Code: 102102130, referred to as: 21 Jiulongjiang MTN005; total amount of issuance: RMB 0.5 billion, with an annual interest rate of 4.4% and a face value of RMB 100, with interest calculation method: fixed interest rate and interest payment frequency: Annual interest payment, date of release : October 24,2021, date of value: October 25, 2021, date of listing: October 26, 2021, period: 3+N.

(11) In 2021, the Company and the Agricultural Bank of China jointly subscribed for the "Central Plains Wealth - Growth Phase 713 - Jiulongjiang Group Debt Investment No. 1 Collective Fund Trust Plan", of which the company contributed 215 million yuan and the Agricultural Bank contributed 500 million yuan, totaling 715 million yuan. The trust plan is a fixed-income product, and the plan uses the trust funds to supplement working capital and repay existing debts. According to the terms of the loan contract under the trust contract, the trust loan has no fixed term, and the borrower has the right to choose the loan maturity date, The borrower may choose to defer the payment of all the interest generated in any interest accrual period to the corresponding interest settlement date of the next interest accrual period (except for the compulsory interest payment event). According to the terms of the trust contract, the Company's capital contribution of RMB 215 million is listed as a long-term equity investment, and the subsequent measurement is based on the cost method. The perpetual trust loan of RMB 715 million borrowed through the trust plan is accounted for as other equity instruments.

(12) The company participated in the [Xiamen Trust - Xingzhang No. 3] single fund trust in 2021, and the trust plan uses the trust funds to issue perpetual trust loans to the company. According to the terms of the loan contract under the trust contract, the trust loan has no fixed term, and the borrower has the right to choose the loan maturity date, The borrower may choose to defer all the interest generated in any interest accrual period to the corresponding interest settlement date of the next interest accrual period (except for the compulsory interest payment event). According to the terms of the trust contract, the 1 billion yuan perpetual trust loan borrowed by the company through the trust plan will be used to supplement working capital or replace loans from other banks.

(13) The company participated in the "Yuecai Trust - Jiulongjiang Group Single Fund Trust Plan" in 2021. The trust plan provides the company with a perpetual bond investment of 400 million yuan in the form of perpetual bond investment to supplement working capital.

2. Details of changes in financial instruments such as preferred stocks and perpetual bonds at the end of the period

Outstanding financial instruments	Opening balance		Increase in current period		Decrease in current period		Closing balance	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value
16 Jiulongjiang MTN002		985,699,056.60		14,300,943.40		1,000,000,000.00		
17 Jiulongjiang MTN001		985,849,056.60						985,849,056.60
19 Zhangjiu Y1		998,471,698.11				998,471,698.11		
19 Zhangjiu Y2		1,497,707,547.17				1,497,707,547.17		
20 Jiulongjiang (epidemic prevention and control debt) MTN003		998,018,867.92						998,018,867.92
20 Zhangjiu Y1		1,498,018,867.92						1,498,018,867.92
20 Zhangjiu Y2		1,498,018,867.92						1,498,018,867.92
20 Zhangjiu Y3		499,339,622.64						499,339,622.64
21 Zhangjiu Y1				1,000,000,000.00		1,320,754.72		998,679,245.28
21 Jiulongjiang MTN001				1,000,000,000.00				1,000,000,000.00
21 Jiulongjiang MTN005				500,000,000.00		1,050,000.00		498,950,000.00
Central Plains Wealth - Growth Phase 713 - Jiulongjiang Group Debt Investment No. 1 Collective Fund Trust Plan",				500,000,000.00				500,000,000.00
[Xiamen Trust - Xingzhang No. 3] single fund trust				1,000,000,000.00				1,000,000,000.00
Yuecai Trust - Jiulongjiang Group Single Fund Trust Plan				400,000,000.00				400,000,000.00
Total		8,961,123,584.88		4,414,300,943.40		3,498,550,000.00		9,876,874,528.28

(XLVII) Capital reserves

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Capital Premium (share premium)	1,976,317,862.77	341,544.98	24.09	1,976,659,383.66
Other capital reserves	1,600,269,795.51	1,749,228,626.91	87,463,881.17	3,262,034,541.25
Total	3,576,587,658.28	1,749,570,171.89	87,463,905.26	5,238,693,924.91

Main changes in capital reserve this year:

Note 1: The shareholding of the minority shareholders of Pien Tze Huang (Zhangzhou) Pharmaceutical Co., Ltd., a holding subsidiary of the subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd., reduced the capital reserve by RMB 24.09.

Note 2: The 80% equity of the subsidiary Pien Tze Huang (Shanghai) Biotechnology R&D Co., Ltd. held by the subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. was transferred to the holding subsidiary Pien Tze Huang Cosmetics Co., Ltd., the capital reserve was increased by RMB 341,544.98 according to the shareholding ratio of minority shareholders.

Note 3: Fujian Tongchun Pharmaceutical Co., Ltd., an associate of the subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd., decreased by RMB 140,772.81 in capital reserve in the current period.

Note 4: According to the resolution of the 102nd meeting of the first session of the board of directors of Xiamen Xiangjiang Import and Export Co., Ltd., a subsidiary of the Company, the resolution on the adjustment of the book value of the transferred real estate was passed, and the book value of RMB 56,456,848.52 transferred assets and capital reserve decreased by RMB 56,456,848.52 to in the current period.

Note 5: The subsidiary Zhangzhou Jiulongjiang Gulei Development Group Co., Ltd. accepted the group's free transfer of furniture to increase the capital reserve of RMB 6,615.13.

Note 6: The subsidiary Zhangzhou Jiulongjiang Gulei Development Group Co., Ltd. acquired the minority equity of its subsidiary Zhangzhou Jiulongjiang Gulei Terminal Co., Ltd. to reduce the capital reserve by RMB 4,922,133.92.

Note 7: The Company and its subsidiaries Fujian Longxi Bearing (Group) Co., Ltd. and Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. reduced capital reserves by a total of RMB 25,944,125.93 this year due to fair value amortization.

Note 8: The company's reduction of 1% of Pien Tze Huang's shares this year was regarded as an equity transaction, and the capital reserve was increased by RMB 1,743,126,215.77.

Note 9: In this year, the company increased the capital of the subsidiary Zhangzhou Jiulongjiang Yuanshan Investment Co., Ltd. by RMB 90 million, which is regarded as the dilution of minority equity and increased the capital reserve by RMB 6,095,796.01.

(XLVIII) Other comprehensive incomes

Items	Opening balance	Movement during the period						Closing balance
		Other comprehensive incomes before income taxed in this period Amount	Less: The amount recorded in other comprehensive income in earlier period and carried over to profit and loss in current period	Less: The amount recorded in other comprehensive income in earlier period and transferred to retain earnings in current period	Less: Income taxes	Attributable to parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive income that couldn't be classified into profit and loss in the future	581,430,381.29	-10,694,405.49		36,112,125.82	14,450,902.02	2,244,951.50	13,960,601.93	547,563,206.95
Including: Re-measurement of changes in net liabilities and net assets in defined benefit plan	-2,294,219.61	46,049.45			-33,534.74	1,603.28	88,278.08	-2,292,616.35
Changes in the fair value of other equity instruments	505,326,485.36	66,399,548.87		1,696,494.15	15,033,649.11	44,452,533.39	13,872,323.85	548,082,524.60
Under the equity method, the share of other comprehensive income of the invested entity that cannot be reclassified into profit and loss	78,398,115.54	-77,140,003.81		34,415,631.67	-549,212.35	-42,209,185.17		1,773,298.70
II. Other comprehensive income that would be classified into profit and loss in the future	773,793.50	-1,227,507.88			33,516.73	-710,821.63	-552,959.33	62,971.88
Including: Shares of other comprehensive incomes of the investee to be reclassified into profit and loss under equity method in subsequent period								

Items	Opening balance	Movement during the period						Closing balance
		Other comprehensive incomes before income taxed in this period Amount	Less: The amount recorded in other comprehensive income in earlier period and carried over to profit and loss in current period.	Less: The amount recorded in other comprehensive income in earlier period and transferred to retain earnings in current period.	Less: Income taxes	Attributable to parent company after tax	Attributable to minority shareholders after tax	
Change in fair value of available –for- sale financial assets								
Hold-to-maturity investments are reclassified as gains and losses on financial assets available for sale								
The effective portion of the cash flow hedging profit and loss								
Difference in the foreign currency financial statements	829,413.61	-1,354,752.71				-745,177.01	-612,332.05	84,236.61
Accounts receivable financing								
Others	-55,620.12	127,244.83			33,516.73	34,355.38	59,372.72	-21,264.73
Other total comprehensive income	582,204,174.78	-11,921,913.37		36,112,125.82	14,484,418.75	1,534,129.87	13,407,642.60	547,626,178.83

(XLIX) Special reserves

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Safety production expense	6,106,259.57	1,702,087.67	1,577,973.36	6,230,373.88
Total	6,106,259.57	1,702,087.67	1,577,973.36	6,230,373.88

(L) Surplus reserve

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Statutory surplus reserve	577,000,925.45	236,537,532.14		813,538,457.59
Total	577,000,925.45	236,537,532.14		813,538,457.59

Note: The increase in the current period is due to the provision of surplus reserve based on 10% of the net profit..

(LI) Undistributed profits

Items	Current period	Previous period
Pre-adjustment balance brought forward	5,080,174,063.79	4,715,766,121.45
Adjustment of beginning balance		
Undistributed profits at the beginning of the period after adjustment	5,080,174,063.79	4,715,766,121.45
Add: Net profit attributable to shareholders of the parent company	1,609,145,791.69	1,230,791,753.60
Less: Appropriation to statutory surplus reserve	236,537,532.14	52,768,222.28
Appropriation of discretionary surplus reserves		
Appropriation of general risk reserves		
Ordinary dividends declared	662,426,018.06	391,846,400.00
Payment of other equity instruments - perpetual bond interest	489,231,492.76	421,769,188.98
Others		
Undistributed profits at the end of the period	5,301,124,812.52	5,080,174,063.79

(LII) Operating income and operating costs

Items	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	30,611,179,972.64	26,300,542,724.95	18,427,926,326.50	15,003,900,393.12
Other businesses	3,861,555,520.29	1,780,801,680.36	3,287,483,123.97	1,863,916,819.93
Total	34,472,735,492.93	28,081,344,405.31	21,715,409,450.47	16,867,817,213.05

(LIII) Taxes and surcharges

Items	Amount incurred in the current period	Amount incurred in the previous period
Urban maintenance and construction tax	58,283,753.72	44,459,873.84
Education surcharge	43,271,353.55	32,597,227.88
Housing property tax	47,201,338.01	12,481,147.91
Flood prevention expense	22,180,581.31	10,079,679.13
Land use tax	5,307,913.22	4,574,328.18
Stamp duty	16,754,060.71	7,711,859.18
Vehicle and vessel use tax	6,560.00	20,421.96
Environmental protection tax	1,816.42	
Others	7,796,488.06	5,397,540.19
Increment tax on land value	2,325,978.71	16,651,137.26
Total	203,129,843.71	133,973,215.53

(LIV) Selling expenses

Items	Amount incurred in the current period	Amount incurred in the previous period
Promotion, business promotion and advertising fees	448,979,044.24	479,974,367.70
Employee remuneration	158,074,759.27	141,458,495.49
Freight and miscellaneous charges	24,450,950.81	18,944,833.14
After-sales service and repair costs	4,634,836.93	11,512,610.95
Travelling expenses	14,611,578.12	24,340,750.73
Packing fees	8,171,951.51	6,660,670.10
Business entertainment expense	12,277.00	16,200.59
Agency fee	3,148,571.82	2,378,621.43
Rentals	2,694,718.29	6,810,235.45
Administrative office fee	18,845,597.47	12,836,486.54
Others	67,308,507.31	86,373,298.11
Total	750,932,792.77	791,306,570.23

(LV) Administrative expenses

Items	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	367,523,063.25	305,477,355.89
Depreciation and amortization expenses	152,610,583.20	121,570,602.07
Taxes	152,554.89	40,460.13
Business entertainment expense	2,469,448.74	2,091,217.93
Brokerage fee	35,235,863.27	38,926,798.09

Items	Amount incurred in the current period	Amount incurred in the previous period
Office expense	31,098,508.75	31,423,882.45
Traveling expense	7,232,537.83	5,316,392.31
Rentals	2,215,438.96	16,953,807.95
Business publicity expenses	3,993,618.65	1,785,880.89
Vehicle expense	990,046.51	651,462.39
Utilities	2,202,369.08	2,758,349.00
Repair expenses	718,505.37	1,003,888.81
Security expense	1,569,378.15	490,371.74
Others	51,856,603.11	43,264,055.83
Trade-related expenses	506,925.50	
Total	660,375,445.26	571,754,525.48

(LVI) Research and Development expenses

Items	Amount incurred in the current period	Amount incurred in the previous period
Material consumption cost	29,110,263.28	27,117,172.84
Employee compensation and related welfare expenses	103,545,986.86	86,725,609.52
Depreciation and amortization	17,127,227.94	16,568,231.78
Hydropower and gas expenses	10,147,089.83	13,972,130.07
Technical service fee	4,344,566.91	3,107,711.18
Research and development of outsourcing	130,300,523.75	43,710,688.58
Others	13,671,535.93	14,335,627.76
Total	308,247,194.50	205,537,171.73

(LVII)Financial expenses

Items	Amount incurred in the current period	Amount incurred in the previous period
Interest expenses	731,119,560.34	565,780,420.55
Including: interest expense of lease liability	275,014.55	
Less: Interest income	209,198,186.09	156,891,387.13
Exchange profits and losses	33,314,846.41	-322,397,977.60
Acceptance bills discount interest		594,161.64
Fees and others	174,892,697.39	132,861,043.87
Cash discount		-296,749.83
Set Benefit Plan Obligations	405,204.64	472,270.37
Total	730,534,122.69	220,121,781.87

(LVIII) Other income

Sources of other incomes	Amount incurred in the current period	Amount incurred in the previous period
Government grants - Deferred revenue transfer	24,233,911.89	39,153,838.46
Government grants - direct credit	191,310,243.24	202,191,988.07
Individual income tax commission refund	513,458.23	615,571.95
Guaranteed risk compensation	16,887,166.06	4,403,300.00
Party construction funds	231,174.64	
Others	353,188.77	46,319.84
Total	233,529,142.83	246,411,018.32

(LIX) Investment income

Items	Amount incurred in the current period	Amount incurred in the previous period
Investment income from Long-term equity investment measured by equity method	-486,726,088.68	-708,706,779.15
Investment income from the disposal of long-term equity investment	1,256,839.17	6,145,379.37
Investment income of financial assets at fair value through profit or loss during the holding period	8,383,296.27	4,498,011.18
Investment income from disposal of carbon emission rights measured at fair value through profit or loss		-1,581,381.67
Investment income from disposal of financial assets at fair value through profit or loss	7,956,658.91	7,458,309.80
Investment profit from held-to-maturity investments during the holding period	7,696,083.82	3,750,051.98
Investment income from financial assets available for sale during the holding period		33,099,349.93
Dividend income from other equity instrument investments during the holding period	45,566,569.53	6,081,897.22
Income from investment of other non-current financial assets during the holding period	422,900.97	10,358,364.30
Investment income from the disposal of receivables financing	-629,737.59	
Yields from banking financial products	4,593,127.44	11,681,647.51
Others	-451,786.90	2,351,209.02
Total	-411,932,137.06	-624,863,940.51

(LX) Gains from changes in fair value

Sources of profits from change in fair value	Amount incurred in the current period	Amount incurred in the previous period
Financial assets measured at fair value through profits or losses	52,997,511.86	74,278,024.86
Including: The incomes from the change in fair value of any derivative financial instrument		
Carbon emission rights which are measured at fair value and whose changes are included in current profits and losses		
Investment property measured at fair value		
Others	4,540,279.06	6,716,105.58
Total	57,537,790.92	80,994,130.44

(LXI) Credit impairment loss

Items	Amount incurred in the current period	Amount incurred in the previous period
Bad debt losses on accounts receivable	-6,456,095.04	-4,993,477.41
Bad debt losses on other receivables	-25,554,411.58	-905,335.77
Bad debt losses on notes receivable	-92,049.62	-420,922.02
Bad debt losses on prepayments	-18,870,000.00	
Total	-50,972,556.24	-6,319,735.20

(LXII) Asset impairment losses

Items	Amount incurred in the current period	Amount incurred in the previous period
I. Provision for bad debts		-2,229,717.56
II. Impairment losses of inventories	-94,550,827.69	-50,198,947.77
III. Impairment losses for available-for-sale financial asset		
IV. Impairment losses of construction in progress		
V. Impairment losses of goodwill		
VI. Impairment losses of loans		
VII. Impairment loss of fixed assets	-10,025,886.83	
VIII. Impairment losses of goodwill		
IX. Other impairment losses		
Total	-104,576,714.52	-52,428,665.33

(LXIII) Asset disposal income

Source of income from asset disposal	Amount incurred in the current period	Amount incurred in the previous period
Gains from disposal of assets held for sale or disposal group	20,327,399.74	
Gains on disposal of non-current assets	196,712,891.57	87,697,468.05
Gain on disposal of non - current assets in debt restructuring		
Gain on exchange of non-monetary assets	2,648,070.10	
Others	53,658.82	
Total	219,742,020.23	87,697,468.05

(LXIV) Non-operating incomes

1. Non-operating incomes

Items	Amount incurred in the current period	Amount incurred in the previous period	Amount recognized in current non-recurring profits and losses
Total disposal gains on non-current assets	34,367.43		34,367.43
Including: Gains from disposal of fixed assets	34,367.43		34,367.43
Disposal gains on intangible assets			
Gains from debt restructuring		410,381.72	
Gains from exchange of non-monetary assets			

Items	Amount incurred in the current period	Amount incurred in the previous period	Amount recognized in current non-recurring profits and losses
Income from donation			
Penalty and indemnity incomes	1,457,069.44	7,517,525.35	1,457,069.44
Government subsidies	4,358,017.35	12,592,127.49	4,358,017.35
Land compensation	20,324,241.00		20,324,241.00
Income from nonpayment	1,672,552.12	1,615,661.53	1,672,552.12
Breach of contract		543,627.00	
PPP project working funds	35,980.00	24,098.00	35,980.00
Others	10,410,892.93	23,277,028.04	10,410,892.93
Income from profit yield			
Total	38,293,120.27	45,980,449.13	38,293,120.27

2. Government subsidies recognized in current gains and losses

Subsidy items	Amount incurred in the current period	Amount incurred in the previous period	Related to assets/income
2019 Biomedical Business Enterprise Operation Contribution Reward		1,774,273.00	Related to incomes
2020 Fujian Provincial Industrial Tourism Demonstration Base Award		500,000.00	Related to incomes
The first batch of foreign trade subsidies for the epidemic		133,879.00	Related to incomes
Fujian Provincial Government Quality Award		2,500,000.00	Related to incomes
Supplementary measures to support the stable development of foreign trade enterprises during the epidemic		54,214.00	Related to incomes
Demolition compensation received for the construction of the "Women's Volleyball Base" project		6,265,787.00	Related to incomes
Fertilizer subsidy		70,500.00	Related to incomes
Machine farming section of orchard		3,893.28	Related to incomes
Green label new certification subsidy		10,000.00	Related to incomes
Green food certification subsidy		15,000.00	Related to incomes
2020 corporate salary survey funding subsidy		500	Related to incomes
tax deduction		15,181.21	Related to incomes
985 University Full-time Employment and Entrepreneurship Subsidy		14,000.00	Related to incomes
2019 Tea King Competition Gold Award		58,000.00	Related to incomes
Other subsidies		409,900.00	Related to incomes
Provincial e-commerce development Funds in 2020	150,000.00		Related to incomes
Stable Job Subsidy I	71,342.33		Related to incomes

Subsidy items	Amount incurred in the current period	Amount incurred in the previous period	Related to assets/income
Orchard machine farming section	3,893.28		Related to incomes
Motor vehicle shed renovation	138,126.04		Related to incomes
Retirement funds of the original retired employees before the transfer of enterprises	409,900.00		Related to incomes
Three products and one standard organic certification subsidy	75,000.00		Related to incomes
6 subsidies for tea organic food certification (Pinghe County Agriculture and Rural Affairs Bureau	60,000.00		Related to incomes
Stable Job SubsidyII	7,076.20		Related to incomes
Provincial-level connotation deepening technological transformation and upgrading special funds to discount interest	90,000.00		Related to incomes
Funds for the construction of the famous and old pharmacy studio of Zhangzhou Hospital of Traditional Chinese Medicine, Fujian Province	8,566.95		Related to incomes
2021 Fujian Provincial Demonstration Academician and Expert Workstation Funding Subsidy	128,079.55		Related to incomes
Fujian Province Science and Technology Little Giant Grant	1,310,000.00		Related to incomes
2020 National Quality Benchmark Grant	800,000.00		Related to incomes
Provincial e-commerce development funds in 2021	480,000.00		Related to incomes
Other	626,033.00		Related to incomes
Total	4,358,017.35	12,592,127.49	

(LXV) Non-operating expenses

Items	Amount incurred in the current period	Amount incurred in the previous period	Amount recognized in current non-recurring profits and losses
Total losses from disposal of non-current assets	1,672,507.53	1,761,615.21	1,672,507.53
Including: Loss from disposal of fixed assets	499,278.64	326,578.98	499,278.64
Losses from disposal of intangible assets		928,019.12	
Loss from disposal of biological assets	1,173,228.89	507,017.11	1,173,228.89
Donation	12,836,081.10	12,431,632.87	12,836,081.10
loss on arrangement		49,000.00	
Late payment penalties and fines	6,542,581.19	1,563,113.21	6,542,581.19
Expenditure on public welfare donations	117,876.08		117876.08
Loss on non-current assets damaged and scrapped	20576.08		20576.08
Others	22,558,707.62	23,035,845.97	22,558,707.62
Total	43,748,329.60	38,841,207.26	43,748,329.60

(LXVI) Income tax expenses

1. Details of income tax

Items	Amount incurred in the current period	Amount incurred in the previous period
Income taxes of current period	687,945,162.80	549,476,446.93
Deferred income tax	-23,347,069.52	4,248,366.73
Total	664,598,093.28	553,724,813.66

2. The adjustment process of accounting profit and income tax expenses

Items	Amount incurred in the current period
Total profit	3,676,044,025.52
Income tax expenses calculated at legal/applicable tax rate	919,011,006.38
Impact of various tax rates applicable to subsidiaries	8,653,321.43
The change amount of Subsidiary company income tax rate	24,474,113.03
Adjustment of impact on the income tax in the previous period	-1,566,035.33
Impact of non-taxable income	33,513,056.98
Profit and loss of joint ventures and associated enterprises checked by equity method	-1,243,564.49
Impact of additional deductions in accordance with tax laws	-35,992,198.81
Impact of non-deductible costs, expenses and losses	-287,142,233.95
Impact of deductible losses of deferred tax assets unconfirmed in the previous period	-23,737,880.08
Impact of the deductible temporary differences or deductible loss of the unconfirmed deferred tax assets of this period	24,553,340.26
Preferential policy of additional tax deductions for enterprise R&D expenses	
The impact of tax rate change on deferred income tax balance at the beginning of the period	
Others	4,075,167.86
Income tax expense	664,598,093.28

(LXVII) Other comprehensive incomes

See Note V. (XLVII) for details.

(LXVIII) Items of cash flow statements

1. Cash received from other operating activities

Items	Amount incurred in the current period	Amount incurred in the previous period
Received guarantee deposit and employee reserve	345,613,020.67	6,635,193.70
Interest income	167,845,051.37	168,383,008.98
Government subsidies	138,045,134.63	221,345,594.06
Other business income such as leasing	9,884,950.29	8,889,666.46
Receivables and payables, and miscellaneous	2,845,936,604.65	5,216,593,123.08
Total	3,507,324,761.61	5,621,846,586.28

2. Cash paid relating to other operating activities

Items	Amount incurred in the current period	Amount incurred in the previous period
Sales expenses and administrative expenses after deducting wages, depreciation, amortization and taxes	844,649,706.73	623,017,577.99
Fees and other expenses in financial expenses	166,286,308.11	118,999,453.28
Deducting long-term asset disposal losses from non-operating expenses	7,325,499.80	10,874,646.27
Restricted cash and cash equivalences	2,209,517,737.19	284,398,297.33
Receivables and payables, and miscellaneous	3,588,771,492.67	4,969,800,337.59
Total	6,816,550,744.50	6,007,090,312.46

3.Other cash received relating to investment activities

Items	Amount incurred in the current period	Amount incurred in the previous period
Recovery of the net amount of wealth management products such as structured deposit	165,000,000.00	419,000,000.00
Receivables related to construction project		
Interest income		
The increased cash of Fujian Pien Tze Huang Health Science and Technology Co., LTD., which was newly added by the merger of non-identical control enterprises		
Receivables and payables, and miscellaneous	15,670,000.00	5,133,129.00
Total	180,670,000.00	424,133,129.00

4.Cash payments relating to other investing activities

Items	Amount incurred in the current period	Amount incurred in the previous period
Payment for purchasing wealth management products such as structured deposits	220,770,000.00	900,000.00
Bank charges for Aviation Joint Bearing Research and Maintenance Project		
Payment for land requisition advance		
Receivables and payables, and miscellaneous	11,960,000.00	8,970,000.00
Total	232,730,000.00	9,870,000.00

5.Other cash receipts relating to financing activities

Items	Amount incurred in the current period	Amount incurred in the previous period
Special fiscal appropriation	378,760.38	
The amount of capital reserve invested by minority shareholders to pay for the adjustment of intangible assets		
The stock market receives funds from the sale of stock		
Receivables and payables, and miscellaneous		28,394,310.54
Total	378,760.38	28,394,310.54

6.Other cash payments relating to financing activities

Items	Amount incurred in the current period	Amount incurred in the previous period
Interest payment and redemption of service fees & guarantee fees		4,851,299.99
Pledged deposit and grantee bond	2,830,188.68	2,554,250.31
Rental payment	32,236,868.88	
Receivables and payables, and miscellaneous	33,936,599.30	38,937,388.16
Acquisition of subsidiary Pien Tze Huang (Zhangzhou) Pharmaceutical Co., Ltd. Minority shareholders equity funds	294,860.00	4,366,550.00
Total	69,298,516.86	50,709,488.46

(LXIX) Supplementary data of cash flow statement

1. Supplementary data of cash flow statement

Items	Amount of current period	Amount of previous period
1. Reconciliation of net profits to cash flows from operating activities		
Net profit	3,011,445,932.24	2,109,803,676.56
Add: Reserve for assets impairment	104,576,714.52	58,748,400.53
Credit impairment losses	50,972,556.24	
Depreciations of fixed assets, oil and gas assets, and productive biological assets	189,871,836.08	209,885,010.61
Depreciation of use-right assets	27,239,250.84	
Amortization of intangible assets	129,699,762.21	151,394,474.75
Amortization of long-term deferred expenses	23,620,936.28	19,547,344.08
Losses on the disposal of fixed assets, intangible assets and other long-term assets ("-" for profit is represented by "-")	-219,688,361.41	-87,697,468.05
Losses on the discard of fixed assets (profit is represented by "-")	1,658,716.18	1,761,615.21
Losses on the change of fair value (profit is represented by "-")	-57,537,790.92	-80,994,130.44
Financial expense (profit is represented by "-")	767,352,303.73	243,382,442.95
Losses from investments (profit is represented by "-")	411,932,137.06	624,863,940.51
Deferred income tax assets credit ("-" indicates increase)	-51,231,396.98	5,530,190.00
Deferred tax liabilities increment ("-" indicates decrease)	27,884,327.46	23,753,208.93
Decrease in inventories (increase is represented by "-")	-311,345,393.35	-401,601,286.62
Decrease in items of operational receivables items ("-" indicates increase)	-4,979,673,474.19	-1,263,501,675.47
Increase in items of operational payables items ("-" indicates decrease)	5,039,267,246.84	653,623,053.27
Others		

Items	Amount of current period	Amount of previous period
Net cash flows from operating activities	4,166,045,302.83	2,268,498,796.82
2. Investments and financing activities not related to cash expenditure and income:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets under finance leases		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	8,817,271,275.27	7,299,156,007.21
Less: Beginning balance of cash	7,299,156,007.21	5,295,596,694.66
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	1,518,115,268.06	2,003,559,312.55

2. Details of cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	8,817,271,275.27	7,299,156,007.21
Including: Cash on hand	192,995.44	220,122.41
Bank deposit on demand	8,623,412,824.88	7,194,643,236.14
Other cash available on demand	193,665,454.95	104,292,648.66
Deposits with central bank available for payment		
Deposits with other banks		
Loans from other banks		
II. Cash equivalents		
Including: Bond investment maturing within three months		
III. Closing balance of cash and cash equivalents	8,817,271,275.27	7,299,156,007.21
Including: Restricted cash and cash equivalents used by parent company and subordinated company of Group		

(LXX) Assets with limited ownership or right of use

Items	Carrying value at the end of the period	Reason for restriction
Cash and cash equivalents	5,350,630,070.65	Deposit, term deposit, house modification fund, frozen account, etc.
Notes receivable	12,770,000.00	Bank acceptance bills for pledge
Accounts receivable financing		
Fixed assets	196,933,974.30	Undertaking property rights change registration and mortgage loan guarantee,etc.
Total	5,560,334,044.95	

(LXXI) Monetary items in foreign currency

1.Monetary items in foreign currency

Items	Balance of foreign currency at the end of period	Exchange rate	Balance in RMB at the end of period
Cash			
Including: USD	1,525,458.25	6.3757	9,725,864.16
HKD	56,203,430.97	0.8176	45,951,925.16
GBP	95,780.17	7.2197	691,504.09
Accounts receivable			
Including: USD	8,532,299.81	6.3757	54,399,383.90
EUR	930,467.97	7.2197	6,717,699.60
Prepayment			
Including: USD			
HKD			
Accounts payable			
Including: USD			
Payroll payable			
Including: HKD			
Other payables			
Including: USD	1,061,962.55	6.3757	6,770,754.63
HKD			0.00
tax payable			
Including: HKD	89,966.00	0.8176	73,556.20

VI. Change of the scope of consolidation statements

During the reporting period, no change with the scope of the company's consolidated financial statements.

VII. Interests in other entities

(I) Interests in subsidiaries

1. The structure of the group

Name of subsidiary	Principal place of business	Registered address	Business nature	Shareholding ratio (%)		Acquisition method
				Directly	Indirectly	
Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. (Note 1)	Zhangzhou Fujian	Zhangzhou Fujian	Production	54.11	3.31	Allocated by the government
Zhangzhou Pien Tze Huang Assets Management Co., Ltd.	Zhangzhou Fujian	Zhangzhou Fujian	Production and sales	100.00		Establishment
Fujian Longxi Bearing (Group) Corp. Ltd. (Note 2)	Zhangzhou Fujian	Zhangzhou Fujian	Production and sales	37.85		Allocated by the government
Zhangzhou State Asset Investment Management Co., Ltd.	Zhangzhou Fujian	Zhangzhou Fujian	Investment, construction, production and sales	100.00		Allocated by the government

Name of subsidiary	Principal place of business	Registered address	Business nature	Shareholding ratio (%)		Acquisition method
				Directly	Indirectly	
Xiamen Xiangjiang Import and Export Co., Ltd.	Xiamen Fujian	Xiamen Fujian	Self-operation and agent of import and export business of various technologies	100.00		Allocated by the government
Zhangzhou Investment Group Co., Ltd.	Zhangzhou Fujian	Zhangzhou Fujian	Financial investment and asset management	100.00		Establishment
Zhangzhou Jiulongjiang Yuanshan Investment Co., Ltd.	Zhangzhou Fujian	Zhangzhou Fujian	Investment in construction of infrastructure and municipal utilities	80.00		Establishment
Zhangzhou Jiulongjiang Guilei Development Group Co. LTD	Zhangpu County, Fujian Province	Zhangpu County, Fujian Province	Investment in industry, agriculture, and service industries; investment, construction, operation, and management of infrastructure and municipal utilities	34.14		Establishment
Zhangzhou Guoyao Real Estate Co., Ltd.	Zhangzhou Fujian	Zhangzhou Fujian	Investment properties	60.00		Establishment

Note 1: At the end of the period, the subsidiary Zhangzhou State-owned Assets Investment Management Co., Ltd. directly held 0.50% of the shares of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. (referred to as Pien Tze Huang Pharmaceutical), and the Company directly held 54.61% of the shares of Pien Tze Huang Pharmaceutical, which totally accounted for 55.11% of its direct shareholding. The Company manages the shares of Pien Tze Huang Pharmaceutical on behalf of Zhanglong Industrial Co., Ltd, with a shareholding ratio of 3.31%. The escrow shares are listed as "long-term payables" for accounting. After merge, the Company held a total of 58.42% of the shares of Pien Tze Huang Pharmaceutical, and had 58.42% of voting rights to the shares of Pien Tze Huang Pharmaceutical. Due to the company's own capital needs, from August 13, 2021 to November 5, 2021, the Company reduced its holdings of 6,033,107 shares of Pien Tze Huang Pharmaceutical through centralized bidding, accounting for 1% of the company's total share capital. As of December 31, 2021, the Company and its concerted action Zhangzhou State-owned Assets Investment Management Co., Ltd. held a total of 346,440,455 shares of Pien Tze Huang Pharmaceutical, accounting for 57.42% of the total share capital of Pien Tze Huang Pharmaceutical.

Note 2: Subsidiary Fujian Longxi Bearing (Group) Corp., Ltd.: In accordance with Z.Z.Z. [2010] No. 56 Reply Concerning Agreement of Zhangzhou Municipal People's Government on Transfer of Equity of Fujian Longxi Bearing (Group) Corp., Ltd. Held by Zhangzhou Mechanical & Electrical Investment Co., Ltd. to Zhangzhou Pien Tze Huang (Group) Co., Ltd. on April 27, 2010, 31.39% equity of Fujian Longxi Bearing (Group) Corp., Ltd. held by Zhangzhou Mechanical & Electrical Investment Co., Ltd. (hereinafter referred to as Longxi Shares) was allocated to Zhangzhou Pien Tze Huang Group Co., Ltd. without any compensation. After allocation, the equity of Longxi Shares held by Zhangzhou Pien Tze Huang Group Co., Ltd was changed from 9.02% to 40.41%. On April 29, 2010, both parties entered into the *Free Transfer Agreement on State-owned Shares*. In August 2010, the State-owned Assets Supervision and Administration Commission of the State Council approved the above-mentioned transfer of state-owned shares without compensation (see G.Z.C.Q. (2010) No. 751 Document). Such matter was approved by China Securities Regulatory Commission in March 2011. In the same month, Shanghai Branch of China Securities Depository and Clearing Co., Ltd. completed the transfer registration of 94,166,400 shares. After the completion of the equity transfer registration, Zhangzhou Pien Tze Huang Group Co., Ltd. held a total of 121,233,800 shares of the Company, accounting for 40.41% of the Company's total share capital and becoming the controlling shareholder of Longxi Shares. After the private placement of Longxi Shares, the Company's headquarters held 151,233,800 shares of Longxi Shares, with a shareholding ratio of 37.85%.

2. Key non-wholly owned subsidiaries

Name of subsidiary	Shareholding ratio of minority shareholders (%)	Profit and loss belonging to minority shareholder of the current period	Dividend declared to be distributed to minority shareholder of the current period	Closing balance of minority equity
Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.	41.58	32,566,206.18	433,485,649.10	431,738,331.65
Fujian Longxi Bearing (Group) Corp. Ltd.	62.15	-15,051,077.11	31,656,116.26	5,640,590.41

3.Main financial information of key non-wholly owned subsidiaries

Abbreviated name of subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Pien Tze Huang	10,633,421,321.56	1,861,913,420.86	12,495,334,742.42	2,137,080,711.38	221,504,823.55	2,358,585,534.93
Longxi Bearing	2,397,243,586.34	1,054,268,912.10	3,451,512,498.44	649,189,933.70	509,910,193.59	1,159,100,127.29
Abbreviated name of subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Pien Tze Huang	8,296,042,219.05	1,909,527,495.05	10,205,569,714.10	1,799,717,913.71	148,670,943.19	1,948,388,856.90
Longxi Bearing	1,837,099,391.28	1,105,953,461.65	2,943,052,852.93	405,116,622.71	466,035,974.93	871,152,597.64

Abbreviated name of subsidiary	Amount incurred in the current period				Amount incurred in the previous period			
	Operating incomes	Net profit	Total comprehensive income	Cash flow from operating activities	Operating incomes	Net profit	Total comprehensive income	Cash flow from operating activities
Pien Tze Huang	8,021,550,451.33	2,464,020,950.98	2,417,537,904.86	462,272,404.86	6,510,781,957.23	1,689,980,578.50	1,743,850,364.41	1,467,076,541.32
Longxi Bearing	1,435,167,064.69	283,103,221.41	265,134,600.10	156,155,053.67	1,158,705,322.14	139,360,413.78	141,616,744.12	98,582,152.78

(II) Equity in joint ventures or associated enterprises

1. Important joint ventures or associated enterprises

Names of joint ventures or associated enterprises	Principal place of business	Registered address	Business nature	Shareholding ratio (%)		Accounting treatment methods of joint ventures or associated enterprises
				Directly	Indirectly	
Fujian Tongchun Pharmaceutical Co., Ltd.	Fuzhou City	Fuzhou City	Wholesale of drugs	24		Equity method
Fujian longfu Bearing Co., Ltd.	Zhangzhou City	Zhangzhou City	Machinery	45		Equity method
Zhangzhou Lantian Development Co., Ltd.	Zhangzhou City	Zhangzhou City	Real estate development	38.59		Equity method
Funeng (Zhangzhou) Finance Leasing Co., Ltd.	Zhangzhou City	Zhangzhou City	Finance Leases	49		Equity method
Fujian Fuhua Environmental Protection Technology Co., Ltd.	Zhangzhou City	Zhangzhou City	Technical services of environmental protection technology	18		Equity method
Zhangzhou Fuhua Environmental Protection Technology Co., Ltd.	Zhangzhou City	Zhangpu County, Zhangzhou City	Research & development and technical services of environmental protection technology	30		Equity method
Zhangzhou Power Distribution and Sales Co., Ltd.	Zhangzhou City	Zhangzhou City	Sale and supply of power; installation of electric power facilities	49		Equity method
Fujian Fuhua Gulei Petrochemical Co., Ltd.	Zhangzhou Gulei Port Economic Development Zone	Zhangzhou City	Investment and construction petrochemical projects	49		Equity method
Zhangzhou Tourism Investment Group Co., Ltd.	Zhangzhou City	Zhangzhou City	Hotel and tourism investment	29		Equity method

2. Financial information of important joint ventures. Unit: RMB 10,000

Items	Closing balance/ Amount incurred in the current period	Opening balance / Amount incurred in previous period
	Tongchun Pharmaceutical	Tongchun Pharmaceutical
Current assets	130,718.61	115,300.50
Non-current assets	18,484.06	20,757.59
Total assets	149,202.67	136,058.09
Current liabilities	81,378.85	67,892.41
Non-current liabilities	16,972.78	16,298.62
Total liabilities	98,351.63	84,191.03
Minority shareholders' equity	2,908.43	3,784.28
Total shareholders' equity attributed to parent company	47,942.61	48,082.78
Share of net assets as calculated as per shareholding proportion	11,506.23	11,539.87
Adjusting events	-3.48	-2.34

Items	Closing balance/ Amount incurred in the current period	Opening balance / Amount incurred in previous period
	Tongchun Pharmaceutical	Tongchun Pharmaceutical
--Goodwill		
--Internal transaction unrealized gains	-3.48	-2.34
--Miscellaneous		
Book value of equity investment on associated enterprises	11,502.75	11,537.53
Fair value of equity investment in associated enterprises under public offering		
Operating incomes	386,369.50	386,087.68
Net profit	4,462.39	6,928.23
Other comprehensive incomes		
Total comprehensive income	4,462.39	6,928.23
Dividend from associated enterprises received in the current year	1,068.00	1,608.00

Items	Closing balance/ Amount incurred in the current period		Opening balance / Amount incurred in previous period	
	Zhangzhou Lantian Development Limited Company	Zhangzhou Power Distribution and Sales Co., Ltd.	Zhangzhou Lantian Development Limited Company	Zhangzhou Power Distribution and Sales Co., Ltd.
Current assets	91,149.45	1,777.42	28,666.50	1,465.35
Non-current assets	-56,533.11	2,260.88	16,350.93	2,401.60
Total assets	34,616.34	4,038.29	45,017.43	3,866.95
Current liabilities	8,737.93	39.26	9,034.26	168.26
Non-current liabilities	20,599.22		30,434.48	
Total liabilities	29,337.15	39.26	39,468.74	168.26
Net asset	5,279.19	3,999.03	5,548.69	3,698.69
Minority shareholders' equity				
Total shareholders' equity attributed to parent company	5,279.19	3,999.04	5,548.69	3,698.69
Share of net assets as calculated as per shareholding proportion	2,037.24	1,959.53	2,141.24	1,812.36
Adjusting events				
--Goodwill				
--Internal transaction unrealized gains				
--Miscellaneous				
Book value of equity investment on associated enterprises	7,046.75	1,849.35	7,202.14	1,702.18
Fair value of equity investment in associated enterprises under public offering				

Items	Closing balance/ Amount incurred in the current period		Opening balance / Amount incurred in previous period	
	Zhangzhou Lantian Development Limited Company	Zhangzhou Power Distribution and Sales Co., Ltd.	Zhangzhou Lantian Development Limited Company	Zhangzhou Power Distribution and Sales Co., Ltd.
Operating incomes	24.88	596.65	69.46	380.05
Net profit	-402.69	300.34	-964.96	251.05
Net profit of discontinuing operation				
Other comprehensive incomes				
Total comprehensive income	-402.69	300.34	-964.96	251.05
Dividend from associated enterprises received in the current year				

Items	Closing balance/ Amount incurred in the current period		Opening balance / Amount incurred in previous period	
	Funeng (Zhangzhou) Finance Leasing Co., Ltd.	Fujian Fuhua Environmental Protection Technology Co., Ltd.	Funeng (Zhangzhou) Finance Leasing Co., Ltd.	Fujian Fuhua Environmental Protection Technology Co., Ltd.
Current assets	6,108.96	102,807.52	17,778.37	103,795.23
Non-current assets	26,414.81	51,480.21	14,905.10	41,113.43
Total assets	32,523.76	154,287.73	32,683.47	144,908.66
Current liabilities	367.12	7,713.45	16.35	3,500.56
Non-current liabilities	3,969.43	23,499.26	4,058.23	19,001.67
Total liabilities	4,336.55	31,212.71	4,074.58	22,502.23
Net asset	1,378,431.81	123,075.02	28,608.89	122,406.43
Minority shareholders' equity				
Total shareholders' equity attributed to parent company	28,187.22	103,984.77	28,608.89	103,363.00
Share of net assets as calculated as per shareholding proportion	13,811.74	22,153.50	14,018.36	18,605.34
Adjusting events				
--Goodwill				
--Internal transaction unrealized gains				
--Miscellaneous				
Book value of equity investment on associated enterprises	14,564.54	18,487.41	15,757.54	18,333.71
Fair value of equity investment in associated enterprises under public offering				
Operating incomes	64.91	6,841.93	140.57	5,275.50
Net profit	-421.67	668.59	-2,013.02	-120.93
Net profit of discontinuing operation				

Items	Closing balance/ Amount incurred in the current period		Opening balance / Amount incurred in previous period	
	Funeng (Zhangzhou) Finance Leasing Co., Ltd.	Fujian Fuhua Environmental Protection Technology Co., Ltd.	Funeng (Zhangzhou) Finance Leasing Co., Ltd.	Fujian Fuhua Environmental Protection Technology Co., Ltd.
Other comprehensive incomes				
Total comprehensive income	-421.67	668.59	-2,013.02	-120.93
Dividend from associated enterprises received in the current year				

Items	Closing balance/ Amount incurred in the current period		Opening balance / Amount incurred in previous period	
	Fujian Fuhua Gulei Petrochemical Co., Ltd.	Zhangzhou Tourism Investment Group Co., Ltd.	Fujian Fuhua Gulei Petrochemical Co., Ltd.	Zhangzhou Tourism Investment Group Co., Ltd.
Current assets	1,252,447.17	180,648.07	1,146,887.53	120,347.01
Non-current assets	3,030,971.28	481,009.77	3,035,869.24	471,481.41
Total assets	4,283,418.45	661,657.84	4,182,756.76	591,828.42
Current liabilities	1,304,174.06	300,074.70	1,094,971.96	218,871.14
Non-current liabilities	1,600,812.57	112,701.23	1,591,347.33	114,704.65
Total liabilities	2,904,986.63	412,775.93	2,686,319.29	333,575.79
Net asset	1,378,431.82	248,881.91	1,496,437.47	258,252.63
Minority shareholders' equity	441,333.37	4,389.88	454,689.23	4,841.81
Total shareholders' equity attributed to parent company	937,098.44	244,492.02	1,041,748.24	253,410.83
Share of net assets as calculated as per shareholding proportion	459,178.24	70,902.69	510,456.64	73,489.14
Adjusting events				
--Goodwill				
--Internal transaction unrealized gains				
--Miscellaneous				
Book value of equity investment on associated enterprises	396,382.11	28,881.36	425,934.57	35,722.38
Fair value of equity investment in associated enterprises under public offering				
Operating incomes	3,214,168.46	265,480.48	1,858,139.92	125,584.99
Net profit	-110,805.66	-23,589.74	-169,531.78	-24,002.20
Net profit of discontinuing operation				
Other comprehensive incomes				
Total comprehensive income	-110,805.66	-23,589.74	-169,531.78	-24,002.20
Dividend from associated enterprises received in the current year				

3. There is no significant restriction on the ability of joint ventures to transfer funds to the Company.

VIII. Risks Related to Financial Instruments

Details about various financial instruments of the Company have been disclosed in relevant notes. Risks related to these financial instruments, and risk management policies adopted by the Group to lower these risks are described as follows. The Group's management manages and monitors these risk exposures, so as to ensure that above risk is controlled in limited scope.

(I) Objectives and policies of risk management

The risk management objective of the Group is to strike an appropriate balance between risk and return, and strive to reduce the adverse impact of financial risks on the Group's financial performance. Based on this risk management objective, the Group has established risk management policies to identify and analyze the risks which are faced by the Group, set up appropriate risk acceptance levels, and design corresponding internal control procedures to monitor the Group's risk level. The Group will regularly review these risk management policies and related internal control systems to adapt to market conditions or changes in the Group's operating activities. The internal audit department of the Company will also regularly or randomly check whether the implementation of the internal control system complies with the risk management policies. Main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk.

1. Credit risk

Credit risk refers to the risk of the Company's financial losses incurred by the counter party's failure to perform its contractual obligations.

The Group manages the credit risk according to the combination classification. Credit risk mainly comes from bank deposits and account receivables.

The Group's bank deposits are mainly deposited in state-owned banks and other large or medium-sized listed banks. The Group predicts that there is no significant credit risk on bank deposits.

In addition, for accounts receivable, the Group sets the policies to control the credit risk exposure. The Group evaluates the debtor's credit qualification and sets up corresponding borrowing limit and credit period, based on the debtor's financial situation, credit history and other factors, such as the current market conditions. The Group periodically monitors the debtor's credit record. For debtors with bad credit records, the Group would send out reminders in writing , shorten the credit period or cancel the credit period, so as to ensure the Group's overall credit risk within the controllable range.

The amount of the five largest clients in arrears accounted for 19.22% of the total amount of accounts receivable of the Group, the amount of the largest five companies in arrears accounted for 56.99% of the total amount of other receivables of the Group.

2. Liquidity risk

Liquidity risk refers to the risk of a shortage of funds when the Company is required to settle its obligations in the form of cash or other financial assets.

For current risk management, the Group maintains to monitor adequate cash and cash equivalents to fulfill the needs for operation and lower the influence of cash flow fluctuation. The Group management monitors the use of bank loan and ensure of compliance of loan agreement.

3. Market risk

Market risk of financial instruments refers to the possibility of fluctuation in the fair value of financial instruments or future cash flow caused by market price change, including interest rate risk, exchange rate risk and other price risks.

4. Interest rate risk

Interest rate risk refers to the possibility of fluctuation in the fair value of financial instruments/future cash flow caused by market interest rate change. The interest rate risk may be derived from the recognized interest-bearing financial instruments and unrecognized financial instruments (such as some loan commitment).

For current risk management, the Company maintains cash and cash equivalent deemed sufficient by the management, and monitor to fulfill the needs for operation, and lower the influence of cash flow fluctuation. The company management monitors the use of bank loan, and ensure of compliance of loan agreement. At the same time, the company management obtains enough spare cash commitment from the major financial institutions, so as to meet the short-term and long-term capital requirements.

5. Exchange rate risk

Exchange rate risk refers to the possibility of fluctuation of the fair value of financial instruments or future cash flows due to changes in foreign exchange rates. Exchange rate risk may be derived from financial instruments that are denominated in foreign currencies other than the bookkeeping base currency.

The Group pays close attention to the influence of exchange rate change on the foreign currency risk of the Group. The Group has not adopted any measures to avoid exchange rate risk at present. But the Management should monitor the exchange rate risk and take into account the risk of significant exchange rate hedging if required.

When the Group receives foreign exchange funds, it will settle the foreign exchange promptly. The possible reasonable changes in the foreign currency against the RMB exchange rate this year will have less impact on the current profit and loss. Details of the ending foreign currency financial assets and foreign currency financial liabilities can be found from notes of foreign currency monetary items.

(II) Capital management

The purpose of the Company's capital management policy is to ensure going concern, so as to provide returns for shareholders and benefits for stakeholders, while maintaining the best capital structure to lower the cost of capital.

The Group monitors the capital structure based on the asset-liability ratio (namely total liabilities divided by total assets). As at December 31, 2021, the asset-liability ratio of the Group was 64.51% (December 31, 2020: 63.33%).

IX. Disclosure of Fair Value

(I) Ending balance of fair value of assets and liabilities measured at fair value

Items	Ending balance of fair value			
	Level I measurement of fair value	Level II measurement of fair value	Level III measurement of fair value	Total
Continuous measurement of fair value				

Items	Ending balance of fair value			
	Level I measurement of fair value	Level II measurement of fair value	Level III measurement of fair value	Total
Trading financial assets	485,382,774.50	160,700,000.00		646,082,774.50
1. Financial assets measured at fair value through profits and losses	485,382,774.50	160,700,000.00		646,082,774.50
(1) Debt instrument investment	56,893,000.00			56,893,000.00
(2) Equity instrument investment	428,489,774.50			428,489,774.50
(3) Derivative financial assets	160,700,000.00	160,700,000.00		160,700,000.00
Investment in other equity instruments	1,913,078,081.13		885,920,076.43	2,798,998,157.56
Other non-current financial assets			61,687,985.95	61,687,985.95
Accounts receivable financing		8,996,378.10	159,300,191.41	168,296,569.51
Total assets continuously measured at fair value	2,398,460,855.63	169,696,378.10	1,106,908,253.79	3,675,065,487.52

Level 1: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities (prior to adjustment).

Level 2: inputs other than Level 1 inputs that are either directly (namely, price) or indirectly (namely derivation from price) observable for underlying assets or liabilities

Level 3: Input that are unobservable for underlying assets or liabilities;

2. Basis of determining the market price for recurring and non-recurring fair value measurements categorized within Level 1

The financial assets held for trading at the first level of fair value and the stocks listed on domestic A-shares in other equity instrument investments held by the Company, the fair value at the end of the period is determined based on the closing price of the open trading market on the balance sheet date.

3. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorized within Level 2

The second level of receivables financing measured by fair value held by the Company is the bank acceptance bills held both for the purpose of collecting contractual cash flow and for the purpose of selling.

4. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorized within Level 3.

Other equity instrument investments and other non-current financial assets held by the third level of fair value measurement are equity investments in companies that do not have an active market, the Company adopts valuation techniques and considers the expected recoverable amount of the investment to determine the fair value. The valuation method used is mainly the asset-based method, the main valuation models include market comparable company models, etc. The input parameter values of valuation techniques include quasi-P/B ratio, quasi-P/E ratio, and liquidity discount.

5. The fair value of financial assets and liabilities not measured at fair value

The financial assets and liabilities measured at amortized cost of the Company mainly include: Bank and cash, notes receivable, accounts receivable, other receivables, short-term loans, notes payable,

Names of other affiliated parties	Relationship between other affiliated parties and the Company
Shanghai Jahwa Sales Co., Ltd.	The holding subsidiary of Shanghai Jahwa United Co., LTD
Shanghai Jahwa E-commerce Co. Ltd.	The holding subsidiary of Shanghai Jahwa United Co., LTD
Shanghai Jahwa Cosmetics Sales Co., Ltd.	The holding subsidiary of Shanghai Jahwa United Co., LTD
Shanghai Jahwa Commercial Co., Ltd.	The holding subsidiary of Shanghai Jahwa United Co., LTD
Shanghai Herborist Beauty Investment Management Co., Ltd.	The holding subsidiary of Shanghai Jahwa United Co., LTD
Shanghai Gaofu Cosmetics Co., Ltd	The holding subsidiary of Shanghai Jahwa United Co., LTD
Xiamen Shanghai Jahwa Sales Co., Ltd.	The holding subsidiary of Shanghai Jahwa United Co., LTD
Fujian Pien Tze Huang Medical Device Technology Co., Ltd.	Other businesses over which the company can exert significant influence
Haishunde (Zhangzhou) Environmental Protection Catalyst Co., Ltd.	A shareholding enterprise of subsidiary Zhangzhou Jiulongjiang Gulei Investment Co., Ltd.
Zhangzhou Lantian Development Co., Ltd.	A shareholding enterprise of the parent company
Zhangzhou Chengjia Real Estate Co., Ltd.	A shareholding enterprise of the parent company
Fujian Longfu Bearing Co., Ltd.	Associated enterprise of subsidiary Fujian Youxi Bearing (Group) Co., Ltd

(V) Details of related- party transactions

1. Related-party transactions through trade of goods and labor services

Details of Purchasing of Goods and obtaining Labor (excluding tax)

Related party	Details of transaction between related parties	Amount incurred in current period (RMB 10,000)	Amount incurred in previous period (RMB 10,000)
Fujian Longyan Tongchun Pharmaceutical Co., Ltd.	Purchase of commodity		6.76
Fujian Ningde Gutian Tongchun Pharmaceutical Co., Ltd.	Purchase of commodity	257.59	186.55
Fujian Tongchun Pharmaceutical Co., Ltd.	Purchase of commodity	3,007.84	2,463.99
Fuzhou Changchun Pharmaceutical Co., Lt	Purchase of commodity	0.30	403.32
Fuzhou Tongchun Traditional Chinese Medicine Co., Ltd.	Purchase of commodity	601.77	784.61
Xiamen Tongchun Pharmaceutical Co., Ltd.	Purchase of commodity	161.32	39.41
Shanghai Jahwa Cosmetics Sales Co., Ltd.	Purchase of commodity	0.09	128.46
Fujian Putian Tongchun Pharmaceutical Co., Ltd.	Purchase of commodity		17.52
Sichuan Qixiang Pien Tze Huang Musk Industry Co., Ltd.	Purchase of commodity	161.18	
Xiamen Shanghai Jahwa Sales Co., Ltd.	Purchase of commodity	71.88	
Shanghai Jahwa United Co., Ltd.	Labor services	113.74	105.04
Shanghai Jahwa United Co., Ltd.	Labor services	10.87	10.87
Xiamen Tiancheng Investment Co., Ltd.	Receiving service	11.05	8.14
Xiamen Honest Medicine Co., Ltd.	Receiving service	80.17	56.06

accounts payable, other payables and bonds payable. For the above financial assets and liabilities not measured at fair value, the difference between the book value and the fair value is not significant.

X. Related parties and related-party transactions

Transactions of affiliated parties between the Company and its subsidiaries have been offset in consolidation of financial statements. Transactions between the Company and the other affiliated parties within the reporting period are as follows:

(I)Information of the Company's parent company

The Company is 90% invested by the State-owned Assets Supervision and Administration Commission of the People's Government of Zhangzhou City, and is a state-owned holding company.

(II) Information of the Company's subsidiaries

For details of the subsidiaries of the Company, please refer to Note (I) "Rights and Interests in Other Entities".

(III) Affiliates and joint ventures of the Company

Details of other joint ventures or associated enterprises with balance from related party transactions with the Company this period or earlier are as follows:

Names of joint ventures or associated enterprises	Relation with the Company
Sichuan Qixiang Pien Tze Huang Industry Co., Ltd.	Affiliated enterprises
Fujian Tongchun Pharmaceutical Co., Ltd.	Affiliated enterprises
Huarun Pien Tze Huang Pharmaceutical Co., Ltd.	Affiliated enterprises

(IV) Information of other related parties

Names of other affiliated parties	Relationship between other affiliated parties and the Company
Fuzhou Changchun Pharmaceutical Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd.(a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Fuzhou Huichun Pharmaceutical Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd.(a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Fuzhou Tongchun Traditional Chinese Medicine Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd.(a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Xiamen Tongchun Pharmaceutical Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd.(a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Xiamen Lvjingu Pharmacy Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd.(a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Fujian Longyan Tongchun Pharmaceutical Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd.(a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Fujian Sanming Tongchun Pharmaceutical Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd.(a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Fujian Ningde Gutian Tongchun Pharmaceutical Co., Ltd. of Fujian Province	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd.(a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Fujian Putian Tongchun Pharmaceutical Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd.(a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.).
Xiamen Honest Medicine Co., Ltd.	Other shareholders of subsidiary Xiamen Pien Tze Huang Honest Medicine Co., Ltd., a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.
Xiamen Tiancheng Investment Co., Ltd.	The holding subsidiary of Xiamen Hongren Pharmaceutical Co., LTD., a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., LTD
Shanghai Jahwa United Co., Ltd.	Other shareholders of subsidiary Zhangzhou Pien Tze Huang Shanghai Jahwa Oral Care Co., Ltd, a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.

Related party	Details of transaction between related parties	Amount incurred in current period (RMB 10,000)	Amount incurred in previous period (RMB 10,000)
Xiamen Honest Medicine Co., Ltd.	Purchase of water and power	140.68	120.89
Xiamen Tiancheng Investment Co., Ltd.	Purchase of water and power	15.99	18.79
Shanghai Jahwa United Co., Ltd.	Purchase of water and power	5.18	3.74
Shanghai Herborist Beauty Investment Management Co., Ltd.	Acceptance of market promotion		39.44
Shanghai Jahwa E-commerce Co. Ltd.	Acceptance of market promotion	80.89	10.68
Shanghai Jahwa Trading Co., Ltd.	Acceptance of market promotion	99.80	216.42
Shanghai Jahwa Trading Co., Ltd.	Acceptance of market promotion	3,390.22	4,004.26
Zhangzhou Huarun Pien Tze Huang Pharmaceutical Trading Co., Ltd.	Acceptance of market promotion	69.66	66.52
Fujian Pien Tze Huang Medical Device Technology Co., Ltd.	Purchase of commodity	108,743.37	

Details of Sales of Goods and Rendering Labor (excluding tax)

Related party	Details of transaction between related parties	Amount incurred in current period (RMB 10,000)	Amount incurred in current period (RMB 10,000)
Fujian Longyan Tongchun Pharmaceutical Co., Ltd.	Goods sales	0.98	0.7
Fujian Sanming Tongchun Pharmaceutical Co., Ltd.	Goods sales	28.68	17.79
Fujian Ningde Gutian Tongchun Pharmaceutical Co., Ltd.	Goods sales	510.7	423.44
Fujian Tongchun Pharmaceutical Co., Ltd.	Goods sales	1,368.33	779.1
Fuzhou Changchun Pharmaceutical Co., Ltd.	Goods sales		0.83
Fujian Tongchun Pharmaceutical Co., Ltd.	Goods sales	4,816.46	6,857.48
Xiamen Tongchun Pharmaceutical Co., Ltd.	Goods sales	7.25	17.44
Shanghai Herborist Beauty Investment Management Co., Ltd.	Goods sales		-61.02
Shanghai Jahwa E-commerce Co. Ltd.	Goods sales	2,515.53	1,329.67
Shanghai Jahwa Sales Co., Ltd.	Goods sales	121.65	226.28
Shanghai Jahwa Trading Co., Ltd.	Goods sales	2,876.10	5,593.22
Shanghai Jahwa Sales Co., Ltd.	Goods sales	7,014.81	6,796.12
Shanghai Gaofu Cosmetics Co., Ltd	Goods sales	13.53	1.34
Xiamen Tiancheng Investment Co., Ltd.	Goods sales		0.07
Hangzhou Wildlife World Co., Ltd.	Goods sales	19.82	0
Xiamen Lvjingu Pharmacy Co., Ltd.	Goods sales	4.1	0
Shanghai Xiaoduo Financial Services Co., Ltd.	Goods sales	0.32	
Zhangzhou Pien Tze Huang Aizhiwei Biotechnology Food Co., Ltd.	Labor services	36.41	32.62

Related party	Details of transaction between related parties	Amount incurred in current period (RMB 10,000)	Amount incurred in current period (RMB 10,000)
Zhangzhou Pien Tze Huang Aizhiwei Biotechnology Food Co., Ltd.	Water and power sales	1.17	0.99
Fujian Longfu Bearing Co., Ltd.	Sell transportation equipment	70,400.51	
Fujian Longfu Bearing Co., Ltd.	Goods sales		16,395.52
Fujian Longfu Bearing Co., Ltd.	Labor cost	223,826.00	201,564.11
Fujian Longfu Bearing Co., Ltd.	Water and electricity fees	953.98	6,232.73

2. Lease between related parties

Subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. as the lessor

Name of Lessee	Type of leasing assets	Rental income recognized in current period	Rental income recognized in previous period
Zhangzhou Pien Tze Huang Aizhiwei Shengji Food Co., Ltd.	Houses	101,714.29	101,714.29
Total		101,714.29	101,714.29

Subsidiary Fujian Longxi Bearing (Group) Corp., Ltd. as the lessor

Name of Lessee	Type of leasing assets	Rental income recognized in current period	Rental income recognized in previous period
Fujian Longfu Bearing Co., Ltd.	Houses	116,253.42	116,253.42

Subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. as the lessee

Name of Lessee	Type of leasing assets	Rental fees recognized in current period	Rental fees recognized in previous period
Xiamen Honest Medicine Co., Ltd.	Houses	7,755,227.38	9,961,448.36
Xiamen Tiancheng Investment Co., Ltd.	Houses	1,645,962.45	1,368,020.19
Shanghai Jahwa United Co., Ltd.	Houses	732,411.84	747,874.28
Total		10,133,601.67	12,077,342.83

3. Detail of guarantee between related parties

(1) Related-party guarantee of parent company Zhangzhou Jiulongjiang Group Co., Ltd. in current reporting period

The Company as a guarantor: Unit: RMB 10,000

The guaranteed	Amount of guarantee	Starting date of guarantee	Ending date of guarantee	Has the guarantee been fulfilled?
Xiamen Xiangjiang Import & Export Corporation Limited	12,000.00	2018/11/5	2021/12/17	Yes
	10,000.00	2019/3/5	2022/9/12	No
Zhangzhou Jiulongjiang Gulei Development Group Co., Ltd.	8,000.00	2016/3/25	2036/3/24	No
Zhangzhou Jiulongjiang Gulei Development Group Co., Ltd.	130,000.00	2021/9/18	2029/9/17	No
Fujian Fuhua Gulei Petrochemical Co., Ltd.	98,000.00	2019/6/19	2022/6/23	No
Fujian Fuhua Gulei Petrochemical Co., Ltd.	12,250.00	2020/11/16	2021/11/15	是
Fujian Fuhua Gulei Petrochemical Co., Ltd.	24,500.00	2021/5/17	2031/4/15	Yes
Zhangzhou Lantian Development Co., Ltd.	80,000.00	2016/5/27	2027/11/25	No
		2017/2/9	2022/2/10	No

4. Inter-bank lending of related parties

Inter-bank lending between subsidiaries Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.and other related parties.

The subsidiary Longhui Pharmaceutical Co., Ltd. has borrowed a total of RMB 34,799,036.29 from Hangzhou Wildlife World Co., Ltd., repay 28,000,000.00 yuan in 2020, and repay the remaining loan of 6,799,036.29 yuan in 2021.

5.The detail of asset transfer and debt restructuring of related parties of Subsidiary Fujian Longxi Bearing (Group) Co., Ltd. during the reporting period

Related party	Related Party Transaction Contents	Amount incurred in current period	Amount incurred in current period
Fujian Lijia Co., Ltd.	Purchase plant and land, etc.		137,549,063.00

(VI) Accounts receivable and payable among the related parties

1. Receivables

Project name	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Fujian Longyan Tongchun Pharmaceutical Co., Ltd			1,112.40	6.45
	Fujian Sanming Tongchun Pharmaceutical Co., Ltd.			12,387.00	19.82
	Fujian Ningde Gutian Tongchun Pharmaceutical Co., Ltd.	725,504.16	1,051.98	360,501.60	689.37
	Fujian Tongchun Pharmaceutical Co., Ltd.	63,134.52	1,619.00	236,391.60	418.36
	Fuzhou Tongchun Traditional Chinese Medicine Co., Ltd.	562,461.60	2,860.19	95,371.00	4,281.62
	Xiamen Tongchun Pharmaceutical Co., Ltd.			8,710.00	13.94
	Shanghai Jahwa Sales Co., Ltd.	21,762,935.09	1,088,146.75	21,331,822.80	1,066,591.14
	Shanghai Jahwa Cosmetics Sales Co., Ltd.	93,168.41	4,658.42		
	Fuzhou Changchun Pharmaceutical Co., Ltd.			9,380.00	54.4
	Shanghai Gaofu Cosmetics Co., Ltd.	28,748.56	1,437.43	15,162.52	758.13
	Shanghai Jahwa E-Commerce Co., Ltd.	792,591.67	39,629.58	1,023,434.44	51,171.72
	Shanghai Jahwa Trading Co., Ltd.	3,958,570.60	197,928.53	6,727,140.63	336,357.03
	Fujian Longfu Bearing Co., Ltd.			281,183.00	21,253.49
Prepayment	Fuzhou Changchun Pharmaceutical Co., Ltd.			12,160.00	
	Shanghai Jahwa Cosmetics Sales Co., Ltd.			277.69	
Other account receivable	Fujian Tongchun Pharmaceutical Co., Ltd.	84,129.38	4,206.47	97,283.88	486.42
	Xiamen Honest Medicine Co., Ltd.	2,662,981.84	133,149.09	917,651.45	4,588.26
	Xiamen Tiancheng Investment Co., Ltd.	138,200.40	6,910.02	138,200.40	691.01
	Shanghai Jahwa United Co., Ltd.	108,000.00	540	108,000.00	540

Project name	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Longhui Group Co., Ltd.	690,214.08	345,107.04	690,214.08	3,451.07
	Rongtai International Investment Co., Ltd.	324,806.63	162,403.32	324,806.63	1,624.03
	Zhangzhou Hi-Tech Pien Tze Huang Protective Products Co., Ltd.	32,783.40	1,639.17		
	Fujian Longfu Bearing Co., Ltd.			920,911.70	46,045.59
Interest receivable	Zhangzhou Chengjia Real Estate Co., Ltd.	15,413,399.39		16,825,968.27	13,998,646.59

2. Payables

Project name	Related party	Closing book value	Opening book balance
Accounts payable	Fujian Huichun Pharmaceutical Co., Ltd.	800.00	800.00
	Ningde Gutian Tongchun Pharmaceutical Co., Ltd. of Fujian Province	196,350.80	86,366.70
	Fujian Tongchun Pharmaceutical Co., Ltd.	6,448,265.30	2,421,618.14
	Fuzhou Changchun Pharmaceutical Co., Ltd.		4,500.00
	Fuzhou Tongchun Traditional Chinese Medicine Co., Ltd.	21,082.57	1,713,342.05
	Xiamen Tongchun Pharmaceutical Co., Ltd.	104,774.60	90,421.14
	Xiamen Honest Medicine Co., Ltd.	200.00	200.00
	Shanghai Jahwa Cosmetics Sales Co., Ltd.	999.96	
	Fujian Putian Tongchun Pharmaceutical Co., Ltd.		49,505.00
	Fujian Xinte Pharmaceutical Co., Ltd.		27.42
	Fuzhou Tongchun Traditional Chinese Medicine Co., Ltd.	6,949,000.00	
	Zhangzhou Lantian Development Co., Ltd.	4,000.00	
Contract liability	Fujian Tongchun Pharmaceutical Co., Ltd.	4,365.20	170,019.56
	Fuzhou Tongchun Traditional Chinese Medicine Co., Ltd.		3,682,008.05
other account payable	Xiamen Honest Medicine Co., Ltd.	599,244.34	3,152,953.17
	Fuzhou Tongchun Traditional Chinese Medicine Co., Ltd.	588,655.77	368,506.19
	Hangzhou Wildlife World Co., Ltd.		6,799,036.29
	Shanghai Jahwa Cosmetics Sales Co., Ltd.	14,475,489.16	6,978,505.69
Other current payable	Fujian Tongchun Pharmaceutical Co., Ltd.		22,102.54
	Fuzhou Tongchun Traditional Chinese Medicine Co., Ltd.		478,661.05

XI. Commitments and Contingencies

(I) Significant commitments

1. Performance of the previous commitments by subsidiary Zhangzhou Pien Tze Huang

Pharmaceutical Co., Ltd.

A. A Joint Venture Agreement was made and entered into by subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. and Taiwan AGV Products Corporation formally in Zhangzhou on July 7, 2012, stipulating that the parties would cooperate to establish the following two joint ventures: ① Zhangzhou Pien Tze Huang AGV Beverage Co., Ltd., with a registered capital of RMB 100 million, RMB 50 million from each party. The business scope covers developing and producing functional beverage such as herbal tea and liver-protecting tea containing the trademarks of Pien Tze Huang. ② Zhangzhou AGV Pien Tze Huang Commercial and Trading Co., Ltd., with a registered capital of RMB 50 million. The business scope covers selling the Pien Tze Huang functional beverage such as herbal tea and liver-protecting tea by Zhangzhou Pien Tze Huang AGV Beverage Co., Ltd. and selling the products of their respective brands. Both of the above companies have been established, and the Company invested RMB 25 million into Zhangzhou Pien Tze Huang AGV Biotech Food Co., Ltd. as the first phase of contribution in August 2013. But contribution to Zhangzhou AGV Pien Tze Huang Commercial and Trading Co., Ltd. has not been fully made.

(II) Contingencies

1. External guarantee in the reporting period Unit: RMB 10,000

Guarantor	Guaranteed object		Guarantee method	Consistent Counter guarantee	Guarantee Amount	Consistent Overdue	Status of guaranteed object
	Name	Business nature					
Zhangzhou Jiulongjiang Group Co., Ltd.	Zhangzhou Yuanshan Xincheng Construction Co., Ltd.	State-controlled	Joint guarantee	No	218,400.00	No	Normal operating
Zhangzhou Jiulongjiang Group Co., Ltd.	Zhangzhou Yuanshan Daffodil Development Co., Ltd	State-controlled	Joint guarantee	No	11,700.00	No	Normal operating
Zhangzhou Jiulongjiang Group Co., Ltd.	Zhangzhou Gulei Traffic Development Co., Ltd	State-controlled	Joint guarantee	No	65,000.00	No	Normal operating

2. The contingent matters of the subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. are as follows:

(1) In the current period, Xiamen Pien Tze Huang Hongren Pharmaceutical Co., Ltd., a controlled subsidiary, and its affiliated company, Quanzhou Pien Tze Huang Hongren Pharmaceutical Co., Ltd. (hereinafter referred to as "Pien Tze Huang Hongren") and its supplier, Guangdong Repson Pharmaceutical Co., Ltd. (hereinafter referred to as "Repson")) reached an agreement that Pien Tze Huang Hongren would return the goods purchased from Repson. On March 2021, Pien Tze Huang Hongren has completed the purchase and return of the goods. Both parties confirm that the value of the returned goods and the amount of money owed to Pien Tze Huang Hongren in the history of Ripson totaled RMB 13.0278 million.

Ripson has successively issued "Repayment Commitment" and "Inventory Disposal Commitment" to Pien Tze Huang Hongren, promising to pay the above arrears to Pien Tze Huang Hongren in April 2021.

In April 2021, Ripson failed to fulfill its promise to refund the payment for the goods. Pien Tze Huang Hongren repeatedly urged to no avail. In August 2021, a lawsuit was filed with the People's Court of Haicang District, Xiamen, requesting that Repson be ordered to repay the principal of the purchase price and pay liquidated damages. As of the reporting date, the People's Court of Haicang District, Xiamen City has not made a judgment, and the above-mentioned payment has not been refunded.

(2) The subsidiary Pien Tze Huang (Zhangzhou) Pharmaceutical Co., Ltd. (hereinafter referred to as the

"Pharmaceutical Company") as a first-tier distributor and Fujian Furen Pharmaceutical Co., Ltd. signed two purchase agreements in March 2020 and May 2020 respectively. In April 2020 and June 2020, the pharmaceutical company prepaid Fujian Furen Pharmaceutical Co., Ltd. for drug purchases of 1.05 million yuan and 1.6080 million yuan respectively. After the pharmaceutical company completed the first batch of drug purchases, it was distributed to secondary distributors. From June to August 2020, the above-mentioned distributed products were returned to the pharmaceutical company from the distributors, with a value of 1.0119 million yuan. According to the contract, the pharmaceutical company claimed to Fujian Furen Pharmaceutical Co., Ltd. to return the purchase price of 1.0019 million yuan and the advance payment of 1.6080 million yuan. Fujian Furen Pharmaceutical Co., Ltd. objected to this and refused to refund but accepted the return of the goods. The pharmaceutical company filed two lawsuits with the People's Court of Xiangcheng District, Zhangzhou City, Fujian Province.

The Xiangcheng District People's Court of Zhangzhou City, Fujian Province made a final judgment in 2021, ruling that Fujian Furen Pharmaceutical Co., Ltd. should refund the payment of the drug to the pharmaceutical company, and pay the penalty for overdue payment according to the one-year loan market quotation rate announced by the Interbank Funding Center. The pharmaceutical company returned the medicines to Fujian Furen Pharmaceutical Co., Ltd. and cancelled the "Contract" signed with Fujian Furen Pharmaceutical Co., Ltd. signed in May 2020. On April 15, 2021, the pharmaceutical company received a payment of RMB 641,650.00 for litigation preservation from the Xiangcheng District People's Court of Zhangzhou City, Fujian Province. Fujian Furen Pharmaceutical Co., Ltd. refused to accept the final judgment of the People's Court of Xiangcheng District, Zhangzhou City, Fujian Province, and filed a retrial application with the Higher People's Court of Fujian Province. As of the reporting date, the Higher People's Court of Fujian Province has not made a retrial judgment.

(3) As of December 31, 2021, the Company had no other important contingent events that should be disclosed.

XII. Events after the Balance Sheet Date

1. Profit distribution

(I) Description of significant events after the balance sheet date of subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.

In accordance with the 2021 Annual Profit Distribution Plan reviewed and approved by the Board of Directors of the Company on April 14, 2022, the Company intends to distribute a cash dividend of RMB 12.10 (tax inclusive) for every 10 shares based on the total share capital of 603,317,210.00 shares of the Company as of December 31, 2021. As a result, the total cash dividends distributed would be RMB 730,013,824.10..

(II) Description of significant events after the balance sheet date of subsidiary Fujian Longxi Bearing (Group) Corp., Ltd.

According to the twelfth resolution of the seventh session of the board of directors on April 21, 2022, the profit distribution of the company in 2021 is expected to be based on the total share capital X number of shares after this non-public offering, A cash dividend of 1 yuan (tax included) will be distributed to all shareholders for every 10 shares, totaling 39,955,357.10 yuan, and the remaining undistributed profits will be carried forward to the next year; The capital reserve will not be converted into share capital. The above profit distribution plan is still subject to the approval of the general meeting of shareholders.

XIII. Other Important Events

I. Oversea financing

On January 16, 2018, the Company issued non-public corporate bond with a total amount of RMB 1.1 billion and a bond period of 3+2 years. The bond issuing rate is 6.49%, and the due date for payment of principal and interest is January 16, 2023. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is January 16 of each year during the bond period.

On March 26, 2018, the Company issued non-public corporate bonds with a total amount of RMB 1.4 billion and a bond period of 3+2 years. The bond issuing rate is 6.5%, and the due date for repayment of principal and interest is March26, 2023. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is March 26 of each year in the bond period.

On May 3, 2018, the Company issued the second phase of medium-term notes for 2018, with a bond amount of RMB 0.8 billion and a bond period of 5 years. The bond issuing rate is 5.7%, and the due date is May 3, 2023. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is May 3 of each year in the bond period.

On May 24, 2018, the Company issued the second phase of medium-term notes for 2018, with a bond amount of RMB 400 million and a bond period of 5 years. The bond issuing rate is 5.57%, and the due date for repayment of principal and interest is May 24, 2023. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is May 24 of each year in the bond period.

On July 12, 2018, the Company issued the third phase of medium-term notes for 2018, with a bond amount of RMB 600 million and a bond period of 5 years. The bond issuing rate is 5.35%, and the due date for repayment of principal and interest is July 12, 2023. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is July12 of each year in the bond period.

On July 19, 2018, the Company issued the first phase short-term corporate bonds with a total amount of RMB 400 million and a bond period of 1year. The bond issuing rate is 4.74%, and the due date for repayment of principal and interest is July 19, 2019. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is July 19 of each year in the bond period.

On October 26, 2018, the Company issued non-public corporate bonds with a total amount of RMB 1 billion and a bond period of 3 years. The bond issuing rate is 5.69%, and the due date for repayment of principal and interest is October 26, 2021. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is October 26 of each year in the bond period.

On December 14, 2018, the Company issued non-public corporate bonds with a total amount of RMB 1 billion and a bond period of 3 years. The bond issuing rate is 5.00%, and the due date for repayment of principal and interest is December 14, 2021. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is December 14 of each year in the bond period.

On December 24, 2018, the Company issued non-public corporate bonds with a total amount of RMB 500 million and a bond period of 2+N years. The bond issuing rate is 5.99%, and the due date for repayment of principal and interest is December 24, 2020. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is December 24 of each year in the bond period.

On March 14, 2019, the Company issued the first phase public corporate bonds with a total amount of RMB 2 billion and a bond period of 3+2 years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 4.40%, and the maturity date for repayment of principal and interest is March 14, 2024. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is March 14 of each year in the bond period.

On March 28, 2019, the Company issued the first phase publicly issued renewable corporate bonds with a total amount of RMB 1 billion and a bond period of 2+N years. The basic period is 2 years, with every 2 interest accrual years as a cycle, At the end of each cycle, the issuer has the right to choose to extend the maturity of the current bond by 1 cycle (that is, 2 years), or choose to redeem the bonds in full at the end of the period. The bond issuing rate is 5.69%, and the maturity date for repayment of principal and interest is March 28, 2021. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is March 28 of each year in the bond period.

On April 8, 2019, the Company issued the second phase public corporate bonds with a total amount of RMB 1 billion and a bond period of 3+2 years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 4.47%, and the maturity date for repayment of principal and interest is April 8, 2024. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is April 8 of each year in the bond period.

On June 21, 2019, the Company issued the second phase publicly issued renewable corporate bonds with a total amount of RMB 1.5 billion and a bond period of 2+N years. The basic period is 2 years, with every 2 interest accrual years as a cycle, At the end of each cycle, the issuer has the right to choose to extend the maturity of the current bond by 1 cycle (that is, 2 years), or choose to redeem the bonds in full at the end of the period. The bond issuing rate is 5.45%, and the maturity date for repayment of principal and interest is June 21, 2021. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is June 21 of each year in the bond period.

On September 10, 2019, the Company issued USD 500 million (equivalent to RMB 3.5 billion) offshore USD bonds with a bond maturity of 3 years. The bond issuing rate is 5.60%, and the maturity date for repayment of principal and interest is September 10, 2022. The interest of current bonds is paid every six months during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The day for payment of interest is March 10 and September 10 of each year during the duration.

On September 27, 2019, the Company issued the first phase of ultra-short-term financing bonds with an amount of RMB 1 billion and a bond maturity of 180 days. The bond issuing rate is 3.30%, and the maturity date for repayment of principal and interest is March 25, 2020. The interest of the current bond is paid once during the duration, and the final period interest is paid together with the redemption of the principal and interest. The first day of interest payment is March 25 during the duration.

On December 10, 2019, the Company issued the third phase public corporate bonds with a total amount of RMB 1 billion and a bond period of 3+3 years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 3.95%, and the maturity date for repayment of principal and interest is December 10, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is December 10 of each year in the bond period.

On December 12, 2019, the Company issued the second phase of ultra-short-term financing bonds with an amount of RMB 500 million and a bond maturity of 180 days. The bond issuing rate is 3.35%, and the maturity date for repayment of principal and interest is June 9, 2020. The interest of the current bond is paid once during the duration, and the final period interest is paid together with the redemption of the principal and interest. The first day of interest payment is June 9th during the duration.

On December 16, 2019, the company issued the first phase of privately placed debt financing instruments with an amount of RMB 1 billion and a bond maturity of 120 days. The bond issuing rate is 3.50%, and the maturity date for repayment of principal and interest is April 14, 2020. The interest of the current bond is paid once during the duration, and the last period of interest is paid together with the redemption of principal and interest. The first day of interest payment is April 14th during the duration.

On February 14, 2020, the company issued the first phase of ultra-short-term financing bonds with an amount of RMB 0.2 billion and a bond maturity of 255 days. The bond issuing rate is 2.88%, and the maturity date for repayment of principal and interest is October 29, 2020. The interest of the current bond is paid once during the duration, and the last period of interest is paid together with the redemption of principal and interest. The first day of interest payment is October 29th during the duration.

On March 5, 2020, the company issued the first phase of medium-term financing bonds with an amount of RMB 1 billion and a bond maturity of 5 years. The bond issuing rate is 3.65%, and the maturity date for repayment of principal and interest is March 5, 2025. The interest of the current bond is paid once during the duration, and the last period of interest is paid together with the redemption of principal and interest. The first day of interest payment is March 5th during the duration.

On March 12, 2020, the Company issued the third phase non- public corporate bonds with a total amount of RMB 1.3 billion and a bond period of 3+2 years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 3.70%, and the maturity date for repayment of principal and interest is March 12, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is March 12th of each year in the bond period.

On April 2, 2020, the company issued the second phase of medium-term financing bonds with an amount of RMB 1 billion and a bond maturity of 5 years. The bond issuing rate is 3.75%, and the maturity date for repayment of principal and interest is April 2, 2025. The interest of the current bond is paid once during the duration, and the last period of interest is paid together with the redemption of principal and interest. The first day of interest payment is April 2nd during the duration.

On April 23, 2020, the Company issued the third phase non- public corporate bonds with a total amount of RMB 1.5 billion and a bond period of 3+2 years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 3.60%, and the maturity date for repayment of principal and interest is April 23, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is April 23rd of each year in the bond period.

On April 27, 2020, the Company issued the third phase perpetual medium-term corporate bonds with a total amount of RMB 1.0 billion and a bond period of 3+N years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 3.81%, and the maturity date for repayment of principal and interest is April 27, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is April 27th of each year in the bond period.

On May 22, 2020, the Company issued the third phase non- public corporate bonds with a total amount of RMB 1.0 billion and a bond period of 3+2 years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 3.70%, and the maturity date for repayment of principal and interest is May 22, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is May 22nd of each year in the bond period.

On September 4, 2020, the Company issued the third phase renewable public corporate bonds with a total amount of RMB 1.5 billion and a bond period of 2+N years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 4.48%, and the maturity date for repayment of principal and interest is September 4, 2022. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is September 4th of each year in the bond period.

On September 10, 2020, the Company issued the second phase of ultra-short-term financing bonds with an amount of RMB 500 million and a bond maturity of 60 days. The bond issuing rate is 2.99%, and the maturity date for repayment of principal and interest is November 13, 2020. The interest of the current bond is paid once during the duration, and the final period interest is paid together with the redemption of the principal and interest. The first day of interest payment is September 10 during the duration.

On October 16, 2020, the Company issued the third phase non- public corporate bonds with a total amount of RMB 1.2 billion and a bond period of 3+2 years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 4.90%, and the maturity date for repayment of principal and interest is October 16, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is October16th of each year in the bond period.

On October 20, 2020, the Company issued the third phase medium-term corporate bonds with a total amount of RMB 1.1 billion and a bond period of 5 years, the bond issuing rate is 4.4%, and the maturity date for repayment of principal and interest is October 20, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is October 20th of each year in the bond period.

On October 26, 2020, the Company issued the third phase short-term corporate bonds with a total amount of RMB 1.0 billion and a bond period of 1 year, the bond issuing rate is 3.38%, and the maturity date for repayment of principal and interest is October 26, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is October 26th of each year in the bond period.

On November 2, 2020, the Company issued the second phase renewable public corporate bonds with a total amount of RMB 1.5 billion and a bond period of 2+N years, with the option to adjust the coupon rate at the end of the second year and the option to resell to investors. The bond issuing rate is 4.17%, and the maturity date for repayment of principal and interest is November 2, 2022. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is November 2nd of each year in the bond period.

On November 3, 2020, the Company issued the second phase renewable public corporate bonds with a total amount of RMB 1.0 billion and a bond period of 3+2 years, with the option to adjust the coupon rate at the end of the second year and the option to resell to investors. The bond issuing rate is 4.20%, and the maturity date for repayment of principal and interest is November 3, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is November 3rd of each year in the bond period.

On December 21, 2020, the Company issued the second phase renewable public corporate bonds with a total amount of RMB 0.5 billion and a bond period of 2+N years, with the option to adjust the coupon rate at the end of the second year and the option to resell to investors. The bond issuing rate is 4.90%, and the maturity date for repayment of principal and interest is December 21, 2022. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is December 21st of each year in the bond period.

On December 24, 2020, the Company issued the third phase ultra-short-term corporate financing bonds with a total amount of RMB 0.5 billion and a bond period of 104 days. The bond issuing rate is 3.43%, and the maturity date for repayment of principal and interest is June 22, 2021. The interest of current bonds is paid once during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is June 22nd of each year in the bond period.

On January 8, 2021 , the Company issued the first phase public corporate bonds with a total amount of RMB 1.5 billion and a bond period of 3+2 years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 3.85%, and the maturity date for repayment of principal and interest is January 8, 2026. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is January 8th of each year in the bond period.

On February 5, 2021, the Company issued the first phase renewable public corporate bonds with a total amount of RMB 1.0 billion and a bond period of 2+N years, with the option to adjust the coupon rate at the end of the second year and the option to resell to investors. The bond issuing rate is 4.50%, and the maturity date for repayment of principal and interest is February 5, 2023. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is February 5th of each year in the bond period.

On March 10, 2021, the Company issued the first phase ultra-short-term corporate financing bonds with a total amount of RMB 0.8billion and a bond period of 104 days. The bond issuing rate is 3.04%, and the maturity date for repayment of principal and interest is June 22nd, 2022. and the interest would be settled with the principal

On March 18, 2021 , the Company issued the Second phase public corporate bonds with a total amount of RMB 1.5 billion and a bond period of 3+2 years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 3.88%, and the maturity date for repayment of principal and interest is March 18, 2026. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is March 18th of each year in the bond period.

On March 19 , 2021, the Company issued the first phase renewable public corporate bonds with a total amount of RMB 1.0 billion and a bond period of 3 years. The bond issuing rate is 4.37%, and the maturity date for repayment of principal and interest is March 19, 2024. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is March 19th of each year in the bond period.

On June 9, 2021, the Company issued the first phase perpetual medium-term corporate bonds with a total amount of RMB 1.0 billion and a bond period of 3+N years, with the right of redemption at the end of the third year and the right to deferred payment of interest. The bond issuing rate is 5%, and the maturity date for repayment of principal and interest is June 9, 2024. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is June 9th of each year in the bond period.

On June 17, 2021, the Company issued the second phase medium-term corporate bonds with a total amount of RMB 0.3 billion and a bond period of 5 years, the bond issuing rate is 4.37%, and the maturity date for repayment of principal and interest is June 17, 2026. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is June 17th of each year in the bond period.

On June 18, 2021, the Company issued the third phase medium-term corporate bonds with a total amount of RMB 1.0 billion and a bond period of 5 years, the bond issuing rate is 4.5%, and the maturity date for repayment of principal and interest is June 18, 2026. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is June 18th of each year in the bond period.

On October 25, 2021, the Company issued the fourth phase medium-term corporate bonds with a total amount of RMB 0.5 billion and a bond period of 3+2 years, with the right of redemption at the end of the third year and the right to deferred payment of interest. The bond issuing rate is 3.75%, and the maturity date for repayment of principal and interest is October 25, 2026. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is October 25th of each year in the bond period.

On October 25 , 2021, the Company issued the fifth phase perpetual medium-term corporate bonds with a total amount of RMB 0.5 billion and a bond period of 3+N years, with the right of redemption at the end of the third year and the right to deferred payment of interest. The bond issuing rate is 4.4%, and the maturity date for repayment of principal and interest is October 25 , 2024. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is October 25 of each year in the bond period.

On October 29, 2021, the Company issued the first phase of private short-term corporate bonds with an amount of RMB 1 billion and a bond maturity of 1 year. The bond issuing rate is 3%, and the maturity date for repayment of principal and interest is October 29, 2022. The interest would be settled with the principal , and the interest payment date is October 27th , 2022.

On November 12, 2021, the Company issued the first phase ultra-short-term corporate financing bonds with a total amount of RMB 1.0billion and a bond period of one year. The bond issuing rate is 2.9%, and the maturity date for repayment of principal and interest is November 12, 2022. The interest would be settled with the principal, and the interest payment date is November 12nd , 2022.

On December 03, 2021, the Company issued the first phase of private short-term corporate bonds with an amount of RMB 1 billion and a bond maturity of 1 year. The bond issuing rate is 2.9%, and the maturity date for repayment of principal and interest is December 03, 2022. The interest would be settled with the principal , and the interest payment date is December 3rd, 2022.

II. Discontinue business

Subsidiary Fujian Longxi Bearing (Group) Co., Ltd

(1) Details of discontinued operations

Items	For the year of 2021	For the year of 2020
Income from discontinued operations (A)	8,530,447.57	21,591,328.32
Less: Discontinued operating expenses (B)	24,219,245.73	29,869,561.96
Total Discontinued Operating Profits (C)	-15,688,798.16	-8,278,233.64
Less: Income tax expense for discontinued operation (D)		

Items	For the year of 2021	For the year of 2020
Net profit from operating activities (E=C-D)	-15,688,798.16	-8,278,233.64
Asset impairment loss/(reversal) (F)		
Total Disposal Gains (G)		
Disposal related income tax expense (H)		
Net profit from disposal (I=G-H)		
Net profit from discontinued operations (J=E+F+I)	-15,688,798.16	-8,278,233.64
Including: Discontinued operating profit attributable to shareholders of the parent company	-7,424,418.37	-3,734,217.72
Discontinued operating profit attributable to minority shareholders	-8,264,379.79	-4,544,015.92

Note:

(1) he profit from continuing operations realized in the current period was 298,792,019.57, of which the profit from continuing operations attributable to shareholders of the parent company was RMB 305,586,257.73.

(2) Termination of operations includes:

For details of the liquidation completed by the wholly-owned subsidiary Xinlongzhou Automotive Technology (Fujian) Co., Ltd., please refer to Note VI. Changes in the scope of consolidation;

The company held the third meeting of the eighth session of the board of directors on September 24, 2021. The meeting passed the "Proposal on Dissolution and Liquidation of Fujian Hongqi Co., Ltd. and Related Party Transactions". As of the audit report date, Fujian Hongqi Co., Ltd. is still in liquidation.

III. Explanation of other important matters of the subsidiary Zhangzhou Sinopharm Real Estate Co., Ltd

According to the resolution of the shareholders meeting of Zhangzhou Sinopharm Real Estate Co., Ltd. on March 10, 2020, Zhangzhou Sinopharm Real Estate Co., Ltd. ceased business activities and conducted liquidation. The company established a liquidation group and filed with the company registration authority.

XIV Other issues

1. As a lessor of operating lease

The Company used to lease some of its buildings as operating leases. Rent is adjusted annually based on market rental conditions. In 2021, the Company's rental income from buildings was RMB 3,255,437.38.

2. Details of Lease

Items	Amount
Interest expense on lease liability	5,430,355.31
Short-term lease expenses recorded in the cost of related assets or current profit and loss by simplified treatment	4,594,269.58
Total cash outflow related to lease	36,388,883.46

XV. Explanations to Major Items of Financial Statement of Parent Company

(I) Other receivables

Items	Closing balance	Opening balance
Interest receivables		
Dividend receivables		
Other receivables	16,426,493,095.67	8,573,387,034.90
Total	16,426,493,095.67	8,573,387,034.90

Other receivables

1. Categories by age analysis

Aging	Closing balance
Within 1 year (including 1 year)	15,675,568,306.86
1 - 2 year (s) (including 2 years)	750,924,788.81
2 - 3 years (inclusive)	
3-4 years (including 4 years)	
4-5 years (including 5 years)	
Over 5 years	3,526,400.87
Less: bad debts	3,526,400.87
Total	16,426,493,095.67

2. Classification of other receivables by fund nature

Items	Closing balance	Opening balance
Related party	16,236,917,934.16	8,572,569,109.44
Receivables of government-related units	173,901,724.67	1,044,392.99
withhold and remit tax	60,485.53	31,579.24
Petty cash	927,237.29	
Others	3,652,630.18	396,173.26
Petty cash and deposit	14,559,484.71	698,211.67
Total	16,430,019,496.54	8,574,739,466.60

3. Provision for bad and doubtful debts

Provision for bad and doubtful debts	The first stage	The second stage	The third stage	Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses (no credit impairment)	Lifetime expected credit losses (credit-impaired)	
Balance of January 1, 2021			3,526,400.87	3,526,400.87
Balance of January 1, 2021 carried forward in the period				
--Transfer-in phase II				
--Transfer-in phase III				

Provision for bad and doubtful debts	The first stage	The second stage	The third stage	Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses (no credit impairment)	Lifetime expected credit losses (credit-impaired)	
--Switch back phase II				
--Switch back phase I				
Charged in the period				
Reversed back in the period				
Written off in the period				
Other movement				
Balance of December 31, 2021			3,526,400.87	3,526,400.87

4. Bad debt provision charged, recovered or reversed in the current period: Nil.

5. Top five closing balances of other accounts receivable collected by debtors

Organization name	Fund nature	Closing balance	Aging	Proportion in total closing balance of other receivables (%)	Closing balance of provision for bad debts Closing balance
Zhangzhou Jiulongjiang Gulei Development Group Co. LTD	Intercourse funds	14,816,480,000.00	1-2 year(s)	90.20	
Zhangzhou jiulongjiang gulei wharf co. LTD	Intercourse funds	1,040,500,000.00	Within 1 year	6.33	
Xiamen Xiangjiang Import & Export Corporation Limited	Intercourse funds	222,600,000.00	Within 1 year	1.36	
Zhangzhou Municipal Bureau of Finance	subsidy	127,500,000.00	Within 1 year	0.78	
Zhangzhou Investment Group Co., Ltd.	Intercourse funds	80,000,000.00	Within 1 year	0.49	
Total		16,287,080,000.00		99.15	

6. Receivables involving government grants

Name	Name of government subsidy project	Closing balance	Aging	Estimated time, amount and basis for collection
Zhangzhou Municipal Bureau of Finance	Tenglong Xianglu Reorganization Project Financing Subsidy	127,500,000.00	Within one year	Note 1
合计		127,500,000.00		

Note 1: According to the document Zhang Caiqi [2021] No. 3 of the Zhangzhou Municipal Bureau of Finance, the notice on the approval of the municipal state-owned capital operation budget in 2021, according to the minutes of the 23rd municipal executive meeting in 2017, a financing subsidy of 178 million yuan was arranged for the Tenglong Xianglu restructuring project, the subsidy of RMB 50.5 million has been received in this period, and the remaining subsidy of RMB 127.5 million is expected to be issued in May 2022.

(II) Long-term equity investment

1. Invest in Subsidiaries

The investee	Measurement Method	Investment cost	Opening balance	Movement	Closing balance	Shareholding ratio in invested companies (%)	Voting rights proportion in invested companies (%)	Explanation for difference between the holding percentage and voting right percentage in the invested companies	Impairment provision	Estimated impairment provision in current period	Cash bonus
Fujian Longxi Bearing (Group) Corp. Ltd. (Note 1)	Cost method	588,931,201.18	1,308,803,280.18		1,308,803,280.18	37.85	37.85				17,089,419.40
Zhangzhou Investment Group Co., Ltd.	Cost method		420,002,090.00		420,002,090.00	100	100				
Xiamen Xiangjiang Import & Export Corporation Limited	Cost method	880,536.47	194,190,536.47		194,190,536.47	100	100				
Zhangzhou Guoyao Real Estate Co., Ltd.	Cost method		6,000,000.00		6,000,000.00	60	60				
Zhangzhou Jiulongjiang Guiei Development Group Co. LTD	Cost method	30,000,000.00	514,000,000.00		514,000,000.00	80.03	80.03				
Zhangzhou Jiulongjiang Yuanshan Investment Co., Ltd.	Cost method	160,000,000.00	560,000,000.00	90,000,000.00	650,000,000.00	80	80				
Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. (Note 2)	Cost method	517,087,728.00	2,841,476,637.95	-51,583,064.85	2,789,893,573.10	57.92	57.92				296,528,175.00
Zhangzhou Pien Tze Huang Assets Management Co., Ltd.	Cost method		909,295,687.48	850,000,000.00	1,759,295,687.48	100	100				
Zhangzhou State Asset Investment Management Co., Ltd.	Cost method		1,280,818,870.48	370,000,000.00	1,650,818,870.48	100	100				
Zhongyuan Trust co, Ltd	Cost method			215,000,000.00	215,000,000.00	70	70				
Total		1,296,899,465.65	8,034,587,102.56	1,473,416,935.15	9,508,004,037.71						313,617,594.40

Note 1: Subsidiary Fujian Longxi Bearing (Group) Co., Ltd.: According to Zhang Zhengzong [2010] No. 56 on April 27, 2010, "Zhangzhou People's Government Approves Fujian Longxi Bearings held by Zhangzhou Electromechanical Investment Co., Ltd. Reply of the (Group) Co., Ltd. Equity to Zhangzhou Pien Tze Huang Group Company". The 31.39% equity of Fujian Longxi Bearing (Group) Co., Ltd. (hereinafter referred to as Longxi Shares) held by Zhangzhou Electromechanical

Investment Co., Ltd. was transferred to Zhangzhou Pien Tze Huang Group Company for free. After the allocation, Pien Tze Huang Group Company held the equity of Long Xi Shares, changed from 9.02% to 40.41%. On April 29, 2010, the two parties signed the "State-owned Equity Free Transfer Agreement." In August 2010, the State-owned Assets Supervision and Administration Commission of the State Council approved the above-mentioned free transfer of state-owned equity (see State Assets Chanquan (2010) No. 751). This matter was approved by the China Securities Regulatory Commission in March 2011. In the same month, the Shanghai branch of China Securities Depository and Clearing Co., Ltd. completed the registration procedures for the transfer of 94,166,400 equity. After completing the equity transfer registration, Zhangzhou Pien Tze Huang Group Co., Ltd. has accumulated 121,233,800 shares of the company, accounting for 40.41% of the company's total share capital, and has become the controlling shareholder of Longxi Co., Ltd. After the private placement of Longxi shares, the company's headquarters holds 151,233,800 shares of Longxi shares, with a shareholding ratio of 37.85%.

Note 2: The subsidiary Zhangzhou State-owned Assets Investment Management Co., Ltd. directly holds 0.50% of the shares of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. (referred to as Pien Tze Huang Pharmaceutical), and the Company directly holds 54.61% of the shares of Pien Tze Huang Pharmaceutical. The company directly holds 55.11% of the shares. The Company manages the shares of Pien Tze Huang Pharmaceutical Co., Ltd. of Zhanglong Industrial Co., Ltd., with a shareholding ratio of 3.31%, and the escrow shares are listed as "long-term payables". After the merger, the Company holds a total of 58.42% of Pien Tze Huang Pharma's shares, and the Company's voting rights in Pien Tze Huang Pharma's shares are 58.42%. Due to the company's own capital needs, from August 13, 2021 to November 5, 2021, the Company reduced its holdings of 6,033,107 shares of Pien Tze Huang Pharmaceutical through centralized bidding, accounting for 1% of the company's total share capital, as of December 31, 2021, the Company and its concerted action Zhangzhou State-owned Assets Investment Management Co., Ltd. held a total of 346,440,455 shares of Pien Tze Huang Pharmaceutical, accounting for 57.42% of the total share capital of Pien Tze Huang Pharmaceutical.

2. nvestment into associated enterprises and joint ventures

The investee	Opening balance	Movements during this period								Closing balance	Closing balance of provision for impairment loss t provision
		Increase in capital	Decrease in capital	Investment income recognized under equity method	Other comprehensive incomes	Other equity movements	Declared distribution of cash dividends or profits	Provision for impairment loss	Others		
I. Affiliated enterprises											
Fujian Hongqi Co., Ltd. (Note 1)	27,755,306.09			-6,685,426.24						21,069,879.85	
Funeng (Zhangzhou) Finance Leasing Co., Ltd.	147,711,600.67			-2,066,197.03						145,645,403.64	
Fujian Fuhua Environmental Protection Technology Co., Ltd.	183,754,885.27			1,119,189.73						184,874,075.00	

The investee	Opening balance	Movements during this period								Closing balance	Closing balance of provision for impairment loss t provision
		Increase in capital	Decrease in capital	Investment income recognized under equity method	Other comprehensive incomes	Other equity movements	Declared distribution of cash dividends or profits	Provision for impairment loss	Others		
Zhangzhou Fuhua Environmental Protection Technology Co., Ltd.	78,073,453.89			975,463.55						79,048,917.44	
Fujian Fuhua Gulei Petrochemical Co., Ltd. (Note 2)	4,259,345,734.36	132,300,000.00		-427,824,649.54						3,963,821,084.82	
Zhangzhou Power Distribution Co., Ltd.	17,021,807.42			1,471,689.26						18,493,496.68	
Zhangzhou Tourism Investment Group Co., Ltd.	357,223,830.93			-68,410,248.42						288,813,582.51	
Fujian Gulei Energy Technology Co., LTD (Note 3)		8,000,004.00								8,000,004.00	
Total	5,070,886,618.63	140,300,004.00		-501,420,178.69						4,709,766,443.94	

Note 1: In December 2013, the Company held a total of 52.72% equity of Hongqi Co., Ltd. after acquiring the 32.61% equity of Hongqi Co., Ltd. originally held by Fujian Electromechanical (Holding) Co., Ltd. for free. The Company holds 52.72% of Hongqi shares and authorize Fujian Longxi Bearing Co., Ltd. to exercise shareholder rights and voting rights.

Note 2: According to the capital increase agreement signed by the company with Fujian Petrochemical Group Co., Ltd. and Fujian Petrochemical Industry Co., Ltd. in October 2020, the Company passed the 391st resolution of the first board of directors. In 2020, the Company increased its capital by RMB 176.4 million to Fujian Fuhua Gulei Petrochemical Co., Ltd. in accordance with its 49% stake in Fujian Fuhua Gulei Petrochemical Co., Ltd., In the current period, the Company increased its capital by RMB 132.3 million to Fujian Fuhua Gulei Petrochemical Co., Ltd. in accordance with its 49% stake in Fujian Fuhua Gulei Petrochemical Co., Ltd.

Note 3: According to the cooperation agreement of Fujian Gulei Energy Technology Co., Ltd., the company, State Grid Fujian Electric Power Co., Ltd., Zhangzhou Gulei Port Construction and Development Co., Ltd., and Huaneng (Fujian) Energy Development Co., Ltd. jointly established Fujian Gulei Energy Technology Co., Ltd., according to the cooperation agreement, the Company subscribes for a capital contribution of 40,000,020.00 yuan, with a capital contribution ratio of 20%, the first installment is 20%, with 8,000,004.00 yuan.

(III) Operating incomes and operating costs

Items	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	8,185,513,802.35	8,117,831,791.07	5,529,454,282.28	5,401,011,659.57
Other businesses	2,731,901,486.73	1,363,361,678.99	2,498,474,379.13	1,313,926,418.97
Total	10,917,415,289.08	9,481,193,470.06	8,027,928,661.41	6,714,938,078.54

(IV) Investment income

Items	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income measured under cost method	313,617,594.40	300,155,833.00
Long-term equity investment income measured under equity method	-515,754,878.76	-762,171,626.12
Investment income from disposal of long-term equity investment	2,324,168,287.69	2,482,265.68
Investment income of financial assets at fair value through profit or loss during the holding period	-1,105,086.26	156,815.84
Investment income from disposal of financial assets at fair value through profit or loss		
Investment income by held-to-maturity investments during the holding period		
Investment income of available-for-sale financial assets during the holding period		
Investment income by marketable financial assets during the holding period	14,824,506.30	9,055,015.30
Investment income by the disposal of other non-current financial assets		
Investment income by the disposal of marketable financial assets		
Gains arising from remeasurement of remaining equity at fair value after loss of control		
Total	2,135,750,423.37	-450,321,696.30

Legal representative:

Accounts supervisor in charge:

Head of finance department:

Zhangzhou Jiulongjiang Group Co., Ltd.

April 27, 2022

营业执照

（副　本）副本编号：1 - 1

统一社会信用代码

91350100084343026U

扫描二维码登录"国家企业信用信息公示系统"了解更多登记、备案、许可、监管信息。

名　　称	华兴会计师事务所（特殊普通合伙）
类　　型	特殊普通合伙企业
执行事务合伙人	林宝明
经营范围	审查会计报表、出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度财务决算审计；代理记账；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务。（依法须经批准的项目，经相关部门批准后方可开展经营活动）
成立日期	2013年12月09日
合伙期限	2013年12月09日 至 长期
主要经营场所	福建省福州市鼓楼区湖东路152号中山大厦B座7-9楼

仅供出具报告使用

登记机关　福州市鼓楼区市场监督管理局

2022 年 3 月 14 日

国家企业信用信息公示系统网址：http://www.gsxt.gov.cn

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告

国家市场监督管理总局监制

会计师事务所

执业证书

名　　　称：华兴会计师事务所（特殊普通合伙）

首席合伙人：

主任会计师：林宝明

经营场所：福州市湖东路 152 号中山大厦 B 座 6-9 楼

组织形式：特殊普通合伙

执业证书编号：35010001

批准执业文号：闽财会(2013)46 号

批准执业日期：2013 年 11 月 29 日

仅供出具报告使用

证书序号 0001939

说　明

1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。

2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。

3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。

4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。

发证机关：福建省财政厅

福建省财政厅 行政审批专用章 (福州)

二〇一[illegible]二十五日

中华人民共和国财政部制

姓 名 Full name [illegible]

性 别 Sex 男

出生日期 Date of birth [illegible]

工作单位 Working unit [illegible]

身份证号码 Identity card No. [illegible]

证书编号：
No. of Certificate 350100010009

批准注册协会：
Authorized Institute of CPA 福建省注册会计师协会

发证日期：
Date of Issuance 1994 年 /y [illegible] 月 /m 22 日 /d

华兴会计师事务所（特殊普通合伙）

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

验证证书真实有效
姓名:[illegible]
注册编号:350100010009

年 月 日

证书编号：
No. of Certificate
350100230536

批准注册协会：
Authorized Institute of CPAs
吉林省注册会计师协会

发证日期：
Date of Issuance
年 /y 月 /m 日 /d

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

验证证书真实有效

年 月 日

华兴会计师事务所（特殊普通合伙）
HUAXING CERTIFIED PUBLIC ACCOUNTANTS LLP
地址：福建省福州市湖东路152号中山大厦B座6-9楼 电话(Tel):0591-87852574 传真(Fax):0591-87840354
Add: 6-9/F Block B,152 Hudong Road,Fuzhou,Fujian,China Http://www.fjhxcpa.com 邮政编码(Postcode):350003

Auditor's Report

Huaxing shenzi [2021]No. 21006130011

To Zhangzhou Jiulongjiang Group Co., Ltd.,

I. Opinion

We have audited the accompanying financial statements of Zhangzhou Jiulongjiang Group Co., Ltd. (the "Jiulongjiang Group"), which comprise the consolidated and parent company's balance sheet as at December 31st, 2020, the consolidated and parent company's income statement, the consolidated and parent company's cash flows statement, the consolidated and parent company's statement of changes in shareholders' equity for the year then ended, as well as the notes to financial statements.

In our opinion, the financial statements attached were prepared in line with the regulations of Accounting Standards for Business Enterprises in all significant aspects which gave a true and fair view of the consolidated and parent company's financial position of Jiulongjiang Group as at December 31st, 2020, and the consolidated and parent company's financial performance and cash flows for 2020.

II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants of China. Our responsibilities under those standards are further described in the CPA's Responsibilities for the Audit of the Financial Statements section of our report. In accordance with professional ethics for certified public accountants, we are independent of Jiulongjiang Group. And we have fulfilled our 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. Other Information

The management of Jiulongjiang Group (the "management") is responsible for the other information. The other information comprises all of the information included in the annual report for the year of 2020, other than the financial statements and our auditor's report thereon.

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

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

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

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

The management of Jiulongjiang Group (the "management") is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Business Enterprises to make them a fair presentation and designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Jiulongjiang Group's financial reporting process.

V. CPA's Responsibilities for the Audit of the Financial Statements

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

地址：福建省福州市湖东路152号中山大厦B座6-9楼 电话(Tel):0591-87852574 传真(Fax):0591-87840354
Add: 6-9/F Block B,152 Hudong Road,Fuzhou,Fujian,China Http://www.fjhxcpa.com 邮政编码(Postcode):350003

As part of an audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

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

(5) Evaluate the overall presentation, structure and content of the financial

地址：福建省福州市湖东路152号中山大厦B座6-9楼 电话(Tel):0591-87852574 传真(Fax): 0591-87840354
Add: 6-9/F Block B,152 Hudong Road,Fuzhou,Fujian,China Http://www.fjhxcpa.com 邮政编码(Postcode):350003

statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Jiulongjiang Group to express our opinion on the financial statements. We are responsible for the instruction, supervision and performance of the group's audit and remain sole responsible for our audit opinion.

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

Huaxing Certified Public Accountants LLP

Fuzhou, China

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

April 29, 2021

This auditor' s report, financial statements and the accompanying notes to the financial statements are English translation of the Chinese reports. In case of doubt as to the presentation of these documents, the Chinese version shall prevail.

Consolidated Balance Sheet

2020-12-31

Prepared by: Zhongshou Jinlongjiang Group Co., Ltd. Unit: Yuan Currency: RMB

Items	Notes	2020-12-31	2019-12-31	Items	Notes	2020-12-31	2019-12-31
Current assets:				Current liabilities:			
Cash and cash equivalents	V (I)	10,357,608,206.12	6,121,137,532.94	Short-term borrowings	V (XXVII)	10,379,843,120.02	11,030,278,700.97
Settlement reserves				Borrowings from central bank			
Lendings to Banks and Other Financial Institutions				Borrowings from Banks and Other Financial Institutions			
Financial assets held for trading	V (II)	567,871,219.96	358,254,608.39	Financial liabilities held for trading			
Financial assets at fair value through profit or loss (FVTPL)	V (II)	2,400,642.76	3,497,613.53	Financial liabilities at FVTPL			
Derivative financial assets				Derivative financial liabilities			
Notes receivable	V (III)	433,332,439.65	208,860,699.74	Notes payable	V (XXVIII)	1,534,720,353.76	308,547,936.57
Accounts receivable	V (IV)	967,745,173.23	970,153,765.40	Accounts payable	V (XXIX)	958,931,087.04	1,257,668,762.14
Receivable financing	V (VI)	74,470,653.79	6,469,909.45	Receipts in advance	V (XXX)	1,173,440,646.56	1,151,724,294.01
Prepayments	V (V)	1,032,017,370.12	1,202,173,978.15	Contract Liabilities	V (XXXI)	322,493,273.67	
Premiums receivable				Financial assets sold for repurchase			
Reinsurance accounts receivable				Deposits from customers and interbank			
Reinsurance contract reserves receivable				Receivings from Vicariously Traded Securities			
Other receivables	V (VII)	2,148,286,666.83	624,476,317.09	Receivings from Vicariously Sold Securities			
Including: Interest receivable		1,776,915,590.95	274,800,867.68	Employee remunerations payable	V (XXXII)	162,217,580.58	169,509,202.41
Dividends receivable				Taxes payable	V (XXXIII)	358,487,843.45	471,734,393.73
Financial assets purchased under agreements to resel				Other payables	V (XXXIV)	1,337,377,051.97	1,163,481,412.61
Inventories	V. (VIII)	4,912,476,657.08	4,510,875,370.46	Including: Interest payable		757,734,861.29	636,052,499.62
Contractual asset				Dividends payable		24,117,200.05	2,793,367.33
Assets held-for-sale	V (IX)	1,286,743.36		Fees and commissions payable			
Non-current assets due within one year				Reinsured accounts payable			
Other current assets	V (X)	189,647,960.57	830,190,175.19	Liabilities held for sale			
Total current assets		20,677,143,672.87	16,836,080,053.34	Non-current liabilities due within one year	V (XXXV)	8,965,034,377.95	5,309,678,807.31
Non-current assets:				Other current liabilities	V (XXXVI)	55,094,542.64	6,257,003.69
Loans and advances to customers	V (XI)	169,218,972.69	172,962,101.69	Total current liabilities		25,237,639,883.64	20,870,690,513.44
Debt investment				Non-current liabilities:			
Financial assets available for sale	V (XII)	2,273,180,859.64	2,165,514,232.46	Reserve for insurance contract			
Other debt investment				Long-term borrowings	V (XXXVII)	7,068,492,329.00	7,418,400,000.00
Held-to-maturity investment	V (XIII)	43,459,357,864.49	43,848,657,864.49	Bonds payable	V (XXXVIII)	21,110,599,070.16	21,165,654,581.83
Long-term receivables	V (XIV)	9,183,000.00	20,303,000.00	Including: Preferred shares			
Long-term equity investments	V (XV)	5,911,089,141.33	6,434,796,340.04	Perpetual debts			
Other equity instrument investment	V (XVI)	470,149,988.79	447,841,830.58	Lease liability			
Other non-current financial assets	V (XVII)	60,650,458.07		Long-term payables	V (XXXIX)	720,554,482.94	829,775,010.64
Investment properties	V (XVIII)	485,352,718.36	504,229,717.45	Long-term employee remunerations payable	V (XL)	49,482,962.64	54,909,041.95
Fixed assets	V (XIX)	1,821,365,388.17	1,879,475,898.71	Accrued liabilities	V (XLI)	276,037.48	174,308.22
Construction in progress	V (XX)	4,954,056,913.21	681,646,686.66	Deferred income	V (XLII)	124,476,345.41	129,567,135.12
Productive biological assets	V (XXI)	18,306,429.05	15,550,265.37	Deferred tax liabilities	V (XXV)	427,678,683.16	404,125,474.23
Oil and gas assets				Other non-current liabilities	V (XLIII)	59,399,309.22	3,124,086.44
Use-right assets				Total non-current liabilities		29,566,159,209.41	30,005,729,638.43
Intangible assets	V (XXII)	1,245,165,190.47	1,248,969,103.19	Total liabilities		54,803,799,093.05	50,876,610,151.87
Development expenditure				Owners' equity (or shareholders' equity):			
Goodwill	V (XXIII)	2,460,540,936.99	2,460,540,936.99	Paid-in capital (or share capital)	V (XLIV)	4,000,000,000.00	4,000,000,000.00
Long-term deferred expenses	V (XXIV)	99,454,049.52	65,306,868.99	Other equity instruments	V (XLX)	8,961,123,584.88	7,452,557,547.16
Deferred income tax assets	V (XXV)	111,670,671.54	117,290,861.54	Including: Preferred shares			
Other non-current assets	V (XXVI)	2,317,557,808.80	1,956,563,050.14	Perpetual debts		8,961,123,584.88	7,452,557,547.16
Total non-current assets		65,866,280,391.12	62,017,458,752.30	Capital reserve	V (XLVI)	3,576,587,658.28	3,563,536,477.65
				Less: Treasury shares			
				Other comprehensive incomes	V (XLVII)	582,160,584.37	491,237,890.09
				Special reserve	V (XLVIII)	6,106,259.57	4,730,656.74
				Surplus reserve	V (XLIX)	577,000,925.45	524,232,703.17
				General risk provisions			
				Undistributed profit	V (L)	5,080,174,063.79	4,715,766,121.45
				Total equity attributable to shareholders of the parent		22,783,153,076.34	20,752,061,396.26
				Minority interests		8,950,471,894.60	7,224,867,257.51
				Total shareholder's equity		31,739,624,970.94	27,976,928,653.77
Total assets		86,543,424,063.99	78,853,538,805.64	Total liabilities and owners' equity		86,543,424,063.99	78,853,538,805.64

Legal representative: Accounts supervisor in charge: Head of Finance Department:

1

Consolidated Income Statement

Year of 2020

Prepared by: Zhangzhou Jiulongjiang Group Co., Ltd. Unit: Yuan Currency: RMB

Items	Notes	2020	2019
I. Total operating income	V (LI)	21,715,409,450.47	18,673,957,683.18
Including: Operating income		21,715,409,450.47	18,673,957,683.18
Interest income			
Earned insurance premium			
Incomes from handling fees and commissions			
II. Total operating costs		18,790,510,477.89	16,069,387,772.06
Including: Operating costs	V (LI)	16,867,817,213.05	14,000,777,162.83
Interest payment			
Handling fees and commission expenses			
Refunded premium			
Net amount of compensation payout			
Net amount of reserves for reinsurance contract			
Policy dividend payment			
Reinsured expenses			
Taxes and surcharges	V (LII)	135,973,215.53	99,912,270.41
Selling expenses	V (LIII)	791,306,570.23	632,462,185.22
Administrative expenses	V (LIV)	571,734,525.48	509,684,056.79
Research and development expenses	V (LV)	205,537,171.73	210,476,160.06
Finance expenses	V (LVI)	220,121,781.87	616,055,027.82
Including: Interest expenses		565,780,420.55	679,789,748.70
Interest income		150,891,587.13	155,347,663.11
Add: Other income	V (LVIII)	246,411,018.32	228,334,570.83
Gains from investment ("-" indicates the loss)	V (LIX)	-624,863,040.51	709,213,126.94
Including: Investment income from joint ventures and affiliates("-" indicates the loss)			
Income from derecognition of financial assets measured at amortized cost("-" indicates the loss)			
Gain of loss on foreign exchange transactions("-" indicates the loss)			
Gain on hedging of net exposure("-" indicates the loss)			
Gains from changes in fair value ("-" indicates the loss)	V (LX)	80,994,130.44	122,592,072.52
Credit losses("-" indicates the loss)	V (LXI)	-6,319,735.20	-487,890.90
Impairment of assets ("-" indicates the loss)	V (LVII)	-52,428,665.33	-42,505,388.31
Gains from disposal of assets ("-" indicates the loss)	V (LXII)	87,027,468.05	5,749,870.40
III. Operation profit ("-" indicates the loss)		2,656,389,248.35	3,627,466,571.70
Add: Non-operating income	V (LXIII)	45,980,449.13	56,445,972.31
Less: Non-operating expense	V (LXIV)	38,841,207.26	34,456,474.19
IV. Total profits ("-" indicates the total loss)		2,663,528,490.22	3,649,456,069.82
Less: Income taxes expense	V (LXV)	553,724,813.66	606,533,623.76
V. Net profit ("-" indicates the loss)		2,109,803,676.56	3,042,922,446.06
(I) Classified by going concern			
1. Net profit of going concern ("-" indicates net loss)		2,109,411,134.04	3,042,922,446.06
2. Net profit of discontinuing operation ("-" indicates net loss)		392,542.52	18,065,953,380.65
(II) Classified by attribution of ownership			
1. Net profits attributable to shareholders of the parent ("-" indicates the net loss)		1,230,791,753.60	2,296,232,655.60
2. Minority shareholders' profit or loss ("-" indicates the net loss)		879,011,922.96	746,689,790.46
VI. Net amount of other comprehensive income after tax		118,571,859.64	232,424,315.80
Net amount of other comprehensive income after tax owned by parent company's owners		90,922,494.28	188,206,893.86
(I) Other comprehensive income not to be reclassified		32,065,363.52	47,180,426.02
1. Change as a result of remeasurement of the net defined benefit plan		3,182,587.47	-1,583,138.19
2. Other comprehensive income under the equity method that will not be reclassified to profit or loss		-3,625,180.70	
3. Fair value changes of other investments in equity instruments		32,556,956.75	48,763,564.21
4. Changes in fair value of the company's own credit risk			
5. Other			
(II) Other comprehensive income to be reclassified to profit and loss		58,857,330.76	141,026,467.84
1. Other comprehensive incomes of the investee to be reclassified into profit and loss under equity method			30,218,799.81
2. Changes in fair value of other debt investment			
3. Gain/Loss from change in the fair value of available-for-sale financial assets		60,444,247.29	110,115,261.81
4. Amount of financial assets reclassified into other comprehensive income			
5. Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets			
6. Provision for credit impairment of other debt investment			
7. Cash flow hedging reserve			
8. Translation difference in the foreign currency financial statements		-1,564,644.55	604,406.39
9. Others		-22,271.98	87,990.64
Net amount of other comprehensive incomes after tax attributable to minority interests		25,649,365.36	64,217,424.94
VII. Total comprehensive income		2,228,375,336.20	3,295,346,764.86
Total comprehensive income attributable to shareholders of the parent		1,323,714,447.88	2,484,439,549.46
Total comprehensive income attributable to minority interests		904,660,888.32	810,907,215.40
VIII. Earnings per share:			
(I) Basic earning per share (Yuan/share)			
(II) Diluted earnings per share (Yuan/share)			

Legal representative: Accounts supervisor in charge: Head of finance department:

If the company prepares consolidated statements, it only needs to calculate and present the basic earnings per share (basic EPS) and the diluted earnings per share (diluted EPS) in consolidated statement and that of the parent company is not required.

Consolidated Cash Flows Statement

Year of 2020

Prepared by: Zhengzhou Jinlongjiang Group Co., Ltd. Unit: Yuan Currency: RMB

Items	Notes	2020	2019	Items	Notes	2020	2019
I. Cash flows from operating activities:				Cash received from investment income		132,428,465.00	353,128,746.39
Cash received from sales of goods or rendering of services		22,275,574,065.63	20,310,799,048.36	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		259,729,617.78	26,273,487.44
Net increase of deposits from customers and other banks				Net cash received from disposal of subsidiaries and other business entities			-7,007,744.66
Net increase of borrowings from central bank				Cash received relating to other investing activities	V (LXIV) 3	424,133,129.00	112,574,688.41
Net increase of borrowings from other financial institutions				Sub-total of cash inflows from investing activities		9,065,283,381.82	6,939,392,535.41
Cash received from receiving insurance premium of original insurance contract				Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		4,942,091,031.66	768,838,076.20
Net cash received from re-insurance business				Cash paid for investments		7,669,377,081.66	14,929,499,268.64
Net increase in deposits and investments from policyholders				Net increase of pledge loans			
Cash received from interests, fees and commissions				Net cash paid for acquisition of subsidiaries and other business entities		1,911,904.47	
Net increase of borrowings from other banks				Cash paid relating to other investment activities	V (LXVII) 4	9,870,000.00	170,873,256.57
Net capital increase of repurchase business				Sub-total of cash outflows from investing activities		12,623,250,017.73	15,861,287,595.41
Net cash received as agent for stock exchange				Net cash flows from investing activities		-3,557,966,635.91	-8,921,895,060.00
Tax refunds received		11,301,405.78	18,735,438.42	III. Cash flows from financing activities:			
Cash received from other operating activities	V (LXVII) 1	5,621,846,586.28	9,779,472,923.65	Cash received from capital contribution		1,188,549,000.00	1,377,290,737.65
Sub-total of cash inflows from operating activities		27,908,722,060.67	30,109,007,410.44	Including: Cash contribution to subsidiaries from minority shareholders' investment			
Cash paid for purchasing goods and services		17,424,548,298.29	14,966,273,129.04	Cash received from borrowings		22,092,521,769.39	20,622,943,938.99
Net increase of customer's loans and advances				Cash received from issue of bonds		13,583,454,620.81	12,913,161,929.62
Net increase of deposits in central bank and other banks				Cash received relating to other financing activities	V (LXVII) 5	-28,394,318.54	802,804,787.47
Cash paid for indemnity of original insurance contract				Sub-total of cash inflows from financing activities		36,832,910,700.34	35,206,290,490.53
Net increase of lending to banks and other financial institutions				Cash paid for repayment of borrowings		31,894,093,097.71	28,221,771,969.95
Cash paid for interests, handling fees and commissions				Cash payments for interest expenses and distribution of dividends or profits		1,653,887,650.98	1,840,600,216.53
Cash paid to and for employees		761,422,746.82	697,618,837.92	Cash paid relating to other financing activities	V (LXVII) 6	50,709,488.46	67,944,875.28
Payments of taxes and levies		1,447,161,906.28	1,250,084,957.08	Sub-total of cash outflows from financing activities		33,598,690,437.15	30,130,316,161.27
Cash paid for other operating activities	V (LXVII) 2	6,007,090,312.46	9,722,303,808.47	Net cash flows from financing activities		3,294,220,263.19	5,175,894,329.26
Sub-total of cash outflows from operating activities		25,640,223,263.85	25,727,180,732.52	IV. Effects of foreign exchange rate changes on cash and cash equivalent		-1,193,091.58	1,346,927.23
Net cash flows from operating activities		2,268,498,796.82	4,381,826,677.92	V. Net increase in cash and cash equivalents		2,003,559,312.56	634,549,019.95
II. Cash flows from investment activities:				Add: Opening balance of cash and cash equivalents		5,295,596,894.66	4,661,047,874.71
Cash received from disinvestment		8,248,982,156.04	6,454,425,366.13	VI. VI. Closing balance of cash and cash equivalents		7,299,156,207.21	5,295,596,894.66

Legal representative: Accounts supervisor in charge: Head of finance department:

Consolidated Statement of Owners' Equity Changes

Year of 2020

Prepared by: Zhengzhou [illegible] Group Co., Ltd. — Unit: Yuan Currency: RMB

Items	2020														
	Total owners' equity attributable to the parent company													Minority shareholders' equity	Total owners' equity
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Reserves against general risk	Undistributed profit	Others	Total		
		Preferred shares	Perpetual debts	Others											
I. Balance at the end of prior year	4,000,000,000.00		7,452,557,547.16		3,563,536,477.65		491,237,090.09	4,730,656.74	324,232,701.17		8,715,766,121.45		20,752,061,396.28	7,224,867,257.51	27,976,928,653.77
Add: Change in accounting policy															
Correction of Prior error															
Consolidation of enterprises under common control															
Others															
II. Balance at the beginning of current year	4,000,000,000.00		7,452,557,547.16		3,563,536,477.65		491,237,090.09	4,730,656.74	324,232,701.17		8,715,766,121.45		20,752,061,396.28	7,224,867,257.51	27,976,928,653.77
III. Increases/decreases in current year ("-" indicates decrease)			1,508,566,037.72		13,051,146.63		90,922,694.29	1,375,602.83	52,768,222.28		564,497,942.34		2,031,091,680.09	1,731,604,637.08	3,762,696,317.17
(I) Total comprehensive income							90,922,694.29				1,230,791,253.60		1,321,714,447.89	904,660,688.32	2,226,375,136.29
(II) Shareholders' contributions of capital and reduction of capital			1,508,566,037.72		13,051,146.63								1,521,617,218.35	868,473,003.26	2,382,290,221.61
1. Common share contributed by shareholders					95,263,317.18								95,263,317.18	41,321,030.00	136,584,347.18
2. Capital invested by other equity instruments holders			1,508,566,037.72		-15,168,811.31								1,493,396,226.41	32,980,427.72	1,526,376,654.13
3. Amounts of share-based payments recognized in owners' equity															
4. Others					-67,042,335.25								-67,042,335.25	786,171,545.54	719,129,210.29
(III) Profit distribution									52,768,222.28		-666,383,611.26		-613,615,388.98	-37,275,295.50	-650,890,684.48
1. Appropriation to surplus reserve									52,768,222.28		-52,768,222.28				
2. Appropriation to general risk reserve															
3. Profits distributed to owners (or shareholders)											-191,846,400.00		-191,846,400.00	-37,275,295.50	-229,121,695.50
4. Others											-421,769,188.98		-421,769,188.98		-421,769,188.98
(IV) Internal carry-over of owners' equity															
1. Conversion of capital reserve into paid-in capital (or share capital)															
2. Conversion of surplus reserve into paid-in capital (or share capital)															
3. Surplus reserve offsetting losses															
4 Transfer of defined benefit pension schemes transferred to retained earning															
5 Transfer of other comprehensive income to retained earnings															
6 Others															
(V) Special reserve								1,375,602.83					1,375,602.83	3,546,041.01	4,921,643.84
1. Appropriation this period								3,222,264.49					3,222,264.49	8,228,573.23	11,450,837.71
2. Applied in this period								1,846,661.66					1,846,661.66	4,682,532.22	6,529,193.87
(VI) Others															
IV. Ending balance of this reporting period	4,000,000,000.00		8,961,123,584.88		3,576,587,658.28		582,160,584.37	6,106,259.57	377,000,923.45		9,280,174,063.79		22,783,153,076.34	8,956,471,894.60	31,739,624,970.94

Legal representative: Accounts supervisor in charge: Head of finance department:

4

Consolidated Statement of Owners' Equity Changes (continued)

Year of 2020

Prepared by: Zhangzhou Jiulongjiang Group Co., Ltd. | Unit: Yuan Currency: RMB

Items	2019														
	Total owners' equity attributable to the parent company													Minority shareholders' equity	Total owners' equity
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Reserves against general risk	Undistributed profit	Others	Total		
		Preferred shares	Perpetual debts	Others											
I. Balance at the end of prior year	2,000,000,000.00		4,454,463,207.54		5,451,075,910.69		105,958,716.91	4,006,066.65	351,210,866.99		3,127,507,982.32		15,716,222,751.10	5,815,115,836.38	21,531,338,587.48
Add: Change in accounting policy							-22,927,720.68				21,768,005.45		-1,159,715.23	-1,140,096.99	-2,299,812.22
Correction of Prior error															
Consolidation of enterprises under common control															
Others															
II. Balance at the beginning of current year	2,000,000,000.00		4,454,463,207.54		5,451,075,910.69		83,030,996.23	4,006,066.65	351,210,866.99		3,149,275,987.77		15,715,063,035.87	5,813,975,739.39	21,529,038,775.26
III. Increases/decreases in current year ("-" indicates decrease)	2,000,000,000.00		2,996,094,339.62		-1,887,539,433.04		168,206,893.86	724,590.09	173,921,836.16		1,566,499,133.88		5,036,996,366.33	1,410,891,510.12	6,447,889,876.51
(I) Total comprehensive income							168,206,893.86				2,296,232,655.80		2,464,439,549.66	810,907,215.80	3,295,346,764.86
(II) Shareholders' contributions of capital and reduction of capital			2,996,094,339.62		112,460,566.96								3,108,554,906.58	778,539,498.67	3,887,094,405.25
1. Common share contributed by shareholders														214,990,745.33	214,990,745.33
2. Capital invested by other equity instruments holders			2,996,094,339.62										2,996,094,339.62		2,996,094,339.62
3. Amounts of share-based payments recognized in owners' equity															
4. Others					112,460,566.96								112,460,566.96	563,548,753.34	676,009,320.30
(III) Profit distribution									173,921,836.16		-729,742,521.92		-556,720,685.74	-206,816,303.01	-763,536,988.75
1. Appropriation to surplus reserve									173,921,836.16		-173,921,836.16				
2. Appropriation to general risk reserve															
3. Profits distributed to owners (or shareholders)											-280,584,909.36		-280,584,909.36	-206,816,303.01	-487,403,212.37
4. Others											-276,135,776.38		-276,135,776.38		-276,135,776.38
(IV) Internal carry-over of owners' equity	2,000,000,000.00				-2,000,000,000.00										
1. Conversion of capital reserve into paid-in capital (or share capital)	2,000,000,000.00				-2,000,000,000.00										
2. Conversion of surplus reserve into paid-in capital (or share capital)															
3. Surplus reserve offsetting losses															
4. Transfer of defined benefit pension scheme transferred to retained earning															
5. Transfer of other comprehensive income to retained earnings															
6. Others															
(V) Special reserve								724,590.09					724,590.09	1,103,899.17	1,828,489.26
1. Appropriation this period								1,820,222.57					1,820,222.57	2,751,384.06	4,571,606.63
2. Applied in this period								-1,095,632.48					-1,095,632.48	-1,647,684.89	-2,743,317.37
(VI) Others														27,159,207.69	27,159,207.69
IV. Ending balance of this reporting period	4,000,000,000.00		7,452,557,547.16		3,563,536,477.65		251,237,890.09	4,730,656.74	524,332,703.17		4,715,760,121.65		20,752,061,396.20	7,224,867,257.51	27,976,928,653.71

Legal representative: Accounting supervisor: Head of finance department:

Balance Sheet of Parent Company

2020-12-31

Prepared by: Zhangzhou Jiulongjiang Group Co., Ltd.　　　　Unit: Yuan　Currency: RMB

Items	Notes	2020-12-31	2019-12-31	Items	Note	2020-12-31	2019-12-31
Current assets:				Current liabilities:			
Cash and cash equivalents		2,694,426,927.44	1,815,641,976.73	Short-term borrowings	V (XVIII)	9,426,432,682.60	9,943,431,080.93
Financial assets held for trading		5,198,029.71	4,615,466.60	Financial liability held for trading			
Financial assets at fair value through profit or loss (FVTPL)				Financial assets at fair value through profit or loss (FVTPL)			
Derivative financial assets				Derivative financial assets			
Notes receivable		233,140,200.00	20,000,000.00	Notes receivable		1,435,095,963.45	127,853,434.91
Accounts receivable				Accounts receivable		372,518,027.36	697,156,103.31
Receivable financing				Receipts in advances		813,840,404.49	377,267,170.28
Prepayments		582,063,979.84	591,583,779.09	Contract Liabilities			
Other receivables	XV (1)	9,905,701,373.92	3,963,998,883.81	Employee remunerations payable		2,819,621.93	4,462,819.55
Including: Interest receivable			218,148,632.28	Taxes payable		114,869,271.45	116,436,366.40
Dividends receivable				Other payables		2,022,807,737.56	2,394,075,641.43
Inventories		925,486,404.65	645,303,787.69	Including: Interest receivable		736,916,402.86	625,519,261.28
Contractual asset				Dividends receivable			
Assets held-for-sale				Liabilities held for sale			
Non-current assets due within one year				Non-current liabilities due within one year		8,930,141,282.89	5,263,580,730.57
Other current assets				Other current liabilities			
Total current assets		14,346,216,915.56	7,041,143,893.92	Total current liabilities		23,118,525,011.71	18,924,203,341.38
Non-current assets:				Non-current liabilities:			
Debt investment				Long-term borrowings		1,390,592,329.00	1,200,000,000.00
Financial assets available for sale		774,320,714.59	778,320,786.13	Bonds payable		21,116,599,079.16	21,165,654,581.83
其他债权投资				Including: Preferred shares			
Held-to-maturity investment		33,484,338,628.45	33,841,638,628.45	Perpetual debts			
Long-term receivables		7,150,000.00	18,270,000.00	Leasing liability			
Long-term equity investments	XV (II)	13,105,473,721.19	14,631,396,115.73	Long-term payables		21,219,651.86	136,049,840.54
Other equity instrument investment				Long-term employee remunerations payable			
Other non-current financial assets:				Accrued liabilities			
Investment properties		10,972,253.84	11,404,317.44	Deferred income			
Fixed assets		5,990,847.82	6,348,119.08	Deferred tax liabilities		105,640,601.46	84,375,923.76
Construction in progress		282,879,320.00		Other non-current liabilities			
Productive biological assets				Total non-current liabilities		22,632,051,661.48	22,586,080,346.13
Oil and gas assets				Total liabilities		45,750,576,673.19	41,510,283,687.51
Use-right assets				Owners' equity (or shareholders' equity):			
Intangible assets		87,528.10	141,657.46	Paid-in capital (or share capital)		4,000,000,000.00	4,000,000,000.00
Development expenditure				Other equity instruments		8,961,123,584.88	7,667,557,547.16
Goodwill				Including: Preferred shares			
Long-term deferred expense		11,248.13	163,779.42	Perpetual debts		8,961,123,584.88	5,952,557,547.16
Deferred income tax assets		31,557.33		Capital reserve		1,737,486,106.77	1,652,774,566.36
Other non-current assets		1,250,000,000.00	1,532,879,320.00	Less: Treasury shares			
Total non-current assets		48,921,255,819.45	50,820,561,723.71	Other comprehensive incomes		307,884,377.69	249,971,696.34
				Special reserve		116,098.69	81,160.24
				Surplus reserve		577,000,925.45	524,232,703.17
				General risk provisions			
				Undistributed profit		1,933,284,968.34	2,250,804,256.85
				Total shareholder's equity		17,516,896,061.82	16,351,421,930.12
Total assets		63,267,472,735.01	57,861,705,617.63	Total liabilities and owners' equity		63,267,472,735.01	57,861,705,617.63

Legal representative:　　　　Accounts supervisor in charge:　　　　Head of finance department:

Income Statement of Parent Company

Year of 2020

Prepared by: Zhangzhou Jiulongjiang Group Co., Ltd　　　　Unit: Yuan　Currency: RMB

Items	Notes	2020	2019
I. Total operating income		10,917,390,131.84	8,027,928,661.41
		9,481,193,470.06	6,714,938,078.54
Taxes and surcharges		37,447,980.88	25,351,396.48
Selling expenses		105,754,484.20	52,244,657.29
Administrative expenses		23,512,626.80	25,534,957.98
Research and development expenses			
Finance expenses		281,519,435.31	666,322,112.97
Including: Interest expenses		506,945,682.79	623,484,792.03
Interest income		28,254,581.46	48,006,459.25
Add: Other income		180,258,309.27	178,065,760.28
Gains from investment ("-" indicates the loss)	XV (II)	-450,321,696.30	1,210,424,737.73
Including: Investment income from joint ventures and affiliates("-" indicates the loss))		-762,171,626.12	634,639,688.07
Income from derecognition of financial assets measured at amortized cost("-" indicates the loss)			
Gain on hedging of net exposure("-" indicates the loss)			
Gains from changes in fair value ("-" indicates the loss)		582,563.11	1,021,590.78
Credit losses("-" indicates the loss)			
Impairment of assets ("-" indicates the loss)		-126,229.31	
Gains from disposal of assets ("-" indicates the loss)			
II. Operation profit("-" indicates the loss)		718,355,081.36	1,933,049,546.94
Add: Non-operating income		70.51	
Less: Non-operating expense		2,331,435.60	120,007.04
III. Total profit("-" indicates the total loss)		716,023,716.27	1,932,929,539.90
Less: Income taxes expense		188,341,493.52	202,711,178.09
IV. Net profit ("-" indicates the loss)		527,682,222.75	1,730,218,361.81
(I)Net profit of going concern ("-" indicates net loss)		527,682,222.75	1,730,218,361.81
(II)Net profit of discontinuing operation ("-" indicates net loss)			
V. Net amount of other comprehensive income after tax		57,912,681.35	104,819,793.88
(I) Other comprehensive income not to be reclassified			
1. Change as a result of remeasurement of the net defined benefit plan			
2. Other comprehensive income under the equity method that will not be reclassified to profit or loss			
3. Fair value changes of other investments in equity instruments			
4. Changes in fair value of the company's own credit risk			
5. Others			
(II) Other comprehensive income to be reclassified to profit and loss		57,912,681.35	104,819,793.88
1. Other comprehensive incomes of the investee to be reclassified into profit and loss under equity method			
2. Changes in fair value of other debt investment			
3. Gain/Loss from change in the fair value of available-for-sale financial assets		57,912,681.35	104,819,793.88
4. Amount of financial assets reclassified into other comprehensive income			
5. Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets			
6. Provision for credit impairment of other debt investment			
7. Cash flow hedging reserve			
8. Translation difference in the foreign currency financial statements			
9. Others			
VI. Total comprehensive income		585,594,904.10	1,835,038,155.69
VII. Earnings per share:			
(I) Basic earning per share (Yuan/share)			
(II) Diluted earnings per share (Yuan/share)			

Legal representative:　　　　Accounts supervisor in charge:　　　　Head of finance department:

Cash Flows Statement of Parent Company

Year of 2020

Prepared by: Zhangzhou Jiulongjiang Group Co., Ltd. Unit: Yuan Currency: RMB

Items	Note	2020	2019
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		11,147,246,279.98	8,744,895,486.89
Tax refunds received			
Cash received from other operating activities	V (XLVIII) 1	247,396,046.19	2,246,323,022.78
Sub-total of cash inflows from operating activities		11,394,642,326.17	10,991,218,509.67
Cash paid for purchasing goods and services		9,948,020,207.68	5,603,146,625.43
Cash paid to and for employees		16,167,092.09	13,664,875.25
Cash paid for taxes and surcharges		423,145,853.22	316,528,237.29
Cash paid for other operating activities	V (XLVIII) 2	5,460,451,422.91	4,033,654,036.29
Sub-total of cash outflows from operating activities		15,847,784,575.90	9,966,993,774.26
Net cash flows from operating activities		-4,453,142,249.73	1,024,224,735.41
II. Cash flows from investing activities:			
Cash received from recovery of investments		8,679,180,000.00	8,874,375,221.00
Cash received from returns on investments		309,367,664.24	647,261,247.89
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business entities			
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities		8,988,547,664.24	9,521,636,468.89
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		156,461.16	179,497,965.50
Cash paid for investments		7,293,997,800.00	13,667,616,754.03
Net cash paid for acquiring subsidiaries and other business entities			
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities		7,294,154,261.16	13,847,114,719.53
Net cash flows from investing activities		1,694,393,403.08	-4,325,478,250.64
III. Cash flows from financing activities:			
Cash received from capital contribution		100,000,000.00	
Cash received from borrowings		20,184,554,056.10	18,690,733,938.99
Other cash received relating to financing activities		13,583,454,620.41	12,503,161,026.62
Sub-total of cash inflows from financing activities		33,868,008,676.51	31,193,894,965.61
Cash repayments of amounts borrowed		29,061,389,712.01	23,942,767,429.46
Cash payments for interest expenses and distribution of dividends or profits		1,146,673,755.82	3,345,271,934.62
Other cash payments relating to financing activities	V (XLVIII) 3	7,405,550.30	55,657,912.64
Sub-total of cash outflows from financing activities		30,215,469,018.13	27,343,697,276.72
Net cash flows from financing activities		3,652,539,658.38	3,850,197,688.89
IV. Effects of foreign exchange rate changes on cash and cash equivalent		5,367,867.63	-6,049,484.27
V. Net increase of cash and cash equivalents		899,158,679.36	542,894,689.39
Add: Opening balance of cash and cash equivalents		1,618,918,222.65	1,076,023,533.26
VI. Closing balance of cash and cash equivalents		2,518,076,902.01	1,618,918,222.65

Legal representative: Accounts supervisor in charge: Head of Finance department:

Statement of Changes in Owners' equity of Parent Company

Year of 2020

Prepared by: Zhongzhou Jialongjiang Group Co., Ltd.　　　　Unit: Yuan Currency: RMB

Items	2020												
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions	Undistributed profit	Others	Total owners' equity
		Preferred shares	Perpetual capital securities	Others									
I. Balance at the end of previous year	4,000,000,000.00		7,667,557,547.16		1,652,774,566.36		249,971,696.34	81,160.24	524,232,703.17		2,256,804,256.85		16,351,421,930.12
Add: Change in accounting policy													
Correction of Prior error													
Others													
II. Beginning balance at this year	4,000,000,000.00		7,667,557,547.16		1,652,774,566.36		249,971,696.34	81,160.24	524,232,703.17		2,256,804,256.85		16,351,421,930.12
III. Increased/decreased amount of this year (Decrease is represented by "-")			1,293,566,037.72		84,711,540.41		57,912,681.35	34,938.45	52,768,222.29		-323,519,288.51		1,165,474,131.70
(I) Total comprehensive income							57,912,681.35				527,682,222.75		585,594,904.10
(II) Shareholders' contributions of capital and reduction of capital			1,293,566,037.72		84,711,540.41								1,378,277,578.13
1. Common share contributed by shareholders													
2. Capital invested by other equity instruments holders			1,293,566,037.72		-15,169,811.32								1,278,396,226.40
3. Amounts of share-based payments recognized in owners' equity													
4. Others					99,881,351.73								99,881,351.73
(III) Profit distribution									52,768,222.29		-851,201,511.28		-798,433,288.99
1. Appropriation to surplus reserve									52,768,222.29		-52,768,222.29		
2. Appropriation to general risk reserve													
3. Profits distributed to owners (or shareholders)													
4. Others											-798,433,288.99		-798,433,288.99
(IV) Internal carry-over of owners' equity													
1. Conversion of capital reserve into paid-in capital (or share capital)													
2. Conversion of surplus reserve into paid-in capital (or share capital)													
3. Surplus reserve offsetting losses													
4. Transfer of defined benefit pension schemes transferred to retained earning													
5. Transfer of other comprehensive income to retained earnings													
6. Others													
(V) Special reserve								34,938.45					34,938.45
1. Appropriation this period								132,000.00					132,000.00
2. Applied in this period								97,061.55					97,061.55
(VI) Others													
IV. Ending Balance of this reporting period	4,000,000,000.00		8,961,123,584.88		1,737,486,106.77		307,884,377.69	116,098.69	577,000,925.46		1,933,284,968.34		17,516,896,061.82

Legal representative:　　　　Accounts supervisor in charge:　　　　Head of finance department:

Statement of Changes in Owners' equity of Parent Company(continued)

Year of 2020

Prepared by: Zhongtian Jinlongjiang Group Co., Ltd — Unit: Yuan Currency: RMB

Items	2019											
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions	Undistributed profit	Total owners' equity
		Preferred shares	Perpetual capital securities	Others								
I. Balance at the end of previous year	2,000,000,000.00		4,456,463,207.54		3,523,926,560.42		145,151,902.46	44,991.31	351,210,866.99		1,275,988,107.60	11,752,785,636.32
Add: Change in accounting policy												
Correction of Prior error												
Others												
II. Beginning balance at this year	2,000,000,000.00		4,456,463,207.54		3,523,926,560.42		145,151,902.46	44,991.31	351,210,866.99		1,275,988,107.60	11,752,785,636.32
III. Increased/decreased amount of this year (Decrease is represented by "-")	2,000,000,000.00		3,211,094,339.62		-1,871,151,994.06		104,819,793.88	36,168.93	173,021,836.18		980,816,149.25	4,598,636,293.80
(I) Total comprehensive income							104,819,793.88				1,730,218,361.81	1,835,038,155.69
(II) Shareholders'contributions of capital and reduction of capital			3,211,094,339.62		128,848,005.94							3,339,942,345.56
1. Common share contributed by shareholders												
2. Capital invested by other equity instruments holders			3,211,094,339.62									3,211,094,339.62
3. Amounts of share-based payments recognized in owners' equity												
4. Others					128,848,005.94							128,848,005.94
(III) Profit distribution									173,021,836.18		-749,402,212.56	-576,380,376.38
1. Appropriation to surplus reserve									173,021,836.18		-173,021,836.18	
2. Appropriation to general risk reserve												
3. Profits distributed to owners (or shareholders)												
4. Others											-576,380,376.38	-576,380,376.38
(IV) Internal carry-over of owners' equity	2,000,000,000.00				-2,000,000,000.00							
1. Conversion of capital reserve into paid-in capital (or share capital)	2,000,000,000.00				-2,000,000,000.00							
2. Conversion of surplus reserve into paid-in capital (or share capital)												
3. Surplus reserve offsetting losses												
4. Transfer of defined benefit pension scheme transferred to retained earning												
5. Transfer of other comprehensive income to retained earnings												
6. Others												
(V) Special reserve								36,168.93				36,168.93
1. Appropriation this period								106,500.00				106,500.00
2. Applied in this period								-70,331.07				-70,331.07
(VI) Others												
IV. Ending balance of this reporting period	4,000,000,000.00		7,667,557,547.16		1,652,774,566.36		249,971,696.34	81,160.24	524,232,703.17		2,256,804,256.85	16,351,421,930.12

Legal representative: Accounts supervisor in charge: Head of finance department:

Notes to Financial Statements

(Unless otherwise indicated, the unit of amount is RMB)

I. Company Profile

1. Basic information and business situation of the Company

Zhangzhou Jiulongjiang Group Co., Ltd. was restructured from Zhangzhou Pien Tze Huang Group Co., Ltd. According to the Approval of the Restructuring of Zhangzhou Pien Tze Huang Group Co., Ltd. into Zhangzhou Jiulongjiang Construction Co., Ltd. (Z.G.Z.F.G [2010] No. 70), and the Approval of Disposal of Net Assets of Zhangzhou Pien Tze Huang Group Co., Ltd. (Z.G.Z.C.Q. [2010] No. 42) of the State-owned Assets Supervision and Administration Commission of Zhangzhou Municipal Government P.R. China, RMB 2 billion of the assessed net assets of RMB 4,446,220,412.52 was used as the Company's registered capital, and others as the Company's capital reserve on December 31, 2010. On March 27, 2011, Zhangzhou Pien Tze Huang Group Co., Ltd. was renamed as Zhangzhou Jiulongjiang Construction Co., Ltd., and on December 31, 2014, was again renamed as Zhangzhou Jiulongjiang Group Co., Ltd. The registered capital of the Company after the change is RMB 2 billion.

On June 24, 2019, according to the Approval of Transferring Capital Reserve of Zhangzhou Jiulongjiang Group Co., Ltd to Increase Its Registered Capital (Z.G.Z.C.Q. [2019] No. 21) by the State-owned Assets Supervision and Administration Commission of Zhangzhou, RMB 2 billion of the capital reserve was transferred to the Company' s registered capital, the base day was on December 31, 2018, after the transferring, the Company' s registered capital was increased to 4 billion. The Company completed the modification of industrial and commercial registration items on June 26, 2019.

Unified social credit code: 91350600156507684C

Legal representative: Pan Jie.

Registered address: 18th Floor, Pien Tze Huang Comprehensive Building, No. 1 Shangjie, Xiangcheng District, Zhangzhou City.

Main business scope: Infrastructure construction and real estate development and management; investment in the industry, agriculture, construction industry, manufacturing industry, and tertiary industry; Construction materials (except hazardous chemicals), mechanical equipment, electrical equipment, auto parts, metal materials, aluminum and plastic products, packaging materials and products, hardware products, electronic products, agriculture, forestry and animal husbandry products, aquatic products, pre-packaged food and bulk food , Textiles, clothing and household goods, cultural and sporting goods, first-class medical equipment, mineral products (except hazardous chemicals), chemical products (except hazardous chemicals and precursor chemicals), food additives (excluding those subject to permission approved items) wholesale and retail; land purchase and storage; import and export of self-operated and agency products and technologies; wholesale (rental storage facilities); benzene, styrene (stable), propane, propylene, crude benzene, xylene, Cyclohexane, toluene, methanol, methyl tert-butyl ether, coal tar, kerosene, sodium hydroxide solution (content ≥30%), solvent oil (closed cup flash point ≤60℃), mesitylene, naphtha , Petroleum ether, ethylbenzene, ethanol (anhydrous), isobutylene, isooctane, n-heptane, petroleum crude oil, gasoline, diesel (closed cup flash point ≤60℃); No. 3 jet fuel, organic heat carrier, industrial white Oil, crude white oil, aviation kerosene, pitch, coal-based hydrogenated oil, liquid wax, fuel oil (The above 9 products do not contain hazardous chemicals and precursor chemicals) wholesale and retail; gasoline, kerosene, diesel and other alternative fuels such as ethanol gasoline and biodiesel that meet national product quality standards and have the same purpose (Excluding hazardous chemicals and precursor chemicals); retail of gasoline, kerosene, diesel and other alternative fuels that meet the national product quality standards and have the same purpose such as ethanol gasoline and biodiesel (excluding hazardous chemicals and precursors Chemicals) gasoline, kerosene, diesel and other alternative fuels such as ethanol gasoline and biodiesel that meet the national product quality standards and have the same purpose (excluding hazardous chemicals and precursor chemicals); crude oil processing and petroleum products manufacturing (excluding easy toxic chemicals); other crude oil manufacturing (excluding precursor chemicals); crude oil wholesale (excluding hazardous chemicals and precursor chemicals); crude oil retail (excluding hazardous chemicals and precursor chemicals) ; sales of other unspecified chemical products (excluding hazardous chemicals and precursor chemicals); wholesale of metals and metal mines (excluding hazardous chemicals and controlled chemicals); international trade agency services; other trade brokers and agents Services, trade consulting services, supply chain management services. (Projects that are subject to approval in accordance with the law can be operated only after being approved by relevant departments).

Founded in 1956, Zhangzhou Pien Tze Huang Group Co., Ltd. was formerly known as Zhangzhou Pharmaceutical Factory. On January 8, 1993, Zhangzhou Pien Tze Huang Group Co., Ltd. was established with Zhangzhou Pharmaceutical Factory as the core and its original registered capital was RMB 69,050,000. On September 22, 2001, approved by Zhangzhou Municipal Government P.R. China with the document of Z.Z [2001] Z. No. 157, Zhangzhou Pien Tze Huang Group Co., Ltd. was authorized to operate and manage its state-owned assets.

The financial report has been aproved to be issued by the Board of Directors on April 29, 2021.

(II) Scope of consolidated financial statements

For the scope and changes of the consolidated financial statements this year, please refer to Note VI. Changes of the Scope of Consolidation Statements and Note VII. (I) Rights and interests in subsidiaries

II. Basis for Preparation of Financial Statements

(I) Preparation basis

The financial statements of the Company are prepared on the basis of recognition and measurement in accordance with the going-concern assumption, actual trades, Accounting Standards for Business Enterprises - Basic Standards, and other specific accounting standards and their practical guides, explanation and other relevant provisions (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises"); and relevant disclosure regulations of the No. 15 Compilation Rules for Information Disclosure by Companies Offering Securities to the Public - General Regulations on Financial Reports (revised in 2014) issued by China Securities Regulatory Commission.

(II) Going concern

For a period of at least 12 months after the end of this reporting period, the Company is in possession of continuous operation capability, without the significant matters that may have an impact on the continuous operation capability.

III. Significant Accounting Policies and Accounting Estimates

(I) Statement for compliance with enterprise accounting system

The financial statements prepared by the Company fully comply with the Accounting Standards for Business Enterprise and truly and completely demonstrate the financial status of the Company, operating performance and cash flow.

(II) Accounting period

The fiscal year of the Company runs from January 1 to December 31 of each calendar year.

(III) Operating cycle

The Company takes 12 months as an operating cycle.

(IV) Functional currency

The Company and its subsidiaries take RMB as the functional currency. The financial statements prepared by the Group are expressed in Renminbi.

(V) Accounting methods for corporate merger involving enterprises under the same control and not under the same control

1. Corporate merge involving enterprises under the common control: Assets and liabilities the Company obtained from business merger are measured by book value of the combined party' s assets and liabilities in the consolidated financial statements of the final controlling party (including goodwill formed after merger of the combined party by the controlling party) on the merger date. The difference between the book value of net assets acquired in merger and of the consideration paid for merger (or the total amount of par value of shares issued) is adjusted to the share premium of capital reserves, and the retained earnings shall be adjusted if the share premium in the capital reserve is insufficient.

2. Corporate merger involving enterprises not under the common control: Assets paid or liabilities incurred or assumed as consideration for corporate merger by the Company on the acquisition date are measured at fair value. The difference between the fair value and the book value is recognized in the current profit or loss. If the combined cost is greater than the fair value of the acquiree's identifiable net assets acquired from combination, the difference is recognized in goodwill by the Company. If the combined cost is less than the fair value of the acquiree's identifiable net assets acquired from combination, the fair value of the assets and liabilities acquired from combination, and the fair value of non-cash assets as combination consideration or issued equity securities shall be re-checked, and if the results indicate that the fair value of the identifiable assets and liabilities is appropriate, the difference will be

recognized in the non-operating income of the current period of combination.

Corporate merger involving enterprises not under common control, which achieved at stages through multiple transactions, the combination cost shall be the sum of payment on the acquisition-date and the fair value of the purchaser' s equity held before the acquisition- date on the acquisition- date. The Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognizes any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognized in other comprehensive income that may be reclassified to profit or loss, in prior reporting periods relating to the previously-held equity interest, and any other changes in the owners' equity under equity accounting, are transferred to investment income in the period in which the acquisition occurs . If equity interests of the acquire held before acquisition-date were equity instrument investments measured at fair value through other comprehensive income, other comprehensive income recognized shall be moved to retained earnings on acquisition-date.

3. Intermediary costs incurred in business combinations, such as audit, legal service and evaluation consultation and other relevant direct costs , shall be counted into current profit or loss, and transaction costs of equity securities or debt securities issued as a merger consideration shall be recognised as initial recognition amount of equity securities or debt securities.

(VI) Preparation method of consolidated financial statements

1. Preparation scope of consolidated statements

The scope of the consolidated financial statements should be determined on the basis of control and covers not only the subsidiaries that are determined on the basis of voting rights (or similar rights) or in conjunction with other arrangements, but structured entities that are determined based upon one or more contractual arrangements. Control is the investor's power over the invested party: enjoys changeable returns by participating in related activities of the invested party; and may influence the amount of return by exercising its power over the invested party.

2. Consolidation procedure

The consolidated financial statements are prepared based on the financial statements of the Company and its subsidiaries, as well as other relevant data.

The Company should unify the accounting policies and accounting periods adopted by its subsidiaries, so that the accounting policies and accounting periods adopted by its subsidiaries are consistent with the Company. In the preparation of consolidated financial statements, the materiality principle should be followed to offset the internal current account, internal transactions and equity investment projects between the parent company and its subsidiaries, or among subsidiaries.

Minority shareholder' s profit or loss of subsidiaries shall be separately listed under the owner' s equity in the consolidated balance sheet and net profit in the consolidated profit statement respectively. If the current loss undertaken by the subsidiary's minority shareholders exceeds the share of initial owner's equity held by the minority shareholders, the balance shall be offset off against the equity of minority shareholders.

(1) Increase of subsidiaries and businesses

For the subsidiaries and businesses that obtained during the reporting period due to business combinations under common control, the opening balance of the consolidated balance sheet should be adjusted when the consolidated balance sheet is prepared; when the income statement is prepared, the income, expenses and profits of the subsidiary and the business from the beginning of the period to the end of the reporting period during the current period of combination should be recognized in the consolidated income statement; when the cash flow statement is consolidated, the cash flow of the subsidiary and the business from the beginning of the period to the end of the reporting period during the current period of combination should be recognized in the consolidated statement of cash flow; at the same time, the relevant items of the comparative statement should be adjusted, as if the reporting entity after the combination has existed since the final controlling party began to control.

For subsidiaries and businesses that added during the reporting period due to business combinations under common control or through other methods, the opening balance of the consolidated balance sheet should not be adjusted when the consolidated balance sheet is prepared. When the income statement is prepared, the income, expenses, profits of the subsidiary and the business from the acquisition date to the end of the reporting period should be recognized in the consolidated income statement. When the cash flow statement is prepared, the cash flow from the acquisition date to the end of the reporting period should be recognized in the consolidated cash flow statement.

The Company prepares the consolidated statements based on the amount in the current balance sheet date of identifiable assets, liabilities and contingent liabilities identified on the basis of the fair value on the acquisition date reflected by the individual financial statement of subsidiaries. The balance of the consolidation costs greater than the fair value of the recognizable net assets of the seller is confirmed as goodwill. The balance of the corporate combination costs smaller than the fair value of the recognizable net assets of the seller is recognized in current profit or loss after recheck.

For business combinations not under common control achieved at stages through multiple transactions, in the consolidated financial statements, the equity of the acquiree held before the acquisition date should be re-measured according to the fair value of the equity on the acquisition date. The difference between the fair value and its carrying amounts should be recognized in the current investment income; if the equity of the acquiree held before the acquisition date involves other comprehensive income and other changes in owner's equity, they should be converted into the investment income of the current period of the acquisition date, except for other comprehensive income arising from the change of net liabilites or net assets due to the remeasurement of the defined benefit plan exercised by the investee.

(2) Disposal of subsidiaries and businesses

A. General disposal method

During the reporting period, the Company disposed its subsidiaries and business, and then the subsidiaries and the incomes, expenses and profits from the beginning of the transacts to the disposal date shall be covered in consolidated income statement. And the subsidiaries and the cash flow from the beginning of the business to the disposal date shall be covered in statement of cash flow.

If the Company lost control of its original subsidiaries because of disposal of part of the equity investment or else, the remaining stock rights shall be remeasured in accordance with its fair value during the date of its losing control in consolidated financial statements. The balance between the sum of the consideration from the disposal of equity and the fair value of the remaining equity and the net assets proportion of the subsidiaries entitled by the disposed long-term equity investment and continually calculated from the purchase day or day of combination is recognized in the investment income for the period and the goodwill is deducted. Other comprehensive income and other owner's equity changes related to the equity investment of original subsidiaries shall be turned into current investment income upon losing the control power, except for other consolidate incomes incurred from net liabilities or net asset changes caused by recalculation and resetting of benefit plans by the invested party.

B. Disposal of equity step at stages until loss of control

Where the Company lost control over a subsidiary through multiple transactions and step-by-step disposal of the equity of the subsidiary, and such multiple transactions to a package deal, the multiple transactions shall be deemed one transaction in which the control in the subsidiary was lost; however, the balance between the disposal price and the net assets proportion of the subsidiaries entitled by the disposed long-term equity investment prior losing control over the subsidiary was recognized as other comprehensive income and was transferred to the profit or loss of current period at the time of losing control.

Where the terms and conditions for disposing multiple transactions of the entity investment of the original subsidiary and the economic influence according with one or more of the following conditions, it often indicates that the multiple transactions shall be accounted for as a package deal:

(A) These transactions are formed simultaneously or on the condition of mutual influence under consideration;

(B) Only the entire transactions can fulfill a complete commercial effect;

(C) The occurrence of one transaction relies on at least another one's occurrence;

(D) It is uneconomical to see one transaction alone, but otherwise by taking other transactions into account.

(3) Acquisition of minority stocks of subsidiary

For the difference between newly obtained long-term equity investment owing to purchasing minority equity and identifiable net asset shares deserved according to added shareholding proportion and calculated continuously from the acquisition date (or combination date), the capital premium or share premium in the capital reserves of the consolidated balance sheet should be adjusted. If the capital premium or share premium in the capital reserves are insufficient to be deducted, retained earnings should be adjusted.

(4) Disposal of part of equity investment in subsidiaries without losing control over of such subsidiaries

On condition of not losing control over of such subsidiaries, the difference between the disposal price deserved by partial disposal of long-term equity investment in subsidiaries and net asset shares deserved corresponding to disposal of long-term equity investment and calculated continuously from the acquisition date (or consolidation date), adjust share premium in the capital reserves of consolidated balance sheet. Provided capital reserves are insufficient to be deducted, retained earning shall be adjusted.

(VII) Classification of joint arrangement and accounting methods for joint operation

Joint arrangement is an arrangement under common control by two or more parties. The joint arrangement of the Group is classified as joint operation and joint venture.

1. In case of a cooperative venture, the Company possesses assets and bears liabilities related to the arrangement. The Company recognizes the following items related to the share of interest in the joint operation:

(1) to recognize the assets held separately and its share of assets held jointly;

(2) to recognize the liabilities incurred separately and its share of liabilities incurred jointly;

(3) to recognize its revenue from the sale of the output arising from the joint operation;

(4) to recognize its share of the revenue from the sale of assets by the joint operation;

(5) to recognize then expenses incurred separately and its share of expenses incurred jointly.

2. In case of a joint venture, the Company enjoys only rights of the net assets of the arrangement. The Company should adopts the equity method to measure the investment of the joint venture in accordance with accounting treatment of long-term equity investment

(VIII) Recognition standard of cash and cash equivalents

During preparation of cash flow statement, cash on hand and deposits at any time available for payment of the Company shall be recognized as cash. The Company shall determine the investments with short period (expiring within three months after the acquisition date), strong liquidity, being easy to be converted into known cash and small value fluctuation risk as cash equivalents. The bank deposits under restriction shall not be presented as the cash or the equivalent in the cash flow statement.

(VIII) Recognition standard of cash and cash equivalents

During preparation of cash flow statement, cash on hand and deposits at any time available for payment of the Company shall be recognized as cash. The Company shall determine the investments with short period (expiring within three months after the acquisition date), strong liquidity, being easy to be converted into known cash and small value fluctuation risk as cash equivalents. The bank deposits under restriction shall not be presented as the cash or the equivalent in the cash flow statement.

(IX) Foreign currency transaction and foreign currency statement translation

1. Foreign currency transaction

When a foreign currency business occurs, the foreign currency amount shall be converted into RMB at the spot exchange rate on the date of the transaction (or an exchange rate similar to the spot exchange rate). At the end of the period, foreign currency monetary items and foreign currency non-monetary items should be processed based on the following methods:

(1) Foreign currency projects adopts spot exchange rate of balance sheet date for conversion. Exchange difference arising from the difference between spot exchange rate of balance sheet date and the previous spot exchange rate of balance sheet date or initial recognition is recognized in current profit or loss.

(2) Foreign currency non-monetary items measured by historical cost are converted at the spot exchange rate on the transaction date and the amount dominated in the functional currency shall remain unchanged.

(3) Foreign currency non-monetary items measured by fair value are converted at the spot exchange rate on the fair value recognition date, and exchange gain or loss incurred thereof shall be recognized in current profit or loss or other comprehensive incomes.

(4) Exchange gains or losses arising from foreign currency loans related to purchase, construction and manufacturing of assets conforming to capitalization conditions shall be recognized in costs of assets conforming to capitalization conditions before the assets are brought to expected conditions for use or sale; as for other exchange gains or losses, they shall be recognized in current profit or loss.

2. Foreign currency financial statement translation

(1) Asset and liability items in the balance sheet shall be converted using the spot exchange rate at the balance sheet date, and all items under owner' s equity except "undistributed profit" shall be converted using the spot exchange rate upon occurring.

(2) Income and expense items in the profit statement shall be converted using the spot exchange rate upon occurring.

(3) Exchange differences in the foreign currency financial statements attributable to the translation of currency shall be separately listed under other comprehensive income. For disposal of overseas operation, foreign currency financial statement exchange difference related to overseas operation is transferred into current profit or loss of disposal from the owner' s equity.

(4) Cash flow statement uses the spot exchange rate of the date on which cash flow occurs for translation. Increase/Decrease of cash due to foreign exchange rate changes is separately listed in the cash flow statement as the reconciling item.

(X) Financial instruments

1. Financial instruments are divided into the following five categories

(1) The financial assets or liabilities that are measured at fair value through current profit or loss include held-for-trading financial assets or liabilities and the financial assets or liabilities that are directly designated to be measured at fair value and of which the changes are recognized in current profit or loss;

(2) Held-to-maturity investments;

(3) Loans and receivables;

(4) Financial assets available for sale;

(5) Other financial liabilities

2. Recognition basis and measurement method

Recognition basis for financial instruments: The Company recognizes related financial assets or financial liabilities when it becomes a party of any financial instruments contract.

Measurement method for financial instrument:

(1) Financial assets or liabilities measured at fair value through current profit or loss: Fair value upon acquisition is adopted as initial recognized amount and related transactions costs upon occurrence are recognized in current

profit or loss. If the price actually paid includes the cash dividends or bond interests that have been declared to be issued, such items are recognized as receivables separately. During the holding period, the interest or cash dividend obtained is recognized as the investment income. At balance sheet date, any change of fair value is recognized in current profit or loss. Upon disposal, the difference between fair value and the initially recognized amount is recorded as investment income or loss, and the profit or loss from fair value changes is adjusted at the same time.

(2) Held-to-maturity investment: The sum of fair value and relevant transactions costs is recognized as the initial recognition amount. If the price actually paid includes bond interests that have been declared to be issued, such items are recognized as receivables separately. The interest income is recognized with the effective interest method during holding period and is recognized in investment income. If the difference between the actual interest rate and nominal interest rates is little, the nominal interest rate prevails, and recognized in the investment income. Upon disposal, the difference between the price obtained and the carrying amount of the investment is recognized in investment income.

(3) Receivables: The contract price or agreement price receivable from the purchaser is served as the initial recognition amount. As for receivables with significant single amount during holding period, the effective interest method is adopted for subsequent measurement based on amortized cost.

(4) Financial assets available for sale: The sum of fair value of the financial assets and relevant costs is recognized as the initial recognition amount. If the price actually paid includes bond interests or cash dividends that have been declared to be issued, such items are recognized as receivables separately. Interests or cash dividends earned during holding period shall be recognized in investment income. At the end of the period, financial assets

available for sale are measured at fair value and the changes in the fair value are recognized in other consolidated income.

Equity instrument investment that are not quoted in an active market, with fair value that can not be reliably measured, and the derivative financial assets that are connected to the equity instrument and that must be settled by delivery of such equity instrument are measured by the cost.

When salable financial assets are disposed, the difference between the price obtained and the carrying amount of the financial assets is recognized in current profit or loss; meanwhile, the corresponding disposal part of the accumulative amount of the changes in the fair value that were previously directly recognized in other consolidated income is transferred and recognized in the current profit or loss.

(5) Other financial liabilities: The sum of fair value and relevant transaction costs is recognized as the initially recognized amount, and subsequent measurement as per amortized cost is adopted, except for the three circumstances set out in Article 33 of the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

3. Determination basis and measuring methods for transfer of financial assets

Methods for determining the fair value of financial assets and financial liabilities (see Note III. XXXIII)

4. Recognition basis and measurement method of financial asset transfer

Recognition of financial asset transfer

<table>
<tr><th colspan="2">Circumstances</th><th>Recognition results</th></tr>
<tr><td colspan="2">All risks and rewards related to the ownership of the financial assets have been transferred</td><td rowspan="2">Recognition of financial assets is terminated (new assets / liabilities are recognized</td></tr>
<tr><td rowspan="2">Almost all of the risks and rewards related to the ownership of the financial assets are neither transferred nor retained</td><td>Control over the financial assets is waived</td></tr>
<tr><td>Control over the financial assets is retained</td><td>Almost all of the risks and rewards related to the ownership of the financial assets are neither transferred nor retained</td></tr>
<tr><td>All risks and rewards related to the ownership of the financial assets have been retained</td><td colspan="2">Such financial assets are recognized continuously, and consideration received is recognized as liabilities</td></tr>
</table>

Transfer of financial assets is divided into the overall transfer and partial transfer.

(1) If the overall transfer of financial assets meets the conditions for the derecognition, the difference between the amounts of the following two items shall be recognized in current profit or loss: The carrying amounts of the transferred financial assets; the sum of the consideration received from the transfer and the accumulative amount of the changes in the fair value that is originally directly recognized in owners' equity.

(2) If the partial transfer of the financial assets meets the conditions for derecognition, the overall carrying amount of the financial assets transferred is apportioned between the part with derecognition according to their own fair value, and the difference between the following two amounts is recognized in current profit or loss: the carrying amounts of the part with derecognition; The sum of the consideration for the part with derecognition and the corresponding amount of the part with derecognition in the accumulative amount of the changes in the fair value that is originally directly recognized in owners' equity.

If the transfer of financial assets does not meet the conditions for derecognition, the transferred financial assets as a whole shall continue to be recognized, and the consideration received shall be recognized as a financial liability.

5. Conditions for derecognition of financial liabilities

All or parts of the current obligations of financial liabilities have been canceled so as to derecognize the financial liabilities or part of them. In case of the following situations:

(1) When transferring the assets that are used as the payment for financial liability to an institute or using the assets to establish a trust, the company shall not derecognize the financial liabilities

(2) Where the Company enters into an agreement (the situation of debt restructuring not included) with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, the Company should terminate the recognition of the existing financial liability, and recognize the new financial liability.

6. Recognition method for fair value of financial assets and liabilities

If the financial instruments exist in the active market, their fair value is determined by the quotation in the active market. If the financial instruments do not exist in the active market, their fair value is determined by valuation techniques. For estimation, the Company adopts the estimation technique that applies to the current situation and are supported by sufficient available data and other information, and chooses the input value consistent with assets or liability characteristics considered by market participants in transactions of relevant assets or liability and gives priority to the relevant observable input value. The unobservable value is used only when the relevant observable input value is unable to be obtained or obtained but not feasible.

7. Impairment test measurement and accounting methods for financial assets (excluding the receivables)

Impairment test is not required in financial assets at fair value through profit or loss.

At the term end, an inspection shall be conduct on the difference between the carrying amounts of the carrying and the present investment. Impairment loss based on the difference between the carrying amount and present value of the estimated future cash flow will be calculated and recognized after inspection if there is objective evidence showing that impairment occurs to the held-to-maturity investment. If there is evidence showing that the value has recovered, the formerly recognized impairment shall be reversed and recognized in the current profit or loss. However, the reversed carrying amount shall not exceed the amortized cost of the financial assets on the reversed date under the conditions of assuming that there is no impairment provision.

See Note III.XI for the treatment of impairment of receivables at the end of the period.

At the term end, after the fair value of the financial assets available for sale decrease significantly, or all relevant factors have been considered, it is expected this decline is not temporary, and the impairment of the financial assets available for sale is affirmed and the impairment loss is recognized. When the impairment loss is recognized, the accumulative loss due to the decline of fair value that was previously directly recognized in other comprehensive income is transferred, and calculated in the current loss. The transfer-out accumulated loss is the balance after the initial acquisition cost of financial assets available for sale deducts repaid principal, amortized amount, current fair value and the impairment formerly recognized in the profit or loss. As for available-for-sale debt instruments with impairment affirmed, the fair value has been increased in the subsequent accounting period and objectively has relations with the items happened after the recognition of former impairment, the formerly recognized impairment shall be reversed and recognized in the current profit or loss. The impairment in the investment of available-for-sale equity instruments cannot be transferred back from the profit or loss. Meanwhile, impairment loss of equity instrument investment that is not quoted in an active market and whose fair value cannot be reliably measured, or derivative financial assets that are connected to such equity instrument and must be settled by delivery of such equity instrument is not reversed.

When there is impairment of investment in equity instruments available for sale not quoted in an active market and whose fair value can not be reliably measured, or the derivative financial assets closely connected to such equity instrument that must be settled through the delivery of equity instruments, the difference between the carrying amount of the investment in equity instrument or derivative financial assets and the present value determined by the discounting of the future cash flow in accordance with the current market income rate of similar financial assets is recognized as impairment loss, and recognized in current profit or loss .

8. Derivative financial instruments

Derivative financial instruments are initially measured at fair value of the day oa derivative contact entered into and subsequently measured at their fair value. Derivative financial instruments of positive fair value are recognized as an asset, those of negative fair value are recognized as liabilities.

The Company manages the application of derivative financial instruments in accordance with policies, and sets out in writing the application principles of derivative financial instruments consistent with the Company's risk management strategy.

In the subsequent measurement of derivative financial instruments, gains or losses arising from changes in fair value are recognized in the income statement. For derivative financial instruments that meet the hedge accounting treatment, the recognition of any gains or losses incurred depends on the nature of the hedged item. Derivative financial instruments that do not meet the hedge accounting treatment are classified as financial assets and financial liabilities that are measured at fair value and whose changes are included in the current profit and loss.

9. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are generally presented separately in the balance sheet, and not offset. However, a financial asset and financial liabilities are offset and the net amount is present in the balance sheet when both of the following conditions are satisfied:

(1)The company has a legally enforceable right to offset the recognized amounts of financial assets and financial liabilities,

(2)The Company intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

10. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The company's issuance (including refinancing), repurchase, sale or cancellation of equity instruments shall be treated as changes in equity. The company does not recognize changes in the fair value of equity instruments. Transaction costs related to equity transactions are deducted from equity.

As to the various distributions (excluding stock dividends) to holders of an equity instrument, an enterprise shall decrease the owner's equities. The enterprise shall not recognize any change in the fair value of the equity instrument. Dividends do not affect the total equity of shareholders.

(XI) Receivables

The method for determining the provision for bad debts for companies that have not implemented the new financial instrument standards during the reporting period

1. Accounts receivable with individual significant amount subject to individual assessment for impairment

Judgment basis or amount standard for significant single amount	The accounts receivable with significant single amount refers to the accounts receivable with a single amount exceeding RMB 2 to 5 million, accounting for more than 5% of the closing balance of receivables.
Method for provision of bad debt with single significant amount and accrued separately	After the impairment test is carried out separately, if there is objective evidence that it has been impaired, the impairment loss should be recognized based on the difference between the present value of future cash flow and its carrying amounts, and the provision for bad debts should be made through specific identification. If there is no impairment, it should be recognized in the receivables with similar risk portfolio characteristics to make provision for bad debts.

2. Receivables subject to impairment by credit risk portfolio

Name of portfolio	Basis for portfolio determination	Accrued method for provision of bad account by portfolio
Aging portfolio	Aging status	Aging analysis
Low risk portfolio	Receivables between related parties within the scope of the Company's consolidated statements, receivables from relevant government units, long-term receivables formed by policy-based debt investments, and other receivables for which full margin or guarantees have been received	No provision for bad debts
Notes receivable	Credit risk of acceptors, endorsers, drawers and other debtors	Explaination

Note: considering the credit risk of acceptor, endorser, issuer and other creditors, the credit risk and deferred payment risk of the bank acceptance notes were low, therefore, the company has not charged any impairment loss on it. The credit risk and deferred payment risk of trade acceptance notes from financial institutions with finance licenses were not vital, therefore, the company hasn't charged imparment loss on this kind of trade acceptance notes; the company has used the age method to charge impairment loss on the other trade acceptance notes based on the aging portfolio.

Receivables using the age method for measurement of provision for bad debts in the portfolio

Aging portfolio	Within half a year	Half a year to 1 year	Within 1 year	1 - 2 year(s)	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years
Wholesale, retail and other circulation industries	1%	5%		50%	100%	100%	100%	100%
Manufacturing industry and others			5%	10%	30%	50%	80%	100%
Others			5%	10%	20%	50%	80%	100%

3. Receivables individual insignificant amount subject to individual assessment for impairment

Reason for bad debt provision by single account	Significant variance exists between the present value of future cash flow of receivables and the present value of future cash flow of receivables portfolio with aging as the characteristic of credit risk.
Method to charge provision for bad debt	Impairment test shall be conducted separately. Provision for bad debts is accrued as per the difference of expected present value of future cash flow lower than the carrying amount.

Methods for determining credit losses of various financial assets of subsidiaries that implement the new financial instrument standards during the reporting period.

A. Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.

(1) Confirmation method of impairment provision

The Company determines impairment loss by measuring expected credit losses ("ECL") on the financial assets (including receivables) accounted for at amortized cost, and fair value through other comprehensive income. In addition, for loan commitments and financial guarantee contracts, provision for impairment and credit impairment losses should also be made in accordance with the accounting policies described in this section.

ECLs are a probability-weighted estimate of credit loss. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive)

For other financial instrument, other than purchased or originated credit-impaired financial assets, the Company assesses changes in credit risks of the relevant financial asset since initial recognition at each balance sheet date. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

1) Stage 1: If there has not been a significantly increase in credit risk since initial recognition, the company measures the impairment at an amount equivalent to the expected credit loss of the financial asset in the next 12 months;

2) Stage 2: If there has been a significant increase in credit risk since initial recognition but that has not credit-impaired, a life time ECL is recognized.

3) Stage 3: For financial assets that are credit-impaired, a lifetime ECL is recognized.

When estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort, current situation and future economic forecast , including forward-looking information

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months)

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition, which has low credit risk at the balance sheet date, the Company chooses to measure the loss provision according to ECLs in the next 12- month.

For the financial assets which are at stage 1, stage 2 and with low credit risks, the Company calculates interest income according to the book balance and the effective interest rate. For financial assets in the third stage, interest income is calculated based on the book balance minus the amortized cost after the provision for impairment has been made and the actual interest rate.

2) Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

A. significant financial difficulty of the borrower or issuer;

B. a breach of contract, such as a default or delinquency in interest or principal payments;

C. for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;

D. it is probable that the borrower will enter bankruptcy or other financial reorganisation;

E. the disappearance of an active market for that financial asset because of financial difficulties.

F. purchase or generate a financial asset at a large scale of discount, which reflects facts of credit loss incurred.

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

(3) Credit-impaired financial assets through purchasing or generating.

For Credit-impaired financial assets through purchasing or generating, ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument' s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss at the balance sheet date. The Company recognises an impairment gain when the ECLs of the balance sheet date is less than the amount of initial ECLs, the change is recognised as an impairment gain.

(4) Judgment criteria for a significant increase in credit risk

If the default probability of a financial asset in the expected duration determined on the balance sheet date is significantly higher than that in the expected duration determined at the initial recognition, the credit risk of the financial asset is significantly increased. Except for special circumstances, the Company adopts the change of default risk in the next 12 months as the reasonable estimation of the change of default risk in the whole duration to determine whether the credit risk increases significantly after initial recognition.

(5) Methods of assessing ECLs

The company evaluates the expected credit losses of financial assets based on individual items and combinations. Individually assess the credit risk of financial assets with significantly different credit risks. Such as: receivables from related parties; receivables from government agencies; receivables that have obvious signs that the debtor is likely to be unable to perform their repayment obligations.Except for financial assets that assess credit risk individually, the company divides financial assets into different groups based on common risk characteristics, and assesses credit risk on a portfolio basis.

Except for financial assets that assess credit risk individually, the company divides financial assets into different groups based on common risk characteristics, and assesses credit risk on a portfolio basis.

(6) Accounting treatment of impairment of financial assets

At the end of the duration, the Company shall calculate the anticipated credit losses of various financial assets. If the anticipated credit losses are greater than the book value of its current impairment provision, the difference is deemed as impairment loss(credited to Loan loss reserves, debt investment impairment reserves or bad debt reserves depending the types of financial assets). If the balance is less than the book value of the current impairment provision, the difference is deemed as impairment profit.

If the company actually incurs credit losses and determines that the relevant financial assets cannot be recovered, and the written-off is approved, it shall debit the "loan loss reserve" and other subjects based on the approved write-off amount, and credit the corresponding asset subjects, such as "loan", Accounts receivable" etc. If the written-off amount is greater than the provision for loss that has been withdrawn, the "credit impairment loss" shall be debited according to the difference.

① Notes receivable

The Company shall measure impairment loss for Notes receivable according to the amount of ECLs equivalent to the entire duration. The Company determines that the acceptance bank's credit rating of the acceptance bank issued by the listed banks is high, there is no significant credit risk, and no provision for loss is made; For the commercial acceptance bills held and the bank acceptance bills issued by other unlisted banks, the company refers to the historical credit loss experience, combines the current situation and the forecast of future economic situation, calculates the expected credit loss through the default risk exposure and the expected credit loss rate of the whole duration, Based on the credit risk characteristics of notes receivable, it is divided into different portfolios.

Items	Basis for determining portfolio
Bank acceptance bills issued by the listed bank	No significant credit risk
Commercial acceptance bills and the bank acceptance bills issued by other unlisted banks,	With credit risk

② Accounts Receivable

The company measures its impairment loss for accounts receivable that do not contain major financing components that are formed from daily business activities such as selling commodities and providing labor services at an amount equivalent to expected credit losses during the entire duration.

Based on common risk characteristics, the company divides accounts receivable into different groups according to common credit risk characteristics such as customer types:

Items	Basis for determining portfolio
Receivable from related parties portfolio within the scope of consolidation	Receivables from related parties within the scope of consolidation
Aging portfolio	The credit risk is characterized by the aging of receivables.
Other payment portfolio	Accounts receivable with special business

③ Accounts receivable financing

Accounts receivable financing reflects the notes and accounts receivable that are measured at fair value on the balance sheet date and the changes are included in other comprehensive income. The accounting treatment method refers to the related treatment of financial assets measured at fair value and the changes are included in other comprehensive income in the financial instruments in item (10) of this accounting policy.

④ Other account receivable

For other receivables, the Company determines expected credit losses based on historical experience data and forward-looking information. Based on whether the credit risk of other receivables has increased significantly since initial recognition, the Company has measured the impairment loss based on the amount of expected credit losses in the next 12 months or the entire duration.

Based on common risk characteristics, the Company divides other receivables into different groups:

Items	Basis for determining portfolio
Other accounts receivable portfolio 1	Interest receivable
Other accounts receivable portfolio 2	Dividend receivable
Other accounts receivable portfolio 3	Margin receivable, reserve fund
Other accounts receivable portfolio 4	Accounts receivable and others
Other accounts receivable portfolio 5	Other related party transactions within the scope of consolidation

B. Fujian Longxi Bearing (Group) Co., Ltd.

The financial assets for which the company needs to recognize impairment losses are financial assets measured at amortized cost, debt instrument investments measured at fair value and the changes are included in other comprehensive income, mainly including notes receivable, accounts receivable, and other receivable, debt investment, other debt investment, long-term receivables, etc. In addition, for some financial guarantee contracts, impairment losses and credit impairment losses are also recognized in accordance with the accounting policies described in this section.

(1) Method of impairment provision

Based on expected credit losses, the company makes provision for impairment of the above items in accordance with its applicable expected credit loss measurement method (general method or simplified method) and recognizes credit impairment losses.

Credit loss refers to the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received by the company discounted at the original actual interest rate, that is, the present value of all cash shortages. Among them, for purchased or originated financial assets that have been credit-impaired, the Company discounts the financial assets at the actual interest rate adjusted by credit.

The general method of measuring expected credit loss is whether the credit risk of the Company's financial assets has increased significantly since the initial recognition on each balance sheet day. If the credit risk has increased significantly since the initial recognition, the company shall measure the impairment loss according to the amount equivalent to the expected credit loss in the whole duration. If the credit risk has not increased significantly since the initial recognition, the company shall measure the impairment loss according to the amount equivalent to the expected credit loss in the next 12 months. The company shall consider all reasonable and evidenced information, including forward-looking information.

For financial instruments with lower credit risk at the balance sheet date, the company assuming that its credit risk has not increased significantly since the initial recognition, may choose to measure the impairment loss according to the expected credit loss in the next 12 months / does not choose simplified treatment methods , based on whether its credit risk has increased significantly since its initial confirmation, and the amount of expected credit losses in the next 12 months or the entire duration of the period is used as the basis for measuring impairment loss.

(2) Criteria for judging whether credit risk has increased significantly

since the initial recognition

If the probability of default of a financial asset on the estimated duration of the balance sheet is significantly higher than the probability of default during the estimated duration of the initial recognition, the credit risk of the financial asset is significantly increased. Except for special circumstances, the company uses the change of default risk in the next 12 months as a reasonable estimate of the change of default risk in the entire duration to determine whether the credit risk has increased significantly since the initial recognition.

The company determines that the credit risk of the financial instrument has increased significantly if it is more than 30 days past due, unless there is conclusive evidence that the credit risk of the financial instrument has not increased significantly since the initial confirmation.

The company shall consider the following criteria when assessing whether credit risk has increased significantly:

1) Whether the actual or expected operating results of the debtor have changed significantly

2) Whether the debtor' s regulatory, economic or technological environment has undergone significant adverse changes;

3) Whether the value of the collateral used as debt collateral or the quality of the guarantee or credit enhancement provided by a third party has changed significantly. These changes are expected to reduce the debtor' s economic motivation to repay the debt within the contract period or affect the probability of default;

4) Whether the expected performance and repayment behavior of the debtor has changed significantly;

5) Whether the company's credit management approach in relation to the financial instruments have changed, etc.

The company assumes that the credit risk of the financial instrument has not increased significantly since the initial recognition if the company determines that a financial instrument has only a low credit risk at the balance sheet date. If the default risk of financial instruments is low, the borrower has a strong ability to fulfill its contractual cash flow obligations in the short-term, and even if there are adverse changes in the economic situation and operating environment in a long period of time, it may not necessarily reduce the ability of the borrower to fulfill its contractual cash flow obligations, The financial instrument is deemed to have lower credit risk.

(3) Criteria for credit-impaired financial assets

When the company expected occurrence of one or more events which may cause adverse impact on future cash flows of a financial asset, the financial asset will become a credit-impaired financial assets. Objective evidence that a financial asset is impaired includes the following observable events:

1) Significant financial difficulty of the issuer or debtor;

2) A breach of contract by the debtor, such as a default or delinquency in interest or principal payment

3) The creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtor.

4) The debtor is likely to go bankrupt or undergo other financial restructuring;

5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;

6) Purchas or originate a financial asset with a large scale of discount, which reflects facts of credit loss incurred

The credit impairment of financial assets may be caused by a combination of multiple events, and may not be caused by a separately identifiable event.

(4) A portfolio-based approach to assessing expected credit risk

The company shall evaluate the credit risk of financial assets with distinct differences in credit risk, such as the receivables in dispute with the other party or involving litigation and arbitration, and receivables that has bas been proved that the debtor may not be able to fulfill the obligation of repayment, etc.

In addition to the financial assets that access credit risk individually, the company shall divide financial assets into different groups based on common risk characteristics, and assess credit risk on the basis of portfolio: The common credit risk characteristics adopted by the company include: financial instrument type, credit risk rating, aging portfolio, overdue aging portfolio, contract settlement cycle, debtor's industry, etc., and credit risk is assessed on the basis of the combination.

(5) Accounting treatment of impairment of financial assets

At the end of the period, the company shall calculate the anticipated credit losses of various financial assets. If the anticipated credit losses are greater than the book value of its current impairment provision, the difference is deemed as impairment loss; if the balance is less than the book value of the current impairment provision, the difference is deemed as impairment profit.

(6) Method of determining credit losses of various financial assets

Receivable items including accounts receivable, notes receivable, other receivable.

① Accounts receivables with individual significant amount subject to individual assessment for impairment at the end of the period.

Judgment basis or amount standard for significant individual amounts: determine the accounts receivable whose balance on the balance sheet date accounts for more than 5% of the total accounts receivable, and other receivables with a single amount of more than RMB 5 million (including RMB 5 million) is regarded as receivables with a significant individual amount.

Method of impairment provision on accounts receivables with individual significant amount subject to individual assessment for impairment: for

For receivables with significant individual amounts, a separate impairment test is carried out, and there is objective evidence that impairment has occurred, and bad debt provision is made based on the difference between the present value of its future cash flow and its book value.

For receivables with significant individual amounts that have not been impaired through separate tests, provision for bad debt is made based on the portfolio.

② Accounts receivable with individual insignificant amount subject to individual assessment for impairment

Judgment basis or amount standard for insignificant individual amounts: determine the accounts receivable whose balance on the balance sheet date accounts for less than 5% of the total accounts receivable, and other receivables with a single amount of less than RMB 5 million (including RMB 5 million) is regarded as receivables with a insignificant individual amount.

Reasons for individual assessment of provision for bad debts	Payments involved in litigation, accounts receivable with deterioration of customer credit status
Method of provision for bad debt	Provision for bad debts is made based on the difference between the present value of its future cash flow and its book value

③ Accounts receivable with provision for bad debts by portfolio

Regarding notes and accounts receivable, regardless of whether there is a major financing component, the company measures the impairment provision based on the expected credit loss for the entire duration. The resulting increase or reversal of the impairment provision shall be included in the current profits and losses as impairment losses or gains.

For the existence of objective evidence showing that there is impairment, and other notes and accounts receivable that are suitable for individual assessment, the impairment test is carried out separately, the expected credit loss is confirmed, and the bill of lading item impairment provision is calculated. For notes receivable and accounts receivable without objective evidence of impairment, or when individual notes and accounts receivable cannot be estimated at a reasonable cost, the company will classify the notes and accounts receivable based on credit risk characteristics. Accounts receivable is divided into several portfolios, and the expected credit loss is calculated on the basis of the portfolios. The basis for determining the portfolios is as follows:

Unrelated party portfolio	Portfolio types	Basis for determining portfolio	Expected credit loss calculation method
Portfolio 1	Low-risk acceptance bill	Including: (1) Bank acceptance bill. The acceptor has a relatively high credit rating. There has been no bill default in history, the risk of credit loss is extremely low, and the ability to fulfill its contractual cash flow obligations in a short period of time is strong. No bad debt provision is made for bank acceptance bills. (2) Financial institutions such as financial companies holding financial licenses issue commercial acceptance bills for acceptance. As the credit risk and deferred payment risk are relatively small, no bad debt provision is made for this part of the commercial acceptance bill.	No provision
Portfolio 2	Aging portfolio 1	For commercial acceptance bills other than the risk-free portfolio of notes receivable, the ageing of the original accounts receivable is continuously calculated, and bad debt provision is made based on the ageing portfolio	Provision for bad debts is made based on its corresponding accounts receivable.
Portfolio 3	Aging portfolio 2	Aging status of accounts receivable and other receivables	Accounts receivable refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, compiles a comparison table of accounts receivable aging and the expected credit loss rate of the entire duration, and calculates expected credit
Portfolio 4	Internal transaction portfolio	Nature of Payment	There is no provision for bad debts for internal accounts receivable between companies within the scope of consolidation. If there is objective evidence that a certain account receivable has been credit-impaired, a bad debt provision shall be made for the single account receivable and expected credit losses shall be confirmed.

(XII) Inventories

1. Classification of inventory

Company inventory refers to the goods and materials that are held for sale during the production and operation process, or are still in the production process, or will be consumed in the production process or the process of service rendering, including various raw materials, packaging materials, and low value consumables, unfinished products, finished products (commodity stocks), etc.

2. Valuation method of acquired and delivered inventories

Inventories are initially measured corresponding to their cost. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs. The borrowing cost to be recognized in the inventory cost shall be treated in accordance with the "Accounting Standards for Enterprises No. 17 – Borrowing Costs". The cost input by the investors in inventories is determined in accordance with the value stipulated in the investment contract or agreement, unless the contract or agreement stipulates that the value is not fair.

Valuation method for delivered inventories: The weighted average method is used for calculation.

3. Inventory system

Perpetual inventory system is adopted for inventory.

4. Amortization method of low value consumables and packing materials

The "one-off amortization method" is used for accounting.

5. Recognition basis of net realizable value of inventory and accrual method of provision for inventory write-downs

The inventories as of the period shall be measured based on the lower one between cost and net realizable value. When the net realizable value is lower than the cost, provision for inventory decline shall be accrued based on the balance. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and related taxes.

(1) Basis for determining net realizable value of inventories: For materials held for production, if the net realizable value of finished products made by the materials is higher than the cost, then the materials should be measured based on its cost. If the price of materials decreases, which causes the net realizable value of finished products to be lower than the cost, the materials should be measured based on the net realizable value.

The net realisable value of inventories held to satisfy firm sales or service contracts is based on the contract price. If the sales contracts are for less than the inventory quantities held, the net realisable value of the excess is based on general selling prices.

(2) Method of provision for inventory decline: Provision for inventory impairment is made as per the lower one of the cost of individual inventory item and the net realizable value; as for inventories with large number and relatively low unit price, provision for inventory impairment is made according to the category of inventories.

(XIII) Cotract assets

The contract asset accounting policy is applicable to subsidiaries Longxi Bearing and Pien Tze Huang that have implemented the new revenue standards.

1. Determini methods and standards of contract assets

Contract assets refer to the right of the company to receive consideration after transferring goods to customers, and this right depends on other factors besides the passage of time. If the company sells two clearly distinguishable products to a customer and has the right to receive payment because one of the products has been delivered, but the payment is also dependent on the delivery of the other product, the company shall treat the right to receive payment as a contract assets

2. Determining method and accounting treatment method of contract assets' expected credit loss

Regarding contract assets, regardless of whether it contains major financing components, the company always measures its bad debt impairment at an amount equivalent to expected credit losses during the entire duration, and the resulting increase or reversal of bad debt impairment is regarded as impairment losses or gains in the current profit and loss.

The company calculates the expected credit loss of contract assets on the balance sheet date. If the expected credit loss is greater than the book value of the current contract asset impairment provision, the difference is recognized as an impairment loss; the expected credit loss is remeasured on each balance sheet date . The amount of the resulting loss provision reversed is recognized as an impairment gain.

(XIV) Assets held for sale

1. Basis for being divided into assets held for sale

Components (or non-current assets) are recognized by the Company as assets held for sale if the following conditions are met:

(1) Those that are immediately available for sale under current conditions, based on the practice of selling such assets or disposal groups in similar transactions;

(2) Those that are most likely to be sold, for the Company has already decided on a sale plan and obtained a definite purchase commitment, and the sale is expected to be completed within one year. For the sale which must be approved by the relevant authorities or regulatory authorities of the Company under relevant regulations, approval should be obtained in advance.

The definite purchase commitment refers to the legally binding purchase agreement signed between the Company and other parties. The agreement should include important terms such as transaction price and time, and severe penalty for breach of agreement, making it unlikely that the agreement will be significantly adjusted or canceled.

2. Accounting treatment method for assets held for sale

When the Company initially measures or re-measures the non-current assets held for sale or disposal groups on the balance sheet date, if the carrying amount is higher than the net difference between the fair value and the sale expense, the carrying amounts shall be written down to the difference between the fair value and the sale expense, and the written down value shall be recognized as impairment loss thereof and stated in current profit or loss, with provision for impairment of assets held for sale at the same time. If the net amount of the fair value of the non-current assets held for sale is increased after the expenses for sale is reduced after the subsequent balance sheet date, the amount previously written down shall be recovered and be reversed in the assets impairment losses recognized after being classified as held for sale, and the amount reversed shall be recognized in the current profit or loss. Assets impairment losses recognized before being classified as held for sale will not be reversed.

For the amount of asset impairment loss recognized by the disposal group held-for-sale, it should be firstly offset against the carrying amounts of the goodwill in the disposal group, and then offset against the carrying amounts of various non-current assets based on their proportion in the disposal group. For the subsequent amount recovered of the asset impairment loss recognized by the disposal group held-for-sale, the carrying amounts of various non-current assets other than goodwill should be increased based on their proportion in the disposal group.

Non-current assets held for sale or that in a disposal group are not subject to depreciation or amortization, and the debt interest and other expenses in the disposal group held for sale shall be further confirmed.

When the non-current assets or disposal groups held-for-sale are derecognized by the Company, the unrecognized profit or loss should be recognized in the current profit or loss.

When a non-current asset or disposal group is no longer classified as held-for-sale because it no longer meets the conditions for the held-for-sale category or when the non-current asset is removed from the disposal group held-for-sale, measurement should be made based on the lower of the following two:

(1) The carrying amounts before being classified as held for sale after adjustment of depreciation, amortization or impairment which should have been recognized as per the assumed circumstance that they were not classified as held for sale;

(2) Recoverable amount.

(XV) Long-term receivables

Long-term receivables include finance lease receivables and other long-term receivables. For other receivables, the Company determines expected credit losses on each balance sheet date according to various types of counterparties and risk exposures, considering historical defaults and reasonable forward-looking information or various external actual and expected economic information.

The company uses an amount equivalent to the expected credit loss in the next 12 months or the entire duration to measure the long-term receivable impairment loss based on whether its credit risk has increased significantly since the initial confirmation. In addition to the long-term receivables whose credit risk is assessed individually, they are divided into different portfolio based on their credit risk characteristics:

Items	Basis for determining portfolio
Normal long-term receivables	This portfolio is long-term receivables with normal risks of not overdue
Overdue long-term receivables	This portfolio is long-term receivables with a higher risk of overdue

(XVI) Long-term equity investments

1. Basis for determining joint control and significant influence over the investee

Joint control refers to the common control on one arrangement as per the related agreements. and the relevant activities in such arrangement shall be decided with the complete agreement of participants who share the control rights. When identifying if there is any joint control. it is firstly judged whether all parties or combination of parties jointly control this arrangement. If related activities of certain arrangement can only be determined through the joint action of all parties or one group of parties, then it is believed that all parties or one group of parties jointly control this arrangement. Secondly, it should be judged whether the decision on the relevant activities of the arrangement must be unanimously agreed by the parties with collective control over the arrangement, and only if the decision on the relevant activities requires the unanimous consent from the parties with collective control over the arrangement, joint control is formed. Joint control is not constituted if there are two or more than two combinations of the parties with the ability to collectively control a certain arrangement. Protective rights enjoyed are not considered when judging whether there is joint control.

Significant influence refers to the state that Company has the power in making decisions on the financial and operational policies of the investee, but could not solely or jointly control the making of those policies. When determining the capacity of exerting significant influence on investees, it is necessary to consider the number of voting shares held directly or indirectly by the investor, and the impact produced after the current executable potential voting rights held by the investor and other parties are assumed to be converted to the equity of investees, including the current convertible warrants, share options and convertible bonds issued by the investee. When the foreign investment meets the following conditions, it is generally considered to have a significant impact on the investment unit: (1) Has representatives in the board of directors or similar authorities of the investee; (2) Participate in the financial and business policy-making process of the investee; (3) Engage in significant transactions with the investee; (4) Assign management personnel to the investee (5) Provide key technical information to the investee. It is generally considered to have a significant impact on the investee when it directly or indirectly owns more than 20% but less than 50% of the voting shares of the invested enterprise.

2. Recognition for initial investment cost

(1) Long-term equity investment formed due to business combinations

A. Business combinations under common control: Where combination consideration is satisfied in cash, by transfer of non-cash assets, undertaking of debt or issuance of equity securities, the share of the carrying amounts of the owners' equity of the consolidated party in the ultimate controller's consolidated financial statements on the combination day are treated as initial investment cost of long-term equity investment. Where the investees under common control could be controlled due to the additional investment, initial investment cost of long-term equity investment is determined on the combination day in accordance with the share of the carrying amounts of the consolidated party's net assets enjoyed in the ultimate controller's consolidated financial statements. The balance between the initial investment cost of the long-term equity investment and the sum of the carrying amounts of long-term equity investment before the combinations and the carrying amounts of the new consideration paid of stock further acquired on the day of combination is used to adjust the capital reserves. The retained earnings will be adjusted if the capital reserves are insufficient for write-off.

B. For business combinations not under common control, the combination cost determined in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 20 - Business Combination on the acquisition date is taken as the initial investment cost of long-term equity investment. Regarding the investees not under common control could be controlled due to the additional investment, the sum of the original carrying amounts of equity investment and newly added investment cost is recognized as the initial investment cost counted with the cost method.

(2) The initial cost of long-term equity investments acquired other than through a business combination is determined according to the following provisions:

A. For the long-term equity investment obtained by cash payments, the actually paid purchase price should be treated as initial investment cost. The initial cost of long-term equity investments include costs, taxes and other necessary expenditures directly related to the long-term equity investment acquired other than through a business combination.

B. For the long-term equity investment obtained by the issuance of equity securities, the fair value of equity securities issued is treated as the initial investment cost.

C. For the long-term equity investment obtained through the exchange of non-monetary assets, its initial investment cost is determined in accordance with "Accounting Standards for Business Enterprises No. 7 - Exchange of non-monetary assets".

D. For the long-term equity investment obtained through debt restructuring, the initial investment cost is determined in accordance with "Accounting Standards for Business Enterprises No. 12 - Debt Restructuring".

3. Recognition of subsequent measurement and profit or loss

(1) Cost method of accounting: The long-term equity investments that enable the Company to control over the investees are accounted for using the cost method for subsequent measurement. When accounting long-term investment under cost method, the costs of long-term equity investment should be adjusted through addition or recovery of investment. For the long-term equity investment accounted for using the cost method, except for the actual amount paid when the investment is obtained or the cash dividends or profits declared but not paid contained in the consideration, the Company should recognize the investment income according to the due cash dividends or profits declared by the investee, and the net profit is no longer divided based on whether it is realized by the investee before or after the investment.

(2) Equity method of accounting: For the long-term equity investments that are jointly controlled by the investee or have significant impact, except for the equity investments on joint ventures, if part of the investments is indirectly held by venture capital institutions, mutual funds, trust companies or similar entities including investment with insurance funds, regardless of whether the above entities have a significant impact on this part of the investment, the Company should, in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments", measure this part of investments indirectly held at fair value and include its changes in profit or loss, and account for it using the equity method. When using the equity method of accounting, after the acquisition of the long-term equity investment, the Company should recognize the investment income and other comprehensive income separately according to its shares of the net profit or loss and other comprehensive income realized by the investee that should be enjoyed or shared by the Company, and adjust the book amount of the

long-term equity investment accordingly. Once the investee declares any cash dividends or profit distributions, the book amount of the equity investment is reduced by the amount attributable to the Company. For other changes in the Company' s share of the investee' s owners' equity, other than those arising from the investee' s net profit or loss, other comprehensive income and profit distribution, the book amount of the long-term equity investment should be adjusted and recognized in the owner's equity. The Company confirms the net loss occurring to the investee, within the limit of reducing the carrying amount of long-term equity investment, and other long-term equity substantially forming the net investment of the investee to zero, unless the Company bears obligations to bear the additional losses. After the investee realizes the net profit in the future, the company restores the recognition of the amount of the income that is shared after such amount of income to be shared is used to make up for the amount of loss to be shared that are not recognized. When the Company recognizes its share of the net profit or loss of the investee, it should adjust the net profits of the investee based on the fair value of the various identifiable assets of the investee at the time of obtaining the investment, and the Company should offset the internal transaction profit or loss between the Company and joint ventures and cooperative enterprises, and recognize the investment profit or loss on this basis. For the purpose of Accounting Standards of Enterprise No. 8—Assets Impairment, should the loss on internal transaction by and between the Company and invested unit belong to asset depreciation loss, it shall be recognized in full. If the accounting policies and periods adopted by the invested companies are inconsistent with those of the Company, the financial statements of the invested companies are adjusted by adopting the accounting policies and periods of the Company before the profit or loss on investment are recognized.

For the long-term equity investments in associated enterprises and joint ventures that have been held by the Company prior to the first implementation of Accounting Standards for Business Enterprises, the equity investment debit difference relating to the investment shall be amortized according to straight line method for the original remaining period with the amortized amount recorded into current profit or loss.

(3) For disposal of long-term equity investment, the difference between the carrying amount and the actually acquired payment shall be recognized in current profit or loss. For the disposal of the long-term equity investments which are calculated with equity method and recognized in the owner equity due to the changes in owner equity other than the net profit or loss of the the investee, the part initially recognized in the owner equity shall be carried over to current income and losses in corresponding proportion, except for other comprehensive income arising from the remeasurement of the defined benefit plan net liabilities or net assets changes by the investee.

(XVII) Investment property

Investment property refers to the real estate held for generating rent and/or capital appreciation. It mainly includes leased land use rights, land use rights held and to be transferred after appreciation, and leased buildings. When the initial measurement of the investment property of the Company is calculated based on actual expenditures of purchasing and establishing, the subsequent measurement of rental income and value increment of investment property as well as investment properties is calculated by cost model.

The Company adopts the cost model for subsequent measurement of investment property at the balance sheet date. Under the cost model, the Company measures the investment real estate and makes accrual of depreciation or amortization in accordance with the provisions of (XVII) Fixed Assets and Depreciation and (XXII) Intangible Assets of the accounting policies. An investment property shall be recognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. When the Company sells, transfers, or revokes the investment real estate or when the investment real estate is damaged, the amount of disposal income after its carrying amounts and related taxes and fees are deducted should be recognized in the current profit or loss.

Estimated service life, net residual value rate and annual depreciation (amortization) rate of investment real estate are represented as follows:

Type	Estimated service life (year)	Estimated rate of net residual value	Annual depreciation (amortization) rate
Land use rights	40-50	0%	2.00%-2.50%
Houses and buildings	5-50	0%, 3%, 5%	2.38%-20.00%

(XVIII) Fixed assets

1. Recognition condition of fixed assets

Fixed assets refer to tangible assets holding for manufacturing commodity, providing labor service, renting or operating management with service lives of over one fiscal year.

2. Depreciation

Type	Depreciation period (year)	Residual value rate	Annual depreciation rate
Houses and buildings	5-45	0, 3%, 5%	2.11%-20%
Machinery and equipment	4-22	3%, 5%	4.32%-24.25%
Transportation equipment, and electronic equipment	3.5-13	3%, 5%	7.31%-27.71%
Other equipment	3-17	3%, 5%	5.59%-32.33%

The company reexamines the service life of fixed assets, expected net residual value and depreciation method at the end of the year.

3. Recognition basis, valuation method and depreciation method of rented fixed assets

If one or more of the following items are met in terms of the lease asset of the company, it is identified as financing lease fixed assets:

(1) When the lease term expires, the ownership of leased assets is transferred to the lessee;

(2) The Lessee has the right of option to purchase leased assets, it is estimated that the concluded purchase price is far less than the fair value of leased assets when executing the right of option, therefore, it is reasonable to determine that the lessee will execute the right of option from the inception of lease.

(3) Even if the ownership of the asset is not transferred, the lease duration covers 75% of the using life span of the assets.

(4) Current value of minimum lease payment at the inception of lease of the lessee is approximate to the fair value of leased assets at the inception of lease; current value of minimum lease received money at the inception of lease of the lesser is approximate to fair value of leased assets at the inception of lease;

(5) The leased assets are of a specialized nature and only the lessee can use them without major modifications.

At the commencement date of lease term, the Company shall determine entry value of lease-in assets based on the fair value of leased assets at inception of lease or current value of minimum lease payments, whichever is lower. The minimum lease payments are regarded as long-term entry value of accounts payable and balance between the two is determined as unrecognized financing charges, and the depreciation policy of fixed assets under financial leases is in accordance with self-owned fixed assets.

(XIX) Construction in progress

Construction in progress is accounted based on actual cost. The loan interest expense and foreign currency translation balance incurred for the construction project should be capitalized or recognized in the current profit or loss according to the relevant provisions of the "Accounting Standards for

Enterprises No. 17 – Borrowing Costs" . The construction in progress s, of which the fixed assets reach to the predicted condition for use, shall carry forward to fixed assets on schedule, regardless of whether the project' s final accounts is audited or not, the construction in progress shall adjust the original valuation value after auditing the final accounts.

(XX) Borrowing cost

1. Recognition principle of borrowing costs capitalization

Borrowing costs consist of interests, the discounts or premium to be amortized together with auxiliary expenses associated with loans, supplemented by exchange difference arising from loans nominated in foreign currencies. Borrowing cost incurred directly attributable to the acquisition, and construction or production of a qualifying asset are capitalised as part of the cost of the asset. Other borrowing costs are recognised as expenses and recorded in the profit or loss of the current period when incurred.

Assets conforming to capitalization conditions include the fixed assets, investment property and inventories which can achieve the planned serviceable condition or marketable condition after a very long period of acquisition and construction or production activities.

The borrowing cost begins capitalization when they meet the following conditions simultaneously:

(1) Asset expenditure has been generated. It includes expenditures that are occurred by cash payment, transfer of non-cash assets or assumption of interest-bearing debts arising from assets purchased and constructed or produced conforming to the capitalization conditions;

(2) Borrowing cost has incurred;

(3) The purchase and construction activities needed for the asset to reach the usable or sellable state as expected have begun.

2. Capitalization period of the borrowing costs

The borrowing costs for the purpose of assets purchase or the production of assets, if in compliance with the capitalization conditions, and arising before the assets to be purchased or produced with the borrowing costs are up to the expected state for use or sale, are stated in the costs of the assets accordingly; If the purchase, construction or production suffer abnormal disruption for more than 3 consecutive months, the capitalization of borrowing costs would be suspended; the borrowing costs occurred in the disruption period are regarded as period charges are stated in current profit or loss until the purchase and construction or production activity of the asset restart. When the asset is up to its state for use or sale, the capitalization shall be terminated. Borrowing costs incurred after the assets conforming to the capitalization conditions reaches the intended usable or marketable state are charged into current profit or loss.

3. The calculation of capitalization amount of borrowing costs

During the capitalization period, the capitalization amount of the interest of each accounting period (including amortization of discounts or premiums) is determined in accordance with the following provisions:

(1) In the case of loan specially borrowed for the acquisition and construction or production of assets conforming to capitalization conditions, the capitalized amount is equal to actual interests of the loan specially borrowed minus the interest income of the borrowed capital that has not been used in the bank deposit or the revenue from temporary investment from the actual interests incurred in the current period of specially borrowed capital.

(2) In the case of utilizing general loan for acquisition and construction or production activities of assets conforming to capitalization conditions, the interest amount of general loan needs to be capitalized is calculated by

multiplying the weighted average of the part of aggregate assets expenditure in excess of the special loan expenditure of assets by the capitalization rate of utilized general loan.

(XXI) Biological assets

Biological assets are classified into consumptive biological assets, productive biological assets and biological assets for commonweal. The Company's biological assets refer to the productive biological assets forest deer.

1. Consumptive biological assets

(1) Measurement of consumptive biological assets

The consumptive biological assets shall be initially measured at cost. The cost of a purchased biological asset consists of the purchase price, relevant taxes, freight, insurance premium and other expenses that may be directly attributable to the purchase of this asset. The cost of consumptive biological assets such as self-cultivating forest consists of the necessary expenses before closing for forestation, forest tending, forest operating facilities, testing of good species, investigation and design, borrowing costs, indirect apportionment, etc. Subsequent expenditures for replanting forest biological assets due to selective cutting, intermediate cutting or tending cutting should be recognized in the cost of forest biological assets. The necessary expenses such as management and maintenance expenses and borrowing costs incurred for consumptive forest biological assets after closing should be recognized in the current profit or loss. The borrowing costs incurred for consumptive forest biological assets should cease to be capitalized at closing.

(2) Impairment of consumptive biological assets

At the end of the year, the consumptive biological assets should be inspected and the provision for depreciation should be made and recognized in the current profit or loss according to the difference between the net realizable value and the carrying amounts. If the influencing factors of the impairment of consumptive biological assets not existed, the impairment that has been made should be recovered, and the amount recovered should be recognized in the current profit or loss.

(3) Harvest and disposal of consumptive biological assets

When harvesting or selling consumptive biological assets, the cost should be carried forward according to their carrying amounts. The method of carrying forward the cost should be the weighted average method or the specific identification method. The agricultural products after harvest should be processed with the inventory accounting method.

2. Productive biological assets

The initial measurement shall be made to the productive biological assets at its cost. The cost of self-cultivating or self-breeding productive biological assets is the necessary expenditures that can be directly attributable to the asset incurred before the asset reaches its intended production and operation purpose, including borrowing costs that meet the conditions for capitalization.

The subsequent expenses for the management and protection or for the breeding of a productive biological asset after canopy closure of after the accomplishment of the expected objective of production and operation shall be recognized in the current profits and losses.

The balance of the disposal income from the sale, inventory loss, death or damage of productive biological assets after deducting its book value and relevant taxes is recognized in the current profit and loss

(1) Estimated residual value, depreciation period, and depreciation method of productive biological assets

Type	Estimated residual value rate	Depreciation years	Annual depreciation rate	Depreciation
Forest musk deer	0%	10 years	10%	Straight-line method
Trees	0%	10 years	10%	Straight-line method

(2) The Company rechecks the service life, expected net residual value and depreciation method of productive biological assets at the end of each year. If the estimated service life differs from the original estimated service life, the service life of the productive biological assets should be adjusted; if the estimated net residual value differs from the original estimated one, the estimated net residual value should be adjusted; if there is a significant change in the expected realization method of the economic benefits related to the productive biological assets, the depreciation method of productive biological assets should be changed.

3. Biological assets for commonweal are not amortized or depreciated.

(XXII) Intangible Assets

1. Valuation method, service life and impairment test of intangible assets

Intangible assets are measured by actual cost. The cost of a purchased asset consists of purchase price, associated taxes and other expenses used for bringing the asset to its expected state for use. If the payment for an intangible asset is delayed beyond the normal credit conditions and is of financing nature in effect, the cost of the intangible asset is the present value of the purchase price. The cost input by the investors in intangible assets shall be determined in accordance with the value stipulated in the investment contract or agreement. And in case of the contract or agreement stipulates that the value is not fair, it shall be recognized as the fair value of intangible assets. For the intangible assets obtained through the exchange of non-monetary assets, its initial investment cost is determined in accordance with Accounting Standards for Business Enterprises No. 7 – Exchange of Non-monetary Assets. For the intangible assets obtained through debt restructuring, the initial investment cost is determined in accordance with "Accounting Standards for Business Enterprises No. 12 – Debt Restructuring". The entry value of intangible asset acquired in business combinations under common control shall be recognized based on the fair value of the merged; the entry value of intangible asset acquired by business combinations not under common control shall be recognized based on the fair value.

The Company shall analyze and assess the useful life of an intangible asset on its acquisition. For intangible assets with limited service life. the straight-line equal amortization installment method shall be adopted from the day the intangible assets are available for use to the day they are not confirmed as intangible asset. For the intangible assets of which the service lives are uncertain, no amortization is required.

Amortization method for the Company' s intangible assets with limited service lives:

Type	Estimated service life (year)	Amortization method
Patent rignt	10-20	Straight-line method
Land use rights	40-50	Straight-line method
Computer software, etc.	2-10	Straight-line method

The Company verifies the service life and depreciation rates of the intangible assets at the end of each year. Amortization period and method shall be changed if the service life and amortization method for intangible assets is different from previous estimates. Service life of intangible assets with unconfirmed service life shall be reviewed in each fiscal period. If there is evidence indicating that the service life is limited, the treatment is conducted in accordance with regulations above with the limited service life estimated.

For the impairment test method and calculation method for impairment provision of intangible assets, please refer to Note III (XXIII) "Long-term assets impairment".

2. Accounting policies for the expenditure of internal research and development

The expenditures of the Company in the internal research and development projects are divided into the expenditures in the research stage and the expenditures in the development stage.

Expenditures in the research stage shall be recognized in current profit or loss when incurred.

Expenditures spent on the development stage shall be capitalized when meeting the following conditions at the same time: The intangible assets are accomplished to have technical practicality in use and sale; the goal is to complete, use or sell the intangible assets; there are ways for intangible assets to generate economic profits, including the markets proving the existence of products produced with intangible assets and the market proving the existence of intangible asset; when the intangible assets are used internally, the usability of such intangible assets can be proved; there are enough resources of technique, finance and other resources supporting to accomplish the development of intangible assets, and such intangible assets can be used or sold; and the expense incurred in the development period of intangible assets can reliably measured. Expenditures in the development stages which do not meet the conditions above shall be recognized in the profit or loss of the current period.

Once the above conditions were satisfied, the R&D program will be examined in the way of technical and economic practicality research and formed as an established program and then moved into the development stage.

Capitalized expense in the development stage is listed as development expense in the balance sheet, and then is turned into intangible assets on the date when this project is to reach the intended usable state.

(XXIII) Long-term asset impairment

Impairment test shall be made for long-term assets such as the long-term equity investments, investment-based property calculated at cost model, fixed assets, construction in process, intangible assets with indication for depreciation on balance sheet date. If result of impairment test indicates that the recoverable amount of asset is lower than its carrying amounts, then the difference between them shall be accrued for impairment provision and recognized in impairment loss. Recoverable amount is the higher value between the net amount in which the disposing expense is deducted from the fair value of asset and the current value of the estimated cash flow in the future. Provision for impairment of the assets shall be calculated and recognized on a single asset basis, and if the recoverable amounts of a single asset cannot be estimated, it is allowed to estimate the recoverable amount of the asset group to which the said asset belongs. Asset group is the minimum asset portfolio that can generate cash inflow independently.

Goodwill is subject to impairment test at the end of each year at least. The Company carries out impairment test on goodwill. Its carrying amounts due to business combinations shall be allocated to correlative asset group by a rational way since the date of purchase. And for the part which is difficult to allocate to related asset group, it shall be allocated to relevant asset group combination. When allocating the carrying amount of goodwill to relevant asset group or portfolio, the proportion of fair value of each asset group or portfolio in total fair value of relevant asset groups or portfolios is used for allocation. In case it is difficult to reliably measure the fair value, then the proportion of carrying amounts of each asset group or portfolio in total carrying amounts of relevant asset groups or portfolios is used for allocation. When any sign of impairment to asset group or asset group combination related to goodwill is found in test, the Company shall firstly examine impairment of the ones not including goodwill, and then calculate recoverable amount to finally determine correlative impairment loss. Where impairment test is conducted to asset group or asset group portfolio including goodwill, compare the carrying amount of these relevant asset group or asset group portfolio (including the carrying amounts of amortized goodwill) with its recoverable amount, if the carrying amounts of these relevant asset group or asset group portfolio is lower than its carrying amounts, determine the goodwill impairment loss.

Once the above statement of the impairment loss is confirmed, it shall not be reversed in the later accounting sessions.

(XXIV) Long-term deferred expenses

Long-term prepaid expenses refer to various costs that have occurred to the Company, and are amortized in the current and future periods exceeding one year, including improvement expenses of fixed assets leased for operation and the like. Long-term deferred expenses will be amortized evenly during benefit period of related projects.

Items	Amortization method	Age limit of amortization
Expenses of improvement of leased fixed assets in operation	Straight-line method	Benefit period

(XXV) Contract liabilities

The contract liability accounting policy is applicable to subsidiaries Longxi Bearing and Pien Tze Huang that have implemented the new revenue standards.

Contract liabilities reflect the company's obligation to transfer goods to customers for consideration received or receivable from customers, before the company transfers the goods to the customer, the customer has paid the contract consideration or the company has obtained the right to unconditionally receive the contract consideration, when the actual payment by the customer is earlier than the payment due, the contract liability shall be confirmed according to the amount received or receivable.

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

(XXVI) Employee remuneration

Employee benefits refer to compensations and other expenditures in any form paid by the Company as a consideration for the services provided by its staff or for employment termination. Welfare which is provided for partner, children and dependents of employees, families of late employees and other beneficiaries by the Enterprise is also recognized in employee remuneration. Employee benefits mainly include short-term benefits, post-employment benefits, termination benefits and other long-term benefits.

1. Accounting methods for short-term remuneration

Short-term remuneration refers to the compensation that shall be paid to the employee after the total completion of the related service annual reporting period of the twelve months, the post-employment benefits and dismiss welfare are excluded. The employee short-term remuneration payable is recognized as liabilities during the fiscal period within the employment period, and is charged to the relevant asset costs and expenses of those served by such employees:

2. Accounting methods for post-employment benefits

Post-employment benefits refers that the Company provides various forms of compensation and welfare, excluding short-term remuneration and temination benefits to the employees, which benefits employees when they are retired or after the employment termination. Post-employment benefits includes defined contribution plan and defined benefit plan. Wherein, a defined contribution plan refers to a post-employment benefit plan for which the Company bears no obligation on further payments after depositing fixed amounts into an independent foundation; and a defined benefit plan refers to any post-employment benefit plan other than the defined contribution plan.

(1) Defined contribution plans

Defined contribution plans include the basic pension insurance, unemployment insurance, and corporation pension plan. During the accounting period when employees are serving the Company, the calculated amount payable according to the locally specified payment base and proportion shall be recognized as liabilities and recognized in current profit or loss or related asset costs.

(2) Defined benefit plans

The welfare obligation of the defined benefit plan calculated with the formulas in the estimated accumulative welfare unit method shall be recognized in current profit or loss or related asset costs when the employees serve the Company. The employee payroll cost incurred by the Company's defined benefit plans include the following components:

A. Service costs, including current service costs, previous service costs, and profit or loss from settlement. Among them, the current service cost refers to the increase in the present value of the defined benefit plan obligation caused by the employee's current service; the previous service cost refers to the increase or decrease in the present value of the defined benefit plan obligation related to the employee's previous service caused by the modification of defined benefit plans.

B. Net interest on the net liabilities or net assets of the defined benefit plan, including the interest income of the plan assets, the interest expense of the obligations under the defined benefit plan, and the interest affected by the asset limit.

C. Re-measurement of changes in net liabilities or net assets in defined benefit plan.

Unless other accounting standards require or allow the welfare costs of employees to be recognized in the cost of assets, the Company should include items A and B above in the current profit or loss, and include item C in other comprehensive income which will not be transferred back to profit or loss in subsequent accounting periods, but the amount recognized in other comprehensive income can be transferred within the scope of interest.

3. Accounting methods for termination welfare

Termination welfare refers to the company' s compensation to the employee when the company terminates the labor relations with an employee prior to the expiration of labor contract, or for encouraging the employee to accept job cut willingly. When the Company terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognized with a corresponding expense in profit or loss at the earlier of the following dates: When the Company cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal; when the Company has a formal detailed restructuring plan involving the payment of termination benefits.

4. Accounting methods for welfare for other long-term employees

Other long-term employee benefits refer to all the other employee benefits beside short-term remuneration, post-employment benefits and dismiss welfare, including long-term compensated absence, long-term disability benefit and long-term profit sharing plan, etc. When the company offers other long-term benefits to employees, benefits conforming to the defined contribution plan are treated as per the accounting policies of the above mentioned defined contribution plan. As to long-term benefits other than the above, net liabilities or net assets of other long-term employee benefits are recognized and measured as per the stipulations of the defined benefit plans. At the end of the reporting period, the welfare of the long-term benefits to employees is considered as within the service period of the employees, and shall be calculated in current profit or loss or related asset costs.

(XXVII) Estimated liability

If obligation of the company related to contingencies occurs and complies with the following conditions simultaneously, the company shall recognize it as liability: (1) The obligation is the current obligation assumed by the Company; (2) the performance of the obligation is likely to cause the outflow of the economic benefits; (3) the amount of the obligation can be measured reliably.

When the payment to clear off estimated liability is expected to be paid entirely or partially by the third or some other party, the amount of compensation is recognized separately as asset when it is basically confirmed to be received. The recognized compensation amount shall be lower than the carrying amounts of the estimated liability. The estimated liabilities shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of relevant current obligations and full consideration of the risks, uncertainty, time value of money and other factors pertinent to the contingencies shall be taken into. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash.

The company shall check the carrying amounts of estimated liabilities at balance sheet date. In case that concrete evidence shows that the carrying amounts fails to authentically reflect current optimum estimation, the carrying amounts shall be adjusted according to the current optimum estimation.

(XXVIII) Share-based payment

1. Types of share-based payment

Share-based payment is divided into share-based payment settled by cash and share-based payment settled by equity.

Share-based payment settled by equity is measured at the fair value of the equity instruments granted to the employees. Share-based payment of which the right can be exercised immediately after the grant, shall be recognized in relevant costs and expenses as fair value of equity instruments, on the grant date. And the capital reserves shall be increased accordingly. As for share-based payment of which the right cannot be exercised until services of the waiting period are fulfilled or prescribed performance conditions are achieved, services obtained in the current period shall be recognized in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the grant date, based on the best estimate of the number of vested equity instruments, on every balance sheet date of the waiting period. After exercise date, relevant cost or expense and total owners' equities, which have been confirmed, should not be adjusted.

Share-based payment settled by cash is computed by the fair value of liabilities undertaken by the Company that are calculated by share or other equity instruments. For the settled share-based payment of which the right can be exercised immediately after the grant, the fair value of liabilities undertaken by the company will be recognized in relevant costs and expenses on the grant date and the liabilities shall be increased accordingly. As to share-based payment settled by cash, if the right cannot be exercised until services of the vesting period are fulfilled or prescribed performance conditions are achieved, services obtained in the current period shall be recognized in costs and expenses and corresponding liabilities based on the best estimate of vesting conditions on every balance sheet date of the vesting period according to the amount of fair value of liabilities undertaken by the Company. Until the liability is settled, the enterprise shall remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recognized in profit or loss for the current period.

2. Accounting for implementing, modifying and terminating share-based payment plans

Regardless of any modifications on the terms and conditions of the granted equity instruments, or even if the granting of equity instruments is cancelled or the equity instruments are settled, the company shall at least confirm to measure the relevant service according to the fair value of the granted equity instruments on the grant date, unless the vesting is not available due to the unfulfilled vesting conditions (market conditions excluded).

If the company cancels the granted equity instruments within the waiting period or settles the granted equity instruments (except the cancellation due to the unfulfilled vesting conditions), the following measures shall be taken:

(1) The cancellation or settlement shall be considered as the accelerated vesting, immediately recognizing the amount to be recognized during the remaining waiting period.

(2) All the payments to the employees at the cancellation or settlement shall be treated as redemption of equity. The amount paid for redemption that is above the fair value of the equity instruments on the redemption date shall be calculated into current expenses.

(3) On condition that new equity instrument proves to be a substitution of the cancelled equity on the date of its conferring to a staff, the company shall dispose the substitution equity instrument in the same ways as disposing the modification of the terms and conditions of the original equity instrument.

(XXIX) Preferred stocks, permanent debts and other financial instruments

The initial recognition and measurement of financial instruments issued by the company are conducted in accordance with financial instrument standards and the differentiation of financial liabilities and equity instruments as well as relevant accounting regulations. Then, based on the classification of the financial instrument issued, the company determines the accounting treatment of interest expenditure, dividend distribution and other aspects of the instrument. As to the financial instrument classified as equity instrument, the interest expenditure and dividend distribution are treated as the profit distribution of issuing enterprise, and the repurchase and cancel will be treated as the changes of rights and interests. As to the financial instrument classified as financial liability, the interest expenditure and dividend distribution are treated as borrowing costs in principle, and the profit or loss attributable to repurchase or redemption are recognized in the current profit or loss.

In case of the issuance of financial instrument, the handling charges, commission and other transaction costs shall be recognized in the initial measurement amount of the instrument issued if the instrument is classified as debt instrument and measured according to amortized cost, or they shall be deducted from equity if classified as equity instrument.

(XXX) Income

General principles of income recognition

1. Sales of goods

The Company has transferred main risks and compensation related to the ownership of commodity to the buyer, and neither retains the continuing management rights that are usually associated with ownership, nor does it exercise effective control over the goods sold, the amount of income can be measured reliably, relevant economic benefits are very likely to flow into the enterprise and relevant cost that has incurred or will incur can be measured reliably. In this case, income from commodity sales is recognized.

2. Providing labor service

The Company recognizes income from providing labor services by percentage-on-completion method when the results of labor transaction can be estimated reliably on balance sheet date.

If the results of labor service transactions cannot be estimated reliably on balance sheet date, the Company shall deal with it according to the following situations respectively:

(1) For the labor service cost occurred that is predicted to be compensated,

its labor service income shall be recognized based on the amount of the labor service cost incurred, and the labor service cost shall be carried forward at the same amount.

(2) For the labor service cost occurred that is predicted cannot be compensated, its labor service income shall be recorded in profit or loss of current period, and the labor service cost shall not be recognized as having been provided.

3. Transfer of assets use right

The interest income of capital provided shall be determined according to the time when other parties use the capital of the company and at actual interest rate. The income of using fees caused due to other parties using the non-cash assets of the company shall be confirmed according the charge time and method agreed in relevant contracts or agreements. The revenues arising from the use by others of the Company's assets shall be recognized only when both of the following conditions are satisfied:

(1) The relevant economic benefits are very likely to flow into the enterprise;

(2) The amount of income can be measured reliably.

4. Specific method for income recognition of the Company:

In the case of domestic sales, after the goods have been sent, and the relevant payment or the receipt has been received, the Company recognizes the income;

In the case of export sales, after the goods have been declared and exported, and the relevant payment or the receipt has been received, the Company recognizes the income;

(XXXI) Contract cost

The contract cost accounting policy is applicable to subsidiaries Longxi

Bearing and Pien Tze Huang that have implemented the new revenue standards.

Contract costs include incremental costs incurred in obtaining contracts and contract performance costs.

The incremental cost incurred to obtain the contract refers to the cost (such as sales commission, etc.) that the company would not incur without obtaining the contract. If the cost is expected to be recovered, the company will recognize it as an asset as a contract acquisition cost. The company's expenses incurred to obtain the contract, other than the incremental cost that is expected to be recovered, are recognised in the current profits and losses when they occur.

If the cost incurred in fulfilling the contract does not apply to the scope of regulations of relevant standards such as inventory, fixed assets or intangible assets, and the following conditions are met at the same time, the company will recognize it as the contract performance cost as an asset:

(1) The costs directly relate to an existing contract or to an anticipated contract, including direct labor, direct materials, allocation of overhead (or similar costs), costs that are explicity chargable to the customer and other costs that are incurred solely due to the contract.

(2) The costs generate of enhance resources of th Company that will be used in satisfying performance obligations in the future.

(3) The costs are expected to be recovered.

Assets recognized for the incremental costs of obtaining a contract and assets recognized for the costs to fulfill a contract (the "assets related to contract costs") are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognized in profit and loss for the current period.

The Company recognises an impairement loss in profit or loss to the extent that the carryingamount of an aset related to contract costs exceeds:

remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates, less

the costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

If the impairment factors of the previous period change later, so that the difference of (1) minus (2) is higher than the book value of the asset, the original provision for asset depreciation shall be reversed and included in the current profit and loss, however, the book value of the asset after the reversal shall not exceed the book value of the asset on the reversal date under the assumption that no impairment provision is made.

(XXXII) Government subsidies

1. Types of government subsidies

Government subsidy refers to monetary assets or non-monetary assets acquired without any charge from the government, including the government subsidies related to assets and incomes.

Government grants related to assets are grants whose primary condition is that the Company qualifying for them should purchase, construct or otherwise acquire long-term assets.

Government grants related to income are grants other than those related to assets.

2. Recognition principle and recognition time point for government subsidies

Recognition principle of government subsidy:

(1) The Company can meet the attached requirements for government subsidy;

(2) The Company subsidy can receive the government subsidy.

Government subsidies can be recognized only when they meet the above conditions.

3. Measurement of government subsidies

(1) If government subsidy is monetary assets, it shall be calculated according to the received or receivable amount.

(2) If the government subsidy is non-monetary assets, it shall be measured at the fair value; If the fair value fails to be obtained reliably, it shall be calculated according to nominal amount (RMB 1).

4. Accounting method for government subsidies

(1) Asset-related government subsidies should offset the carrying amounts of related assets or be recognized as deferred incomes when obtained. The subsidies recognized as deferred incomes should be reasonably and systematically recorded in profit or loss within the useful life of related assets. Government subsidies measured at nominal amount will be recognized in current profit or loss directly.

(2) Government subsidy related to benefits is dealt with according to different situations:

A. If used to make up for the Company's future expenses or losses, they should be recognized as deferred incomes when obtained and recognized in current profit or loss or used to offset relevant costs in the period when relevant expenses or losses are recognized;

B. If used to make up for the Company' s expenses or losses already incurred, they should be directly recognized in current profit or loss when obtained or used to offset relevant costs.

(3) Government subsidies containing both asset-related and income-related parts should be separately accounted for if they can be distinguished; if it is hard to distinguish between them, they should be classified as income-related government subsidies as a whole.

(4) The government subsidies related to the Company' s daily operation

should be recognized in other incomes or used to offset relevant cost expenses based on their substance of transactions. The government grants irrelevant to the Company' s daily activities should be recognized in non-operating revenues and expenditures. If the finance discount is directly allocated to the Company, the Company should use the corresponding discount to offset relevant borrowing costs.

(5) If it is necessary to refund any government subsidy which has been recognized, it shall be treated respectively in accordance with the circumstances as follows:

A. If it is recorded to assets during initial recognition, the book balance of the related assets shall be offset against;

B. If there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses;

C. In other circumstances, it shall be directly included in the current profit and loss.

(XXXIII) Deferred income tax assets and deferred income tax liabilities

When the Company obtains assets or liabilities, it determines the tax base. In case of temporary discrepancy between carrying amount of a liability or an asset and its tax base, deferred tax assets or liabilities are recognized as stated.

1. Recognition of deferred tax assets

(1) Recognition of deferred tax assets shall be subject to taxable income possibly obtained by the Company for deduction of deductible temporary differences, deductible losses and tax deductions. However, deferred tax assets incurred from the initial recognition of assets or liabilities are not recognized as follows: (i) the transaction is not business combination; (ii) when it occurs,

neither accounting profits nor taxable incomes or deductible losses are affected.

(2) Where the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint enterprises meet the following requirements simultaneously, the Compaines shall recognize the corresponding deferred tax assets: (i) temporary differences are likely to be reversed in the foreseeable future; (ii) it is likely to gain offset deductible temporary differences in the amount of taxable income in the future.

(3)As for any deductible loss or tax deduction that can be carried forward to the next year according to tax law stipulations, they will be treated as deductible temporary differences, and the corresponding deferred tax assets shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

2. Recognition of deferred tax liabilities

(1) Except the deferred tax liabilities incurred from the following transactions, the company shall recognize all the deferred tax liabilities incurred by the temporary difference of payable tax. (i) initial recognition of goodwill; (ii) the initial recognition of assets or liabilities incurred in the transactions meets the following characteristics: the transaction is not business combination; when it occurs, neither accounting profits nor taxable incomes (or deductible losses) are affected.

(2) Company shall confirm the according deferred income tax liabilities as for the temporary difference of payable taxes related to investment of subsidiaries, affiliated companies and joint ventures. However, what has been mentioned in the above is not applicable to the following condition: (i) The investment company can control the time of reversal of temporary difference; (ii) and the temporary difference is unlikely to be reversed in the expected future.

(XXXIV) Lease

1. Accounting treatment of operating lease

For the rent generated from operating lease, the lessor and lessee shall record it as current profit or loss using the straight-line method according to each period of lease term. The initial direct expense incurred by the lessee and lessor shall be recognized in current profit or loss. Contingent rental shall be recognized in the current profit or loss when it is actually incurred.

2. Accounting treatment for financing lease

(1) Accounting Treatments of Lessees in Finance Leases

On the lease beginning date, a lessee shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The initial direct costs such as commissions, attorney's fees and traveling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. When a lessee calculates the present value of the minimum lease payments, if it can obtain the lessor's interest rate implicit in the lease, it shall adopt the interest rate implicit in the lease as the discount rate. Otherwise, it shall adopt the interest rate provided in the lease agreement as the discount rate. In case the lessee cannot obtain the lessor's interest rate implicit in the lease and no interest rate is provided in the lease agreement, the lessee shall adopt the borrowing interest rate of the bank for the same period as the discount rate. The unrecognized financing charge shall be amortized to each period during the lease term.

In calculating the depreciation of a leased asset, the lessee should adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life. Contingent rents shall be recognized as an expense in the period in which they are actually incurred.

(2) Accounting Treatments of Lessors in Finance Leases

On the beginning date of the lease term, a lessor shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and record the unguaranteed residual value at the same time. The balance between the sums of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income.

The unrealized financing income shall be allocated to each period during the lease term by adopting the effective interest rate method.

Contingent rents shall be recorded into the profits and losses of the period in which they actually arise.

(XXXV) Fair value

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company measures related assets or liabilities at fair value, assuming that the orderly transaction of selling assets or transferring liabilities takes place in the main market for the relevant assets or liabilities; if there is no main market, the company assumes that the transaction is conducted in the most favorable market for the relevant assets or liabilities . The main market (or the most favorable market) is the trading market that the company can enter on the measurement day. The company adopts the assumptions used by market participants to maximize their economic benefits when pricing the asset or liability.

For financial assets or financial liabilities in an active market, the Company uses the quoted prices in the active market to determine its fair value. If there is no active market for a financial instrument, the company adopts valuation techniques to determine its fair value.

When non-financial assets are measured at fair value, the ability of market participants to use the asset for the best use to generate economic benefits, or the ability to sell the asset to other market participants who can be used for the best use to generate economic benefits is considered.

The Company adopts valuation techniques that are applicable under current situation and supported by sufficient data and other information to give priority to the use of relevant observable input values. Unallowable values are used if the relevant observable input values are not available or are not practicable.

For assets and liabilities that are measured or disclosed at fair value in financial statements, the fair value level to which they belong based is determine based on the lowest level of input value that is important to the fair value measurement as a whole: the input value of the first level is the unadjusted quoted price of the same asset or liability in the active market that can be obtained on the measurement date; the input value of the second level is the directly or indirectly observable related assets or liabilities other than the input value of the first level The input value of: the third level input value is the unobservable input value of related assets or liabilities.

On each balance sheet date, the company re-evaluates the assets and liabilities that are continuously measured at fair value in the financial statements to determine whether there is a transition between the fair value measurement levels.

(XXXVI) Safety production cost

Safety production costs and maintenance costs are included in the cost of the relevant product or current profit and loss at the time of withdrawal, and also included in the "special reserve" account.

If a fixed asset is formed, the safety production fee and maintenance fee first drawn through the "construction in progress" subject are used in accordance with the prescribed scope, if it is an expense expenditure, it will directly offset the special reserve, the expenditure incurred in the collection is recognized as a fixed asset when the safety project is completed and reaches the expected usable state; at the same time, the special reserve is offset according to the cost of forming the fixed asset, and the accumulated depreciation of the same amount is confirmed. This fixed asset will no longer be depreciated in future periods.

(XXXVII) Other significant accounting policies and accounting estimates

1. Repurchase shares of the Company

The consideration and transaction fees paid by the Company for repurchasing its own equity instruments should reduce the owner's equity.

After submitting to a higher authority for approval according to legal procedures, the Company will reduce the capital by means of repurchasing the shares of the Company, reduce the share capital by the total face value of the canceled shares, and adjust the owner's equity based on the difference between the price paid for the repurchased shares (including the transaction fee) and the face value of the shares. The portion exceeding the total face value is used to offset the capital reserve (share premium), surplus reserve and undistributed profit; the portion below the total face value is used to increase the capital reserve (share premium). When the Company repurchases its own equity instruments, gains or losses should not be recognized.

The Company's shares repurchased should be managed as treasury shares before cancellation or transfer, and all the expenditures for repurchase of the shares should be transferred to the cost of treasury shares, and registration for future reference should be made.

During the transfer of treasury shares, transfer the proportion of the income higher than the cost of treasury shares and increase the capital reserve (share premium); and use the proportion of the income lower than the cost of treasury shares to offset capital reserve (share premium), surplus reserve and retained earnings, in turn.

The treasury shares formed by the Company in repurchasing its common shares should not be recognized in the profit distribution of the Company and should be listed as an allowance item for the owner' s equity in the balance sheet.

2. Asset-backed securitization

The Company establishes special purpose entities as the carrier of structured financing, and transfers financial assets to special purpose entities. If the Company can control these special purpose entities, they will be regarded as subsidiaries and recognized in the scope of the Company's consolidated financial statements.

When the Company sells financial assets, it promises that when the transferred financial assets suffer credit losses in the future, the Company will make full compensation. The Company essentially retains almost all the risks and returns of the ownership of the financial assets. The Company has not terminated the recognition of the sold financial assets.

The funds raised by asset securitization are recognized in special payables, and the asset securitization financing expenses (including financial advisory fees, bank guarantee fees, etc.) are recognized in the current financial expenses. The difference between the right to earnings and the actually raised entrusted funds is recognized in long-term unamortized expenses. The amortization of the projects implemented under securitization within the duration is recognized in financial expenses.

3. Hedge accounting

The hedge accounting method refers to the method of including the results of offset between the changes in the fair value of the hedging instrument and the changes in the fair value of the hedged item into the current profit or loss in the same accounting period.

The hedging instrument refers to the derivative instrument used by the Company to avoid foreign exchange risk, interest rate risk, commodity price risk, stock price risk, credit risk, etc., and is divided into fair value hedge, cash flow hedge and overseas net investment hedge. For the hedging instruments that meet the following conditions, the hedge accounting method is used:

(1) The Company officially designates the relevant hedging relationships between hedging instrument and hedged items and provides official documents recording the hedging relationships, risk management objective and hedging strategy.

(2) Such hedging is expected to bring great effectiveness, and conform to the risk management strategy confirmed by the Company for such hedging relationship originally.

(3) In case of cash flow hedging for expected transaction, such transaction shall likely to happen, and make the Company to face cash flow change risk ultimately affecting the profit or loss.

(4) The effectiveness of hedging shall be reliably calculated.

(5) The Company shall continue to evaluate the effectiveness of such hedging

relationship, so as to confirm that the designated hedging relationship enjoys great effectiveness in the period.

If the fair value hedge meets the above conditions, the gains or losses arising from the changes in fair value should be recognized in profit or loss.

If the cash flow hedge meets the above conditions, the portion of the hedge gains or losses related to effective hedges should be recognized in other comprehensive income, and those related to ineffective hedges should be recognized in the current profit or loss. If the hedged item is an expected transaction and the expected transaction causes the Company to subsequently recognize a financial asset or financial liability, the gains or losses previously recognized as other comprehensive income should be transferred in the same period in which the financial asset or financial liability affects the Company's profit or loss, and recognized in the current profit or loss.

If the net investment hedge in an overseas operation meets the above conditions, the Company should deal with it in accordance with the provisions similar to those for cash flow hedge accounting: The part of the gains or losses formed by the hedging instrument related to effective hedges should be directly recognized as the owner's equity and reflected in a separate item. When disposing of an overseas operation, the gains or losses of the hedging instrument reflected in the above-mentioned separate item in the owner's equity should be transferred out and recognized in the current profit or loss.

The portion of the gains or losses formed by hedging instruments related to ineffective hedges should be recognized in the current profit or loss.

For other fair value hedges, cash flow hedges and overseas net investment hedges that do not meet the above conditions, the changes in fair value should be directly recognized in the current profit or loss.

4. Construction contract

The Company recognizes income and contract costs from labor construct by percentage-on-completion when the results of labor contract can be estimated reliably on balanced sheet date.

The results of construction contract can be recognized reliably on the following basis: (i) total contract incomes can be reliably measured; (ii) economic benefits deriving from contracts are very likely to flow into the Company; (iii) actual contract costs can be clearly identified and reliably measured; (iv) the contract completion and costs for contract completion can be reliably recognized.

One the balance sheet date, the Company should recognize as the current contract income the amount which is calculated through multiplying the total contract income by the percentage of completion from which the accumulated recognized revenues in previous accounting periods are then deducted, and recognize as the current cost of contract the amount which is calculated through multiplying the estimated total contract income by the percentage of completion from which the accumulated recognized expenses in previous accounting periods are then deducted;

If the anticipated total contract cost exceeds the total contract income, the anticipated losses are recognized as current expense.

5. Assets transfer with repurchase agreement

Sales with buyback agreements refer to the sales in which the Company agrees to repurchase the same or similar products in the future while selling the goods. The Company determines whether the goods sold meet the income recognition conditions according to the terms of the contract or agreement. If the transactions of sales with buyback agreements are financing transactions, and the main risks and returns of the property in the goods have not been transferred, the income should not be recognized; if the repurchase price is greater than the original selling price, the Company should make provision for interest expenses on schedule during the repurchase period, which should be recognized in the financial expenses.

6. Derivative financial instruments

The derivative financial instruments of the Company are initially measured with the fair value on the date of signing the derivative business contract, and the subsequent measurement shall be conducted with the fair value. A derivative financial instrument with a positive fair value is recognized as an asset, and a derivative financial instrument with a negative fair value is recognized as a liability.

The Company manages the application of derivative financial instruments in accordance with relevant policies and sets out in writing the principles of the application of derivative financial instruments that are consistent with the Company's risk management strategies.

In the subsequent measurement of derivative financial instruments, gains or losses arising from changes in fair value should be recognized in the income statement. For the derivative financial instruments that qualify for hedge accounting, the recognition of any resulting gains or losses depends on the nature of the hedged item. The derivative financial instruments that do not qualify for hedge accounting should be classified as the financial assets and financial liabilities which are measured at fair value and whose changes are recognized in the current profit or loss.

7. Discontinued operation

Discontinued operation refers to the separately identifiable components that have been disposed of or classified as held for sale and meet one of the following conditions:

① The component represents an independent main business or a major business area;

② This component is a part of a related plan that intends to dispose an independent main business or a separate main operation area;

③ This component is a subsidiary acquired exclusively for resale.

(XXXVIII) Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

On July 5, 2017, the Ministry of Finance issued the "Accounting Standards for Business Enterprises No. 14-Revenue" (Caikuai [2017] No. 22) (hereinafter referred to as the "New Revenue Standards"), and required domestic listed companies to implement the guidelines for new financial instruments from January 1, 2020.

The Company' s subsidiaries, Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. (hereinafter referred to as Pien Tze Huang Pharmaceutical Co., Ltd.) and Fujian Longxi Bearing (Group) Co., Ltd. (hereinafter referred to as Longxi Bearing), are domestic listed companies ,in accordance with the aforementioned regulations, the new financial instrument standards will be implemented from January 1, 2020, in accordance with the relevant regulations for the convergence of the old and new standards, the comparable period information is not adjusted, and the cumulative impact of the implementation of the new standards on the first implementation date is retrospectively adjusted to the amount of retained earnings at the beginning of the reporting period and other related items in the financial statements.

Pien Tze Huang Pharmaceutical Co., Ltd. and Longxi Bearing, the subsidiaries of the Company, have implemented the above-mentioned new revenue standards changes, and the affected statement items and amounts are as follows:

Item	December 31,2019	January 1,2020	Adjustment amount
Receipts in advance	1,153,724,294.01	945,445,003.59	-208,279,290.42
Contract liabilities		250,264,032.76	250,264,032.76
Other receivable	1,163,481,412.61	1,099,425,646.65	-64,055,765.96
Other current liabilities	6,257,003.69	30,462,252.30	24,205,248.61
Deferred income	14,716,603.62	12,582,378.63	-2,134,224.99

2. Significant accounting estimates

No significant changes in accounting estimates occurred in other companies during the reporting period

3. Correction of errors in previous accounting periods: None

IV. Taxes

(I) Main taxes and tax rates

Taxes	Tax calculation basis	Tax rate
VAT	Value added during sale of goods or renderingof taxable services	13%, 16%, 10%, 6%, 5%, 3%
Urban maintenance and construction tax	VAT payable	7%, 5%
Education surtax	Turnover tax payable	3%, 2%
Housing property tax	House property for private use: 75% of the original value of the house property	1.2%
	House property for leasing: income from rental	12%

(2) Tax rates of enterprise income tax

Subsidiary name	Income tax rate
The Company	25%
Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.	8.25%, 15%, 16.5%, 25%
Zhangzhou Pien Tze Huang Assets Management Co., Ltd.	15%, 25%
Fujian Longxi Bearing (Group) Corp. Ltd.	15%, 20%, 25%
Zhangzhou State Asset Investment Management Co., Ltd.	25%
Xiamen Xiangjiang Import and Export Co., Ltd.	25%
Zhanghou Investment Group Co., Ltd.	25%
Zhangzhou Jiulongjiang Yuanshan Investment Co., Ltd.	25%
Zhangzhou Jiulongjiang Jiugu Investment Co., Ltd.	25%
Zhangzhou Sinopharm Real Estate Co., Ltd.	25%

Note 1: Since April 1, 2018, Hong Kong has implemented a two-tier profits tax rate, and the profits tax rate for the first 2 million yuan (HK$) of a corporation has been

reduced to 8.25%, and subsequent profits will continue to be taxed at 16.50%. Pien Tze Huang Electronic Commerce International Trading (Hong Kong) Co., Ltd., the second-level subsidiary of subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd., applies a profit tax rate of 8.25% in 2020.

Note 2: American Bearing Co., Ltd., a subsidiary of subsidiary Fujian Longxi Bearing (Group) Corp., Ltd., is registered in Delaware and its income tax rate is implemented in accordance with local taxation regulations.

(3) Tax preference

① The high-tech enterprise review of subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. has been approved, with the High-tech Enterprise Certificate issued on December 1, 2020 (Certificate No.: GR202035000548), valid for three years. The Company will pay the enterprise income tax at a preferential rate of 15% from 2020 to 2022 in accordance with the Enterprise Income Tax Law of the People's Republic of China, the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China, Regulations on Recognition of High-Tech Enterprises, as well as the Guidelines for Recognition of High-Tech Enterprises.

② The high-tech enterprise review of subsidiary Fujian Longxi Bearing (Group) Corp., Ltd. has been aproved on December 1,2020, with the High-tech Enterprise Certificate (Certificate No.: GR201735000451) issued, valid for three years. Therefore, the Company continues to enjoy a preferential enterprise income tax rate of 15% since 2020.

V. Notes to Main Items of Consolidated Financial Statements

The following financial statement data are disclosed, unless otherwise specified, "Opening balance" means January 1, 2020

(I) Cash and cash equivalent' s

Item	Closing balance	Opening balance
Cash on hand	220,122.41	216,272.56
Bank deposit	10,244,570,045.31	8,010,348,487.60
Other cash and cash equivalent' s	112,818,038.40	110,572,772.78
Total	10,357,608,206.12	8,121,137,532.94
Including: Total amount deposited in the foreign countries	47,318,953.61	40,572,422.96

Note: The amount of restricted cash and cash equivalents was RMB 3,058,452,198.91, mainly including fixed-term deposits, refundable deposits and deposits for housing reform.

(II) Financial assets measured at fair value through profits and losses

Items	Closing balance	Opening balance
Financial assets held for trading	567,871,219.96	358,254,608.39
Including: 1. Bond instrument investment		
2. Equity instrument investment	410,857,853.68	358,254,608.39
3. Derivative financial assets		
4. Others	157,013,366.28	
Financial asset designated to be measured at fair value through profit or loss	2,400,642.76	3,497,613.53
Including: 1. Bond instrument investment	1,500,000.00	2,200,000.00
2. Equity instrument investment	900,642.76	1,297,613.53
3. Others		
Total	570,271,862.72	361,752,221.92

(III) Notes receivable

1. Type of notes receivable is listed

Items	Closing balance	Opening balance
Bank acceptance	407,564,952.53	181,639,000.23
Trade acceptance	27,123,670.02	27,221,690.51
Total	1,356,183.50	
	433,332,439.05	208,860,690.74

2. Notes receivable pledged at the end of the period

Items	Derecognition amount at the end of the period	Non-derecognized amount at the end of the period
Bank acceptance	12,770,000.00	
Trade acceptance		
Total	12,770,000.00	

3. Notes receivable endorsed or discounted by the company at the end of the period and not yet due on the balance sheet date

Items	Derecognition amount at the end of the period	Non-derecognized amount at the end of the period
Bank acceptance	1,846,086,991.25	105,000,000.00
Trade acceptance		
Total	1,846,086,991.25	105,000,000.00

(IV) Accounts receivables

Item	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individual significant amount subject to individual assessment for impairmen	17,253,252.92	1.64	17,253,252.92	100.00		10,479,551.53	0.96	10,479,551.53	100.00	
Accounts receivable portfolio subject to impairment by credit risk	1,019,783,580.00	97.02	62,038,406.77	6.08	957,745,173.23	1,027,351,678.28	94.19	57,200,462.88	5.57	970,151,215.40
(I) Aging portfolio	1,000,899,499.23	95.22	62,038,406.77	6.20	938,861,092.46	965,224,833.25	88.49	57,200,462.88	5.93	908,024,370.37
(II) Low-risk portfolio	18,884,080.77	1.80			18,884,080.77	62,126,845.03	5.70			62,126,845.03
Accounts receivable with individual insignificant amount subject to individual assessment for impairment	14,057,012.65	1.34	14,057,012.65	100.00		52,904,086.28	4.85	52,901,536.28	100.00	2,550.00
Total	1,051,093,845.57	100.00	93,348,672.34	8.88	957,745,173.23	1,090,735,316.09	100.00	120,581,550.69	11.06	970,153,765.40

1. Accounts receivables with individual significant amount subject to individual assessment for impairment at the end of the period

Accounts receivable (by unit)	Closing balance			
	Accounts receivable	Provision for bad debts	Accrual proportion (%)	Reason for provision
Heyuan Guosheng Knitting Co., Ltd.	10,429,551.53	10,429,551.53	100.00	Assets have been sealed, can not be recovered, the company has sued for payment, is expected to collect a low proportion

Accounts receivable (by unit)	Closing balance			
	Accounts receivable	Provision for bad debts	Accrual proportion (%)	Reason for provision
Huzhou Friendship Knitting Equipment Business Departmen Co., Ltd.	2,543,165.83	2,543,165.83	100.00	Involved in litigation, and is not expected to be recovered
Tianjin Lianyi Textile Clothing Co., Ltd.	2,185,352.00	2,185,352.00	100.00	Involved in litigation and is not expected to be recovered
Fujian Quanzhou Haifa Pharmaceutical Co., Ltd.	717,163.44	717,163.44	100.00	The client is involved in litigation, is a dicredited enterprise, and has no property to enforce
Baomin'an Medicine Trade Co., Ltd.	961,999.06	961,999.06	100.00	The client is involved in litigation, is a dicredited enterprise, and has no property to enforce
Fujian Tongkang Pharmaceutical Co., Ltd.	416,021.06	416,021.06	100.00	The payment for the goods was overdue for multiple collections but was not settled. A lawsuit has been filed and it is expected that it cannot be recovered
Total	17,253,252.92	17,253,252.92	100.00	

2. Accounts receivable with provision for bad debts based on portfolio of credit risk characteristics

Accounts receivable use the age method for measurement of provision for bad debts in the portfolio

Aging	Closing balance		
	Accounts receivable	Reserve for bad debts	Accruing proportion (%)
Within 1 year (including 1 year)	832,281,721.50	20,277,844.36	2.44
1 - 2 year (s) (including 2 years)	69,482,039.03	2,808,297.05	0.34
2 - 3 years (inclusive)	48,042,825.25	3,414,858.36	0.41
3-4 years (including 4 years)	15,602,682.62	2,491,090.81	0.30
4-5 years (including 5 years)	2,632,513.88	188,599.24	0.02
Over 5 years	32,857,716.95	32,857,716.95	3.95
Total	1,000,899,499.23	62,038,406.77	7.45

Account receivables use the other method for measurement of provisions for bad debts in the portfolio

Low-risk items	Closing balance		
	Accounts receivable	Provision for bad debts	Proportion (%)
Related party	7,538.00		
Receivables for a pledge or collateral acquired	14,085,112.59		
pay & collecting for another	5,872.15		
Accounts receivable related to government	2,858,593.46		
Portfolio of post-instalment collection	1,893,300.00		
Others	33,664.57		
Total	18,884,080.77		

3. Accounts receivable with individual insingnificant amount subject to individual assessment for impairment

Name of debtor	Balance	Bad debt provision	Withdrawal ratio (%)
Xiamen Yitong Machinery Co., Ltd.	1,478,527.83	1,478,527.83	100.00
Xiamen Dashan Construction Machinery Co., Ltd.	66,844.01	66,844.01	100.00
Xiamen Xinchengxin Machinery Co., Ltd.	105,641.75	105,641.75	100.00
Fujian Rongkun Machinery Co., Ltd.	345,595.70	345,595.70	100.00
Jinjiang Tianlihe Innovation Technology Co., Ltd.	407,057.55	407,057.55	100.00
Quanzhou Hawa Bearing Co., Ltd.	67,040.40	67,040.40	100.00
Longyan Longhui Trading Co., Ltd.	217,486.99	217,486.99	100.00
Zhangzhou Xiaxin Machinery Co., Ltd.	1,167,086.98	1,167,086.98	100.00
Jiangxi Yichun Heavy Industry Group Co., Ltd.	127,804.00	127,804.00	100.00
Shandong Changlin Machinery Group Co., Ltd.	5,744.71	5,744.71	100.00
World Heavy Industries (China) Co., Ltd.	36,880.09	36,880.09	100.00
Jiangsu Jiugong Heavy Machinery Co., Ltd.	323,710.00	323,710.00	100.00
Jiangsu Ninggong Heavy Machinery Co., Ltd.	132,334.72	132,334.72	100.00
Xiamen Jinshanfeng Machinery Co., Ltd.	267,435.56	267,435.56	100.00
Tongxiang Sanxin Garment Factory (Ye Huadong)	1,231,034.50	1,231,034.50	100.00
Sichuan Jinyuan Textile Co., Ltd. (Ye Huadong)	1,207,003.68	1,207,003.68	100.00
Xu Jiesheng (Lu Gang, Shen Bingfeng, Zheng Zhongxin, Xie Yilin, Wang Weiqiu)	900,923.74	900,923.74	100.00
Ye Sen (Chen Zewei)	697,848.68	697,848.68	100.00
Shantou Longhu District Waisha Xinjin Knitting Equipment Operation	663,064.00	663,064.00	100.00

Name of debtor	Balance	Bad debt provision	Withdrawal ratio (%)
Department (Xu Jiesheng)			
Huang Lijun (Chen Zewei)	481,611.95	481,611.95	100.00
Huang Yongliang (Chen Zewei)	437,376.59	437,376.59	100.00
Wu Langhao (Jiang Xiuli)	425,500.00	425,500.00	100.00
Taihe Jiahe Textile Co., Ltd. (Jiang Xiuli)	378,922.96	378,922.96	100.00
Gang Xudong (Miao Jianyong)	346,652.00	346,652.00	100.00
Shandong Qihe Meidong Industry and Trade Co., Ltd. (Ma Deliang)	336,000.00	336,000.00	100.00
Yang Yuanchao (Chen Zewei)	290,076.11	290,076.11	100.00
Cui Xiaobin (Huang Bin, Qi Zhigang)	245,000.00	245,000.00	100.00
Hu Shuiduo (Chen Zhangyu)	234,750.00	234,750.00	100.00
Shandong Meida Jewelry Co., Ltd.	212,060.17	212,060.17	100.00
Liu Yanhong (Miao Jianyong)	167,309.00	167,309.00	100.00
Xintai Baifu Knitting Garment Co., Ltd. (Ma Deliang)	154,346.00	154,346.00	100.00
Hu Youfa (Ye Huadong)	148,094.71	148,094.71	100.00
Zhu Wenjuan (Chen Zewei)	115,050.00	115,050.00	100.00
Nanyang Longhua Wool Weaving Factory (Feng Tao)	108,000.00	108,000.00	100.00
Dong Xusheng (Chen Juncheng)	103,916.00	103,916.00	100.00
Suzhou Yushun Textile Co., Ltd. (Bao Fulin)	91,749.00	91,749.00	100.00
Luo Gang (Chen Zhangyu)	82,922.00	82,922.00	100.00
Tianjin Huafang Knitting Machinery Equipment Trading Co., Ltd.	73,072.23	73,072.23	100.00
Ma Hongyin (Xu Jie)	71,000.00	71,000.00	100.00
Hongfa Clothing in Xingguo County, Jiangxi (Liu Anyin)	65,600.00	65,600.00	100.00
Su Guifang	22,000.00	22,000.00	100.00
Lin Yong (Lengshuitan Direct Sales Department)	16,939.04	16,939.04	100.00
Total	14,057,012.65	14,057,012.65	100.00

4. Accounts receivables actually written off in this period

Significant write-off of impairment loss for accounts receivable in current period are as follows:

Organization name	Nature of accounts receivable	Amount of written off	Reason of written off	Perform the written off procedures	Whether the funds are generated by related transactions
Zhangzhou Tongzi Trading Co., Ltd	Payment on goods	111,514.46	Uncollectible for long-term	Management decision	No
Shanxi yongzhen trade co. LTD	Payment on goods	84,107.16	Uncollectible for long-term	Management decision	No

Organization name	Nature of accounts receivable	Amount of written off	Reason of written off	Perform the written off procedures	Whether the funds are generated by related transactions
Shanghai Jiexue Daily Chemical Products Co., Ltd.	Payment on goods	57,524.10	Uncollectible for long-term	Management decision	No
Hangzhou Jiaoyun Trading Co., Ltd.	Payment on goods	51,867.20	Uncollectible for long-term	Management decision	No
Yongan Shengxing Department Store	Payment on goods	22,219.96	Uncollectible for long-term	Management decision	No
Nanning Zhanggui Department Store	Payment on goods	14,592.65	Uncollectible for long-term	Management decision	No
Total		341,825.53			

5. Top five closing balances of accounts receivable collected by debtors

Organization name	Closing balance	Percentage in accounts receivable	Closing balance of provision for bad debts
		Proportion (%)	
Zhangzhou hospital of Fujian Province	25,269,960.91	2.40	12,300.21
Shanghai jiahua sales Co., Ltd.	21,331,822.80	2.03	1,066,591.14
The 909 hospital of Chinese People's Liberation Army Joint Logistic Support Force	19,344,218.59	1.84	591,155.26
Zhangzhou Sanmin Industry and Trade Co., Ltd.	13,245,529.02	1.26	
Sanyou Pharmaceutical Co. Ltd (Indonesia)	12,835,365.69	1.22	641,768.28
Total	92,026,897.01	8.75	2,311,814.89

(V) Prepayments

1. List by age analysis

Aging	Closing balance			Opening balance		
	Amount	Proportion (%)	Provision for bad debts	Amount	Proportion (%)	Provision for bad debts
Within 1 year	910,421,345.97	88.11		1,049,016,601.27	87.26	
1 - 2 year (s)	32,473,720.76	3.14		89,277,888.44	7.43	
2 - 3 years	37,312,041.57	3.61		59,560,616.39	4.95	
Over 3 years	53,119,929.68	5.14	1,309,667.86	5,627,631.91	0.36	1,309,667.86
Total	1,033,327,037.98	100.00	1,309,667.86	1,203,482,738.01	100.00	1,309,667.86

2. Top five closing balances of prepayments collected by prepayment objects

Organization name	Closing balance	Proportion of total prepayments (%)
Hengli Energy (Suzhou) Co., Ltd	212,388,151.77	20.55
Gansu Nuokeda Trading Co., Ltd.	85,760,534.56	8.30
Xiamen Xinbangwei Technology Co., Ltd.	77,000,000.00	7.45

Organization name	Closing balance	Proportion of total prepayments (%)
Sinochem & Petrochemical E-commerce (Shanghai) Co., Ltd	60,944,079.80	5.90
Xiamen Jingangyuan Petrochemical Co. Ltd	56,025,364.19	5.42
Total	492,118,130.32	47.62

(VI) Accounts receivable financing

Items	Closing balance	Opening balance
Bank's Acceptance Bill	74,470,653.79	6,460,909.45
Commercial Acceptance Bill		
Total	74,470,653.79	6,460,909.45

Notes receivable pledged by the company at the end of the period

Items	Pledged amount at the end of the period
Bank's Acceptance Bill	14,709,821.68
Commercial Acceptance Bill	
Toal	14,709,821.68

Note: As of December 31, 2020, the subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. has discounted and undue bank acceptance bill amounted to RMB 14,709,821.68. Since the main risks and rewards such as interest rate risk related to these bank acceptance bills have been transferred to the endorsed or discounted party. Therefore, the company terminates the confirmation of endorsed or discounted bank acceptance bills that are not yet due.

(VII) Other receivables

Items	Closing balance	Opening balance
Interests receivable	1,776,915,590.95	274,800,867.68
Dividends receivable		
Other receivables	371,371,015.88	349,675,449.41
Total	2,148,286,606.83	624,476,317.09

1. Interests receivable

Items	Closing balance	Opening balance
Fixed-term deposits	20,757,948.83	19,152,268.15
Trust lending	400,836,113.71	27,437,380.68

Items	Closing balance	Opening balance
Fixed rate returns	1,355,321,528.41	228,211,218.85
Total	1,776,915,590.95	274,800,867.68

2. Other receivables

Classification of other receivables

Type	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individual significant amount subject to individual assessment for impairment	20,974,714.88	4.36	3,104,514.88	14.80	17,870,200.00					
Other receivables portfolio subject to impairment by credit risk	457,572,252.88	95.19	106,230,048.38	23.22	351,342,204.50	454,165,474.79	100.00	104,490,025.38	23.01	349,675,449.41
Including: Aging portfolio	260,043,689.98	54.10	106,230,048.38	40.85	153,813,641.60	354,153,043.70	77.99	104,490,025.38	29.50	249,663,018.32
Low risk portfolio	197,528,562.90	41.09			197,528,562.90	99,982,431.09	22.01			99,982,431.09
Other receivables with individual insignificant amount subject to individual assessment for impairment	2,162,187.38	0.45	3,576.00	0.17	2,158,611.38					
IITotal	480,709,155.14	100.00	109,338,139.26	22.75	371,371,015.88	454,165,474.79	100.00	104,490,025.38	23.01	349,675,449.41

Other receivables using the age method for measurement of provision for bad debts in the portfolio

Aging	Closing balance		
	Other receivables	Provision for bad debts	Proportion (%)
Within 1 year (including 1 year)	135,964,604.42	1,967,043.12	1.45
1 - 2 year (s) (including 2 years)	2,570,516.43	44,983.67	1.75
2 - 3 years (inclusive)	14,287,626.18	1,017,097.26	7.12

Aging	Closing balance		
	Other receivables	Provision for bad debts	Proportion (%)
3-4 years (including 4 years)	3,323,118.20	1,061,559.11	31.94
4-5 years (including 5 years)	5,243,352.84	3,484,893.31	66.46
Over 5 years	98,654,471.91	98,654,471.91	100.00
Total	260,043,689.98	106,230,048.38	40.85

Other receivables using the other method for measurement of provision for bad debts in the portfolio

Low-risk items	Closing balance		
	Accounts receivable	Provision for bad debts	Proportion (%)
Related party	112,990,993.05		
Security deposit and deposit	1,024,943.40		
Portfolio of post-instalment collection	383,191.60		
Reserve fund	23,200.00		
Receivable of nature of relevant government agencies	80,870,053.73		
Others	2,236,181.12		
Total	197,528,562.90		

(1) Other accounts receivables actually written off in this period: None

(2) Classification of other receivables by fund nature

Fund nature	Closing book value	Opening book balance
Petty cash and deposit	16,393,594.23	5,682,453.45
Current account	76,313,081.87	337,491,941.76
Amount withheld	37,449,991.06	46,115,564.77
Temporary loan	143,270,200.00	10,619,712.05
Relocation grants and loans	9,073,226.83	
Special fund	30,117,603.74	
Payment for investment		19,842,800.00
Export rebates	513,708.08	2,248,647.10
Contingency working capital		
Settlement fees	3,698,320.58	

Fund nature	Closing book value	Opening book balance
Legal cost	4,220,835.00	4,533,797.21
Trust loan and management fee	90,135,248.62	11,532,378.05
Government subsidy receivable	46,573,892.04	9,398,311.28
Storage fee		1,318,138.78
Prepaid sea freight	46,709.57	
Others	22,902,743.52	5,381,730.34
Total	480,709,155.14	454,165,474.79

(3) Top five closing balances of other accounts receivable collected by debtors

Organization name	Fund nature	Closing balance	Aging	Proportion in total closing balance of other receivables (%)	Reserve for bad debts Closing balance
Zhangzhou Xiangcheng Urban and Rural Construction Bureau	Preliminary project funds	45,023,365.84	Within 1 year	9.37	
Zhangpu County Qianting Industrial Park Economic Development Co. Ltd	Receivable of nature of relevant government agencies	22,617,603.74	Within 1 year	4.71	
Zhangzhou Metal Material Co. Ltd	Current account	11,840,000.00	1- 3 year(s)	2.46	
Zhangzhou Guleigang Economic Development Zone, Fujian Finance Bureau	Raw water subsidy	9,461,409.88	Within 1 year	1.97	
Zhangnan Co. Ltd	Raw water subsidy	8,070,000.00	Within 1 year	1.68	
Total		97,012,379.46		20.18	

(VIII) Inventory

1. Classifications of inventories

Items	Closing balance			Opening balance		
	Carrying amount before valuation allowance	Valuation allowance	Net carrying amount	Carrying amount before valuation allowance	Valuation allowance	Net carrying amount
Raw materials	1,480,911,064.80	35,773,643.07	1,445,137,421.73	1,460,849,042.04	25,098,769.34	1,435,750,272.70
Products in process and self-manufactured semi-finished products	293,738,175.42	38,097,114.42	255,641,061.00	276,048,320.94	43,010,905.47	233,037,415.47

Items	Closing balance			Opening balance		
	Carrying amount before valuation allowance	Valuation allowance	Net carrying amount	Carrying amount before valuation allowance	Valuation allowance	Net carrying amount
Goods on hand	1,861,086,093.77	46,796,496.37	1,814,289,597.40	1,553,309,541.12	44,194,743.09	1,509,114,798.03
Goods delivered	16,692,266.39	1,384,182.19	15,308,084.20	8,558,623.58	129,618.81	8,429,004.77
Low-value consumables and packaging	60,632,482.50	110,568.85	60,521,913.65	33,056,568.32	313,640.63	32,742,927.69
Outsourced semi-finished products	1,880,440.28	65,411.52	1,815,028.76	19,142,247.96	342,039.19	18,800,208.77
Material on consignment for further processing	13,607,353.50	136,019.66	13,471,333.84	9,217,877.65	157,078.26	9,060,799.39
Development cost	800,572,221.07		800,572,221.07	1,232,300,827.65		1,232,300,827.65
Development products	505,709,120.26		505,709,120.26	31,562,625.99		31,562,625.99
Others	10,875.17		10,875.17	76,490.00		76,490.00
Total	5,034,840,093.16	122,363,436.08	4,912,476,657.08	4,624,122,165.25	113,246,794.79	4,510,875,370.46

2. Provision for impairment of inventories

Items	Opening balance	Charge during current period		Reductions during current period		Closing balance
		Accrual	Others	Recovery or write-off	Others	
Raw materials	25,098,769.34	18,177,972.73		7,503,099.00		35,773,643.07
Products in process and self-manufactured semi-finished products	43,010,905.47	8,708,339.85		13,622,130.90		38,097,114.42
Good on hand	44,194,743.09	22,891,007.77		20,289,254.49		46,796,496.37
Goods delivered	129,618.81	1,384,182.19		129,618.81		1,384,182.19
Low-value consumables	313,640.63	13,472.31		216,544.09		110,568.85
Outsourced semi-finished products	342,039.19			276,627.67		65,411.52
Material on consignment for further processing	157,078.26	735,304.39		756,362.99		136,019.66
Total	113,246,794.79	51,910,279.24		42,793,637.95		122,363,436.08

(IX) Assets classified as held for sale

1. The basic information of the non-current assets held for sale and the disposal group

Items	Closing balance	Fair value	Estimated cost of sale	Reasons and methods for sale	Estimated time of sale	Subordinate branch
Non-current assets held for sale	—	—	—	—	—	—

Items	Closing balance	Fair value	Estimated cost of sale	Reasons and methods for sale	Estimated time of sale	Subordinate branch
Including: Fixed assets	5,290.23	39,429,700.00		Land acquisition and storage center requisition	March 31, 2021	Gearbox Division
Investment property	76,437.44			Land acquisition and storage center requisition	March 31, 2021	Gearbox Division
Intangible assets	1,205,015.69			Land acquisition and storage center requisition	March 31, 2021	Gearbox Division
Subtotal	1,286,743.36	39,429,700.00		——	——	——
The disposal group held for sale	——	——	——	——	——	——
Total	1,286,743.36	39,429,700.00		——	——	——

Note: Fujian Sanming Gearbox Co., Ltd., a subsidiary of Fujian Longxi Bearing (Group) Co., Ltd., and Sanming Land Acquisition and Reserve Center signed the "Fujian Sanming Gearbox Co., Ltd. Chenda Plant Land and House Expropriation and Compensation" Agreement (Ming Chu Shou Zi (2020) (Ming Chu Shou Zi (2020) on October 22, 2020, The agreement stipulates that the Sanming Land Acquisition and Reserve Center will requisition the real estate and land use rights listed in the agreement and provide corresponding compensation, which will be completed before March 31, 2021. As of December 31, 2020, the subsidiary Fujian Sanming Gearbox Co., Ltd. has received 7.22 million yuan of government compensation.

2. Provision for impairment of assets held for sale

At the end of the reporting period, there was no provision for impairement of assets held for sale.

(X) Other current assets

Items	Closing balance	Opening balance
Structured deposits and other wealth management products		640,400,000.00
Value-added tax to be deducted	147,474,178.14	145,160,606.98
Deferred rent	2,949,930.98	2,005,659.76
Prepaid income tax	6,285,327.68	10,207,192.52
Prepaid other taxes	3,819,355.13	8,893,250.93
Other deferred expenses	29,119,168.64	23,523,465.00
Total	189,647,960.57	830,190,175.19

(XI) Loans and payments

1. Loans and advances classified by individuals and enterprises

Items	Closing balance	Opening balance
Personal loans and advances	137,270,648.00	65,663,777.00
—Credit card		
—Home mortgage	113,544,600.00	41,839,377.00
—Others	23,726,048.00	23,824,400.00
Corporate loans and advances	33,121,908.36	108,471,908.36
—Loan	33,121,908.36	108,471,908.36
—Discount		
—Others		
Total loans and advances	170,392,556.36	174,135,685.36
Less: loan loss reserves	1,173,583.67	1,173,583.67
Including: Single item provision	1,173,583.67	1,173,583.67
Portfolio provision		
Book value of loans and advances	169,218,972.69	172,962,101.69

2. Loans and advances classified by means of guarantees

Items	Closing balance	Opening balance
Credit loan		
Guarantee credit		
Collateral loan	170,392,556.36	174,135,685.36
Including: Mortgage loan	100,539,588.92	68,746,308.36
Pledge loan	69,852,967.44	105,389,377.00
Total loans and advances	170,392,556.36	174,135,685.36
Less: Provision for loan losses	1,173,583.67	1,173,583.67
Including: Single item provision	1,173,583.67	1,173,583.67
Portfolio provision		
Book value of loans and advances	169,218,972.69	172,962,101.69

(XII) Financial assets available for sale

1. Details of financial assets available for sale

Items	Closing balance			Opening balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Available-for-sale liability instrument:						

Items	Closing balance			Opening balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Equity instrument available for sale:						
Measured at Fair value	926,892,419.43		926,892,419.43	846,299,412.25		846,299,412.25
Measured at cost	1,354,988,440.21	8,720,000.00	1,346,268,440.21	1,327,934,820.21	8,720,000.00	1,319,214,820.21
Others						
Total	2,281,880,859.64	8,720,000.00	2,273,160,859.64	2,174,234,232.46	8,720,000.00	2,165,514,232.46

2. Financial assets available for sale measured at fair values at the end of the year

Classification of financial assets available for sale	Equity instrument available for sale	Available-for-sale liability instrument	Total
Costs of equity instruments/amortized costs of debt instruments	710,141,656.89		710,141,656.89
Fair value	926,892,419.43		926,892,419.43
Accumulated change amount of fair value recognized in other comprehensive income	216,750,762.54		216,750,762.54
Provision for impairment			

3. Available-for-sale financial assets measured at cost at the end of the period

The investee	Book balance				Impairment allowance				Ownership in invested companies (%)	Cash bonus of current period
	Opening balance	Increase in current period	Decrease in current period	Closing balance	Opening balance	Increase in current period	Decrease in current period	Closing balance		
Xiamen International Bank	79,158,000.00			79,158,000.00					0.41	
Zhangzhou mineral water joint development company	110,000.00			110,000.00	110,000.00			110,000.00		
Zhangzhou irradiation center	560,000.00			560,000.00	560,000.00			560,000.00		
Zhangzhou office in Beijing	5,000,000.00			5,000,000.00	5,000,000.00			5,000,000.00		
Zhangzhou chengjia real estate co. LTD	31,670,000.00			31,670,000.00						
Ping' an Yingjiashu fund	93,793,244.15	-16,980.00		93,776,264.15						
Bocom guoxin NO. 2980 steady collection fund trust plan	112,000,000.00		112,000,000.00							
Fujian Southwest Development Investment Fund Partnership (Limited Partnership)		1,000,000.00		1,000,000.00						
Zhangzhou Talent Development Group Co. Ltd		30,000,000.00		30,000,000.00						
Fujian Radio and TV Grid Group Co. Ltd	169,923,368.06			169,923,368.06						
China merchants zhangzhou development co. LTD	221,028,617.30			221,028,617.30						
Fujian xinhua distribution (group) co. LTD	19,894,464.22			19,894,464.22						
Zhangzhou rural commercial bank	33,039,868.28	10,204,600.00		43,244,468.28						
Xiangcheng zhangtou equity investment partnership (limited partnership)	84,000,000.00	25,000,000.00	5,000,000.00	104,000,000.00						
Fujian enterprise technical reconstruction fund (limited partnership)	124,000,000.00			124,000,000.00						
XiangCheng huaxing small loan co., LTD	15,000,000.00			15,000,000.00						

The investee	Book balance				Impairment allowance				Ownership in invested companies (%)	Cash bonus of current period
	Opening balance	Increase in current period	Decrease in current period	Closing balance	Opening balance	Increase in current period	Decrease in current period	Closing balance		
Chang tai hua xing small loan co. LTD	15,000,000.00			15,000,000.00						
Straits equity trading center (zhangzhou) co. LTD	390,080.23			390,080.23						
Fleet registered fund	550,000.00			550,000.00	550,000.00			550,000.00		
Dongshan refrigeration plant	2,500,000.00			2,500,000.00	2,500,000.00			2,500,000.00		
Zhangzhou Development Zone Recruitment Innovation Ecological Wisdom Venture Capital Fund Partnership(L.P.)	10,500,000.00	21,000,000.00		31,500,000.00						
Zhangzhou xiangcheng district xintou new page qunxian food investment partnership (L.P.)	27,000,000.00	36,000,000.00	774,000.00	62,226,000.00						
Fujian Wanchen Biological Polytron Technologies Inc.	3,547,339.14			3,547,339.14						
Qingdao beer (zhangzhou) Co., Ltd.	5,960,600.00			5,960,600.00						
Zhangzhou Rural Commercial Bank	16,405,728.00			16,405,728.00						
Zhangzhou rural commercial bank Co., Ltd.	53,747,674.14	16,240,000.00		69,987,674.14					2.27	15,430,431.66
Longhaijiao meida development zone water supply plant	3,210,876.69			3,210,876.69					13.29	509,515.71
Longhai Rural Credit Cooperative Association	97,344,960.00			97,344,960.00					13.29	
Rural Credit Cooperatives Of Zhangpu County	108,000,000.00			108,000,000.00					5.14	
Total	1,333,334,820.21	139,427,620.00	117,774,000.00	1,354,988,440.21	8,720,000.00			8,720,000.00		15,939,947.37

4. Change of impairment of financial assets available for sale in the reporting period

Classification of financial assets available for sale	Equity instrument available for sale	Liability instrument available for sale	Total
Opening balance of impairment allowance	8,720,000.00		8,720,000.00
Accruing of current period			
Including: Transfer in from other comprehensive income			
Decrease in current period			
Including: Reversal due to rise in post-fair value			
Balance of closing impairment allowance	8,720,000.00		8,720,000.00

(XIII) Held-to-maturity investment

1. Information about held-to-maturity investment (HTM)

Items	Closing balance			Opening balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Trust lending	6,601,200,000.00		6,601,200,000.00	7,810,000,000.00		7,810,000,000.00
Agreement investment	36,858,138,628.45		36,858,138,628.45	36,036,638,628.45		36,036,638,628.45
National deb	19,236.04		19,236.04	19,236.04		19,236.04
Total	43,459,357,864.49		43,459,357,864.49	43,846,657,864.49		43,846,657,864.49

2. Significant held-to-maturity investment at the end of the period

Items	Counterpart	Amount
Agreement investment	Zhangzhou Yuanshan New City Construction Co., Ltd.	3,483,500,000.00
Agreement investment	Zhangzhou Yuanshan Daffodil Development Co., Ltd	333,000,000.00
Agreement investment	Zhangzhou Yuanshan Municipal Construction Co. Ltd	1,700,000,000.00
Agreement investment	Zhangzhou Jinzhan Real Estate Co. Ltd	800,000,000.00
Agreement investment	Zhangzhou Gulei Public Utility Development Co., Ltd.	717,000,000.00
Agreement investment	Zhangzhou Guleigang Construction and Development Co., Ltd.	1,250,000,000.00
Agreement investment	Zhangzhou Gulei Port Investment Co. Ltd	3,152,890,000.00
Agreement investment	Nanjing County Jingcheng New Area Construction Development Co., Ltd.	700,000,000.00
Agreement investment	Zhangzhou Chengjia Real Estate Co., Ltd.	21,748,628.45

Items	Counterpart	Amount
Agreement investment	Longhai Road and Bridge Construction Development Co., Ltd	300,000,000.00
Agreement investment	Haishunde (ZHANGZHOU) Environmental Protection Catalyst Co., Ltd.	20,000,000.00
Agreement investment	Fujian Zhangzhou Gulei Port Economic Development Zone Management Committee	17,630,000,000.00
Agreement investment	Fujian Gulei Port Economic Development Co., Ltd.	6,750,000,000.00
Agreement investment	Zhao'an County Urban Construction Investment Development Co., Ltd.	360,000,000.00
Agreement investment	Zhangzhou City Xiang City Investment Development Co., Ltd	180,000,000.00
Entrusted Loans	Zhangzhou Guleigang Construction and Development Co., Ltd.	250,000,000.00
Entrusted Loans	Zhangzhou Jinfeng Municipal Construction Co. Ltd	280,000,000.00
Entrusted Loans	Zhangzhou Gulei Port Investment Co. Ltd	4,500,000,000.00
Entrusted Loans	Zhangpu County Zhangdong Construction Co., Ltd.	491,200,000.00
Entrusted Loans	Pien Tze Huang (Zhangzhou) Medicine Co., Ltd.	100,000,000.00
Entrusted Loans	Nanjing Jingjiang State Owned Assets Investment Co., Ltd.	60,000,000.00
Entrusted Loans	Fujian Zhao 'an Jindu Asset Operation Co. Ltd	380,000,000.00
National debt No. 5	Zhangzhou Investment Group Co. Ltd	19,236.04
Total		43,459,357,864.49

(XIV) Long-term accounts receivables

Details of long-term accounts receivable

Items	Closing balance			Opening balance		
	Book balance	Bad debts Allowance	Book value	Book balance	Reserve for bad debts	Book value
Bocom guoxin NO. 2980 steady trust deposit				11,120,000.00		11,120,000.00
Zhangzhou Gulei Transportation Development Co., Ltd.						
The tailwater drainage pipeline in the northern part of Gulei Port	2,033,000.00		2,033,000.00	2,033,000.00		2,033,000.00
Adjustment price of intangible assets (Note 1)						
Minmetals International Trust Co., Ltd.	7,150,000.00		7,150,000.00	7,150,000.00		7,150,000.00
Total	9,183,000.00		9,183,000.00	20,303,000.00		20,303,000.00

(XV) Other Equity Instrument Investment

1. Details of other Equity Instrument Investment

Items	Closing balance	Opening balance
Industrial Securities Co., Ltd.	325,022,139.96	265,110,224.76
Liaoning Chengda Co.,Ltd.	11,448,664.32	7,169,537.73
Industrial Bank Co.,Ltd.	76,267,411.48	72,357,199.20
China Resources Double-Crane Pharmaceutical Co.,Ltd.	10,040,461.97	10,928,109.15
Fujian yangming kangyi biomedical venture capital enterprise (limited partnership)		21,918,130.76
Shanghai qingke hongkai investment management partnership (limited partnership)	4,069,302.96	3,941,132.77
Fujian Taier Group Co., Ltd. (formerly known as: Fujian Taier Electronic Technology Co., Ltd.)		885,187.99
Xiamen Qunxian Fengyuan Equity Investment Management Co., Ltd	505,605.00	487,185.00
Pianzaihuang Fengyuan Qunxian(Xiamen)Venture Investment Partnership(L.P.)		38,751,123.22
Shandong xinhai guarantee co., LTD	2,000,000.00	2,000,000.00
Xiamen Huitong Dingsheng Equity Investment Partnership (Limited Partnership)	20,798,642.11	24,294,000.00
Zhangzhou Talent Development Group Co. Ltd	19,997,760.99	
Total	470,149,988.79	447,841,830.58

2. Details of non-transactional equity instrument investments

Items	The dividend income recognized in the current period	Accumulated profits	Accumulated losses	Amount of other comprehensive income transferred to retained earnings	Reasons for designating fair value measurement and its changes included in other comprehensive income	Reasons for transferring other comprehensive income into retained earnings
Industrial Securities Co., Ltd.	2,995,595.76	142,095,368.66			The financial instrument is not held for trading purposes	
Liaoning Chengda Co.,Ltd.	47,075.10		1,700,980.28		The financial instrument is not held for trading purposes	
Industrial Bank Co.,Ltd.	2,784,655.85	70,885,322.48			The financial instrument is not held for trading purposes	
China Resources Double-Crane Pharmaceutical Co.,Ltd.	254,570.51		3,119,561.93		The financial instrument is not held for trading purposes	

Items	The dividend income recognized in the current period	Accumulated profits	Accumulated losses	Amount of other comprehensive income transferred to retained earnings	Reasons for designating fair value measurement and its changes included in other comprehensive income	Reasons for transferring other comprehensive income into retained earnings
Fujian yangming kangyi biomedical venture capital enterprise (limited partnership)		3,844,302.96			The financial instrument is not held for trading purposes	
Shanghai qingke hongkai investment management partnership (limited partnership)			9,376,310.23		The financial instrument is not held for trading purposes	
Fujian Taier Group Co., Ltd. (formerly known as: Fujian Taier Electronic Technology Co., Ltd.)		55,605.00			The financial instrument is not held for trading purposes	
Xiamen Qunxian Fengyuan Equity Investment Management Co., Ltd			2,239.01		The financial instrument is not held for trading purposes	
Pianzaihuang Fengyuan Qunxian(Xiamen)Venture Investment Partnership(L.P.)			-3,495,357.89		The financial instrument is not held for trading purposes	
Total	6,081,897.22	216,880,599.10	10,703,733.56			

(XVI) Other Non-Current Financial Assets

Items	Closing balance	Opening balance
Financial assets measured at fair value and the changes recorded in current profits and losses	60,650,458.07	
Total	60,650,458.07	

(XVII) Long-term equity investment

The investee	Opening balance	Increase or decrease in this period								Closing balance	Closing balance of depreciation reserves
		Additional investments	Decrease in investment	Profit and loss on investments confirmed with equity method	Other comprehensive incomes	Other equity change	Profit or cash dividend declared to be distributed	Withdrawn impairment reserve	Others		
Foneng (Zhangzhou) Finance Leasing Co., Ltd.	157,575,404.13			-9,863,803.46						147,711,600.67	
Fujian Fuhua Environmental Protection Technology Co., Ltd.	183,337,084.88			417,800.39						183,754,885.27	
Zhangzhou Fuhua Environmental Protection Technology Co., Ltd.	77,130,600.10			942,853.79						78,073,453.89	
Fuhua Industry and Trade (Zhangzhou) Co., Ltd.	106,957,568.32		106,957,568.32								
Zhangzhou Power Distribution and Sales Co., Ltd.	15,791,656.27			1,230,151.15						17,021,807.42	
Fujian Fuhua Gulei Petrochemical Co., Ltd.	4,764,070,512.53	176,400,000.00		-681,124,778.17						4,259,345,734.36	
Zhangzhou Tourism Investment Group Co., Ltd.	426,712,148.86			-69,488,317.93						357,223,830.93	
Zhangzhou Lantian Development Company	75,745,238.85			-3,723,789.33						72,021,449.52	
Zhangzhou Gulei Port Construction Development Co., Ltd.	536,076.27		536,076.27								

The investee	Opening balance	Increase or decrease in this period								Closing balance	Closing balance of depreciation reserves
		Additional investments	Decrease in investment	Profit and loss on investments confirmed with equity method	Other comprehensive incomes	Other equity change	Profit or cash dividend declared to be distributed	Withdrawn impairment reserve	Others		
Fujian Tongchun Pharmaceutical Co., Ltd.	115,085,126.10			16,370,183.93			16,080,000.00			115,375,310.03	
Sichuan Qixiang Pien Tze Huang Industry Co., Ltd.	6,942,343.52			-489,303.21						6,453,040.31	
Zhangzhou Xingzheng Pien Tze Huang Equity Investment Partnership (Limited Partnership)	109,353,731.87		6,528,334.57	23,214,251.56						126,039,648.86	
Shanghai Qingke Pien Tze Huang Investment Management Center (Limited Partnership)	230,049,220.46			-1,528,696.02	-6,578,081.48		5,140,358.92			216,802,084.04	
Zhangzhou Pien Tze Huang Aizhiwei Shengji Food Co., Ltd.	12,248,678.26			-845,287.08						11,403,391.18	
Fujian Longfu Bearing Co., Ltd.	8,972,680.80			-1,184,729.62						7,787,951.18	
Fujian Kaidi Hangxiao Steel Structure Co., Ltd.	32,003,670.34			18,969.05						32,022,639.39	
Zhangzhou Shuixian Pharmaceutical Co., Ltd.	102,128,085.48			16,293,567.39			3,000,000.00			115,421,652.87	
Fujian Zhongxing cinema line Co., Ltd	156,513.00									156,513.00	
Huaneng (Fujian Zhangzhou) energy Co., Ltd	10,000,000.00	150,000,000.00								160,000,000.00	

The investee	Opening balance	Increase or decrease in this period								Closing balance	Closing balance of depreciation reserves
		Additional investments	Decrease in investment	Profit and loss on investments confirmed with equity method	Other comprehensive incomes	Other equity change	Profit or cash dividend declared to be distributed	Withdrawn impairment reserve	Others		
Zhangzhou Gaoke Pien Tze Huang Protection Products Co., Ltd		3,080,000.00		1,054,148.41						4,134,148.41	
Zhangzhou Whole-process Engineering Management Consulting co. LTD		340,000.00								340,000.00	
Total	6,434,796,340.04	329,820,000.00	114,021,979.16	-708,706,779.15	-6,578,081.48		24,220,358.92			5,911,089,141.33	

(XVIII) Investment property

Investment property measured under cost model

Items	Houses and buildings	Land use rights	Total
I. Original carrying value			
1. Opening balance	575,795,699.64	48,723,249.30	624,518,948.94
2. Increase of this period	17,238,584.74	16,682,081.42	33,920,666.16
(1) Outsourcing	133,407.15		133,407.15
(2) Transferred from inventories/ fixed assets/construction in progress	5,487,390.24	32,003.29	5,519,393.53
(3) Increase by business combination			
(4) Others	11,617,787.35	16,650,078.13	28,267,865.48
3. Decrease in this period	14,657,425.36	16,650,078.13	31,307,503.49
(1) Disposal	2,354,384.03	16,650,078.13	19,004,462.16
(2) Other transfer-out	12,303,041.33		12,303,041.33
4. Closing balance	578,376,859.02	48,755,252.59	627,132,111.61
II. Accumulative depreciation and amortization			
1. Opening balance	108,117,142.41	12,172,089.08	120,289,231.49
2. Increase in this period	27,973,567.24	1,236,035.98	29,209,603.22
(1) Depreciation or amortization	22,605,258.12	1,234,361.27	23,839,619.39
(2) Transferred from inventories/ fixed assets/construction in progress	4,686,729.08	1,674.71	4,688,403.79
(3) Increase by business combination			
(4) Others	681,580.04		681,580.04
3. Decrease of this period	7,719,441.46		7,719,441.46
(1) Disposal	443,306.91		443,306.91
(2) Other transfer-out	7,276,134.55		7,276,134.55
4. Closing balance	128,371,268.19	13,408,125.06	141,779,393.25
III. Reserve for impairment			
1. Opening balance			
2. Increase of this period			
(1) Withdrawing			
3. Decrease of this period			
(1) Disposal			

Items	Houses and buildings	Land use rights	Total
(2) Other transfer-out			
4. Closing balance			
IV. Book value			
1. Closing book value	450,005,590.83	35,347,127.53	485,352,718.36
2. Opening book value	467,678,557.23	36,551,160.22	504,229,717.45

(XIX) Fixed assets

Items	Closing Balance	Opening Balance
Fixed assets	1,798,415,136.20	1,879,475,886.71
Disposal of Fixed assets	22,950,251.97	
Total	1,821,365,388.17	1,879,475,886.71

1. Fixed assets

(1) Details of fixed assets

Items	Houses and buildings	Machinery and equipment	Electronic equipment	Transportation equipment	Others	Total
I. Original carrying value						
1. Opening balance	1,881,496,069.88	1,116,115,186.45	48,308,338.58	43,714,036.40	86,032,300.52	3,175,665,931.83
2. Additions of this period	115,716,577.21	92,217,485.73	5,788,709.73	2,716,626.66	30,447,552.58	246,886,951.91
(1) Purchasing	14,442,705.77	28,127,686.98	2,706,809.57	1,710,111.60	29,741,470.92	76,728,784.84
(2) Transferred from construction in progress	29,356,381.48	39,880,504.57	667,184.60	163,022.58		70,067,093.23
(3) Increase by business combination	31,905,486.85	16,629,178.26		843,492.48	554,235.17	49,932,392.76
(4) Other additions	40,012,003.11	7,580,115.92	2,414,715.56		151,846.49	50,158,681.08
3. Decrease of this period	145,773,073.41	160,182,493.03	3,164,925.86	4,051,226.26	4,976,475.22	318,148,193.78
(1) Disposal or discard	101,596,687.49	150,536,951.58	3,164,925.86	3,094,947.80	2,841,370.30	261,234,883.03
(2) Decrease by business combination						
(3) Other decreases	44,176,385.92	9,645,541.45		956,278.46	2,135,104.92	56,913,310.75
4. Closing balance	1,851,439,573.68	1,048,150,179.15	50,932,122.45	42,379,436.80	111,503,377.88	3,104,404,689.96
II. Accumulated depreciation						
1. Opening balance	516,931,537.77	664,823,573.97	29,836,194.44	29,297,662.38	51,435,065.32	1,292,324,033.88

Items	Houses and buildings	Machinery and equipment	Electronic equipment	Transportation equipment	Others	Total
2. Increase of this period	84,004,042.46	76,414,361.02	6,230,776.09	4,084,072.26	9,737,983.94	180,471,235.77
(1) Depreciation	71,673,420.75	57,588,327.32	4,195,334.85	3,700,093.23	9,230,969.50	146,388,145.65
(2) Other increases	1,667,005.66	6,345,830.04	2,035,441.24			10,048,276.94
(3) Increase by business combination	10,663,616.05	12,480,203.66		383,979.03	507,014.44	24,034,813.18
3. Decrease of this period	54,396,189.29	105,317,705.34	2,705,623.96	4,139,769.67	4,112,438.88	170,671,727.14
(1) Disposal or discard	42,382,529.99	102,292,355.81	2,705,623.96	2,740,678.54	2,185,051.91	152,306,240.21
(2)Decrease by business combination						
(3) Other decreases	12,013,659.30	3,025,349.53		1,399,091.13	1,927,386.97	18,365,486.93
4. Closing balance	546,539,390.95	635,920,229.65	33,321,601.32	29,281,710.21	57,060,610.38	1,302,123,542.51
III. Provision for impairment						
1. Opening balance	1,127,576.40	1,312,378.71			1,426,056.14	3,866,011.25
2. Increase of this period						
(1) Provision						
3. Decrease in this period						
(1) Disposal or discard						
4. Closing balance	1,127,576.40	1,312,378.71			1,426,056.14	3,866,011.25
IV. Book value						
1. Closing book value	1,303,772,606.33	410,917,570.79	17,610,521.13	13,097,726.59	53,016,711.36	1,798,415,136.20
2. Opening book value	1,363,436,955.71	449,979,233.77	18,472,144.14	14,416,374.02	33,171,179.06	1,879,475,886.70

(2) Information of fixed assets with uncompleted property ownership certificates

Items	Book value	Reasons for uncompleted property ownership certificate
Lantian factory I	14,223,694.54	In progress
Lantian factory II	65,803,532.14	In progress
Experimental Center Project	5,087,430.33	In progress
No. 1-6 factory building in Hua 'an factory area	90,463,806.01	Unsettled
Houses and buildings (Caohai International Health Base)	2,662,673.00	In progress

Items	Book value	Reasons for uncompleted property ownership certificate
Unit 7B, No. 81 Hubin South Road, Kaiyuan District, Xiamen City	7,842,100.00	Already allocated, certificate of ownership has not been changed
Parking No. 23, No. 81, Hubin South Road, Kaiyuan District, Xiamen City	1,169,900.00	Already allocated, certificate of ownership has not been change
Parking No. 25, No. 81, Hubin South Road, Kaiyuan District, Xiamen City	1,169,900.00	Already allocated, certificate of ownership has not been change
23-29 Park West Road, Xiamen (3rd Floor)	706,038.05	Due to geographic reason, changes of ownership cannot be made at this time
Room 7-206, Narcissus Garden	100,784.42	Unsettled
Room 7-306, Narcissus Garden	169,836.17	Unsettled
Room 4-402, New East China Business Plaza	231,689.17	Unsettled
Room 5-405, New East China Business Plaza	169,171.10	Unsettled
No. 1-7, 64 Xiuwen Road East (storefront, Building 3, 65 Qingnian Road)	1,106,619.37	Already allocated, certificate of ownership has not been change
Room 203, Building B2, Xinrong Garden	1,241,700.00	Demolition and resettlement property
Room 204, Building B2, Xinrong Garden	1,218,300.00	Demolition and resettlement property
Room 028, Building B2, Xinrong Garden	1,106,800.00	Demolition and resettlement property
Room 303, Building B2, Xinrong Garden	1,241,700.00	Demolition and resettlement property
Room 304, Building B2, Xinrong Garden	1,218,300.00	Demolition and resettlement property
Total	196,933,974.30	

2. Disposal of Fixed assets

Items	Closing Balance	Opening Balance
Building demolished part	22,950,251.97	
Total	22,950,251.97	

Note 1: Due to the Zhangzhou Municipal Government' s preparations for the construction of the "Chinese Women's Volleyball Team's Home" project, subsidiary Fujian Longxi Bearing (Group) Co., Ltd. intends to requisition the company' s Yan' an North Plant and surrounding land, workshops, and staff apartments, etc. however, the relevant compensation agreement has not been formally signed with the government. At the end of the reporting period, the company booked the net value of the demolished buildings to disposal of fixed assets, totaling 5,246,492.91 yuan.

Note 2: Due to house demolition, the subsidiary Zhangzhou State-owned Assets Investment Operation Co., Ltd. booked the net value of the demolished houses and buildings to disposal of fixed assets during the reporting period, totaling 17,703,759.06 yuan.

(XX) Construction in progress

Items	Closing Balance	Opening Balance
Construction in progress	4,954,056,913.21	681,646,686.66
Engineering material		
Total	4,954,056,913.21	681,646,686.66

1. Construction in progress

Details of construction in progress

Items	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
High-end joint	18,723,662.80		18,723,662.80	1,531,788.13		14,220,051.33
Maintenance-free joint cross	221,238.95		221,238.95	50,664.63		3,474,215.72
High-end bushing	557,866.56		557,866.56	28,935,733.56		1,382,928.00
High-end joint - construction of military facilities	921,463.62		921,463.62	14,074,652.37		1,022,381.06
Technical Transformation Project for Vehicle Bearing	2,934,890.93		2,934,890.93	631,879.84		2,543,876.77
Reconstruction project of Pianzihuang Museum				464,560.20		1,104,275.79
Lantian medical warehouse				99,941.82		
Forest Musk Deer Phase III Base				8,708,474.35		
Other sporadic projects				1,531,788.13		1,531,788.13
Others	10,796,642.49		10,796,642.49	50,664.63		50,664.63
Xingyun College				28,935,733.56		28,935,733.56
Children's forest park				14,074,652.37		14,074,652.37
Cultural flowers market				631,879.84		631,879.84
South Riverside Park				464,560.20		464,560.20
Lijia technical measures project				99,941.82		99,941.82
Tourist Service Center				8,708,474.35		8,708,474.35
Landscape				9,166,852.21		9,166,852.21
Camp area D and new dormitory building	1,916,770.06		1,916,770.06	290,199.97		290,199.97
Hongjunliao	2,113,816.68		2,113,816.68	116,059.68		116,059.68
The amusement facilities of a children's park				2,149,686.83		2,149,686.83

Items	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Public toilets project				5,885.45		5,885.45
Boundary pile burial project				38,005.42		38,005.42
Ancillary works of Mayijiayuan				596,836.74		596,836.74
New office building	31,982.93		31,982.93	3,228.42		3,228.42
Mayi exhibition hall	23,446.10		23,446.10	9,999.91		9,999.91
Pollution prevention and sewage treatment system project	499,467.32		499,467.32	310,788.08		310,788.08
Business Building Reconstruction Project of the Group				6,579,501.92		6,579,501.92
Theatre maintenance and renovation project				172,161.04		172,161.04
Desilting and land backfilling works	2,386,930.28		2,386,930.28	2,386,930.28		2,386,930.28
High pole lamp and lightning protection device project	221,892.55		221,892.55	221,892.55		221,892.55
Other upfront expenses	1,634,568.17		1,634,568.17	1,092,244.11		1,092,244.11
Security prevention monitoring system	398,263.21		398,263.21	16,869.48		16,869.48
Reconstruction of berth	41,225.50		41,225.50	41,225.50		41,225.50
Fire fighting project	274,652.32		274,652.32	164,274.96		164,274.96
Project of derusting and anticorrosion of crane	50,300.13		50,300.13	50,300.13		50,300.13
Inspection and acceptance of environmental protection	446,550.88		446,550.88	446,550.88		446,550.88
Occupational disease control	71,116.50		71,116.50	71,116.50		71,116.50
Maintenance and renovation of berth facilities	2,583,805.26		2,583,805.26	2,118,843.96		2,118,843.96
Greening fire protection works	1,174,863.90		1,174,863.90	734,038.37		734,038.37
Water Supply Works for Gulei Petrochemical Start-up Project	12,635,500.70		12,635,500.70	12,635,500.70		12,635,500.70
Sewage Discharge Pipeline Works for Gulei Petrochemical Start-up Area	13,079,724.92		13,079,724.92	12,682,273.55		12,682,273.55
Rear Water Supply Main Pipe Project from Gulei Water Plant 1 to Xiamei Town	2,442,924.85		2,442,924.85	2,442,924.85		2,442,924.85
Water Diversion Project in Gulei Area	482,952,069.24		482,952,069.24	446,432,816.10		446,432,816.10
Qianpu Wastewater Treatment Plant Project	46,318,739.24		46,318,739.24	44,835,800.05		44,835,800.05

Items	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Technical Renovation Project of Gulei Water Plant 1	10,909,546.97		10,909,546.97	8,581,881.97		8,581,881.97
Second line installation project of waterworks	886,270.00		886,270.00	886,270.00		886,270.00
Haishunde Road Water Supply Pipeline Project	1,832,781.70		1,832,781.70	1,832,781.70		1,832,781.70
Water Plant 2	19,717,510.68		19,717,510.68	15,990,971.67		15,990,971.67
Remote Monitoring System for Water Supply Pipeline Network	80,925.00		80,925.00	80,925.00		80,925.00
Reconstruction and expansion Project of Gulei Water Plant 1	119,000.00		119,000.00	119,000.00		119,000.00
Installation of DN100 water pipeline flowmeter at the outlet of Mazulin Reservoir	216,278.80		216,278.80	61,704.60		61,704.60
Laboratory equipment procurement	45,002.00		45,002.00	45,002.00		45,002.00
Zhongyi Chemical water supply pipeline project	445,288.00		445,288.00	331,659.00		331,659.00
Petrochemical water supply mains maintenance works	84,900.00		84,900.00	2,000.00		2,000.00
Armed Police Building	6,175,976.26		6,175,976.26	6,175,976.26		6,175,976.26
Decoration Project for firefighter station building	89,600.00		89,600.00	89,600.00		89,600.00
Road hardening project in pomelo garden				5,723,221.19		5,723,221.19
Commercial complex building				148,728.04		148,728.04
Second decoration of tourist service center and multi-function hall project				2,854,184.85		2,854,184.85
Children's park project				2,509,013.15		2,509,013.15
Darling valley landscape bridge project	32,876.72		32,876.72	14,022.13		14,022.13
Military production capacity upgrading project				1,365,575.06		1,365,575.06
Automatic gearbox				768,497.99		768,497.99
New special joint bearing				5,517.51		5,517.51
Reconstruction of workshop 1				4,662,358.19		4,662,358.19
1000L emulsification unit installation project of Ikat				5,339,565.14		5,339,565.14
Purchase of assets of Lijia shares	92,612,451.16		92,612,451.16			
Construction of Pien Tze Huang Science and Technology Building	262,264.16		262,264.16			

Items	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
National III 13034 Machining Center	2,507,692.32		2,507,692.32			
South Lake Hot Spring Hotel	7,032,536.08		7,032,536.08			
Miyouyuan Second District Agricultural Industrial Park	155,740.00		155,740.00			
Nanjing County Urban and Rural Water Supply Integration Project (Phase I)	136,129.28		136,129.28			
Zhangzhou Chengjia Real Estate Co., Ltd.	282,879,320.00		282,879,320.00			
Jiulong River Real Estate Plaza (Twin Star Building Project)	231,464.39		231,464.39			
Gulei refining and chemical integration	13,461,535.90		13,461,535.90			
The second phase of the integration of urban and rural water supply	125,500.00		125,500.00			
Gulei Public Thermal Power Plant	203,387.00		203,387.00			
Reconstruction and expansion of sewage pipes in Gulei Petrochemical Zone	49,800.00		49,800.00			
Public pipe gallery project	1,161,918,289.74		1,161,918,289.74			
Waste project	577,656,725.75		577,656,725.75			
Saltworks project	2,167,084,950.93		2,167,084,950.93			
Dormitory decoration project	557,055.51		557,055.51			
Trial production cost of waste site	595,170.91		595,170.91			
Fire System Engineering	69,573.40		69,573.40			
Office building renovation	55,498.94		55,498.94			
Carport project	310,012.35		310,012.35			
Fender and mooring facilities project	61,483.17		61,483.17			
Total	4,954,056,913.21		4,954,056,913.21	681,646,686.66		681,646,686.66

2. Movement of significant construction in progress in current period

Items	Budget (10,000 yuan)	Opening balance	Increase in current period	Transferred to fixed assets at current period	Amount of other decreases of this period	Closing balance	Total investment in projects Proportion of budget (%)	Project progress (%)	Capital sources
Theater maintenance and renovation project		172,161.04	15,066,529.00	10,495,018.88	4,743,671.16				
Lijia technical measures project		99,941.82			99,941.82				
Tourist Service Center	744.49	8,708,474.35	1,110,541.17	9,819,015.52			100.00		Self-funded
Landscape architecture		9,166,852.21	1,239,625.66	10,406,477.87					Self-funded
Public toilets project	65.06	5,885.47	7,909.58			13,795.05	2.12		Self-funded
Boundary pile burial works	2.58	38,005.42	51,076.19			89,081.61	100.00		Self-funded
Commercial complex building	296.00	148,728.04	199,878.33			348,606.37	11.72		Self-funded
Second decoration and multi-function hall project of visitor service center	744.50	2,854,184.85	382,660.30	3,236,845.15			100.00		Self-funded
Children's park project	300.04	2,509,013.15	400,915.93	2,909,929.08			100.00		Self-funded
Lover valley landscape bridge project	122.18	14,022.13	15,250.89			29,273.02	2.69		Self-funded
Camp area D and new dormitory building	1,147.93	290,199.97	1,416,467.69			1,706,667.66	16.69		Self-funded
Hongjunliao	208.68	116,059.68	1,766,055.79			1,882,115.47	107.29		Self-funded
The amusement facilities of a children's park	223.12	2,149,686.83	81,503.17	2,231,190.00					Self-funded
Ancillary works of	66.20	596,836.74	113,374.80	710,211.54			100.00		Self-funded

Items	Budget (10,000 yuan)	Opening balance	Increase in current period	Transferred to fixed assets at current period	Amount of other decreases of this period	Closing balance	Total investment in projects Proportion of budget (%)	Project progress (%)	Capital sources
Mayi jiayuan									
New office building		3,228.42	25,248.78			28,477.20			Self-funded
Mayi exhibition hall	33.13	9,999.91	10,876.20			20,876.11	7.08		Self-funded
Fire protection system engineering	7.00		69,573.40			69,573.40			
Pollution prevention and sewage treatment system project	49.95	310,788.08	188,679.24			499,467.32			Self-funded
Desilting and land backfilling works	238.69	2,386,930.28				2,386,930.28			Self-funded
High pole lamp and lightning protection device project	22.19	221,892.55				221,892.55			Self-funded
Other upfront expenses	180.00	1,092,244.11	542,324.06			1,634,568.17			Self-funded
Security prevention monitoring system	39.83	16,869.48	381,393.73			398,263.21			Self-funded
Reconstruction of berth	4.12	41,225.50				41,225.50			Self-funded
The fence project	90.31		1,228.57	1,228.57					
Fire fighting project	30.00	164,274.96	110,377.36			274,652.32			Self-funded
Project of derusting and anticorrosion of crane	5.03	50,300.13				50,300.13			Self-funded
Inspection and acceptance of environmental protection	44.66	446,550.88				446,550.88			Self-funded

Items	Budget (10,000 yuan)	Opening balance	Increase in current period	Transferred to fixed assets at current period	Amount of other decreases of this period	Closing balance	Total investment in projects Proportion of budget (%)	Project progress (%)	Capital sources
Occupational disease control	7.11	71,116.50				71,116.50			Self-funded
Maintenance and renovation of berth facilities	258.38	2,118,843.96	464,961.30			2,583,805.26			Self-funded
Greening fire protection works	117.49	734,038.37	440,825.53			1,174,863.90			Self-funded
Water supply project of Gulei petrochemical Startup project	14,698.57	12,635,500.70				12,635,500.70		Have been completed	Self-funded
Sewage transfer pipelines project of Gulei petrochemical start-up area	8,347.40	12,682,273.55	397,451.37			13,079,724.92		Have been completed	Self-funded
Main water supply works of Gulei a water plant to xiamei town after the ridge	947.32	2,442,924.85				2,442,924.85		Have been completed	Self-funded
Gulei area water diversion project	60,400.00	446,432,816.10	36,519,253.14			482,952,069.24		Have been completed	Self-funded
Qianpu sewage treatment works	6,551.00	44,835,800.05	1,482,939.19			46,318,739.24		Have been completed	Self-funded
Technical renovation project of a water works	891.35	8,581,881.97	2,327,665.00			10,909,546.97		Have been completed	Self-funded
Hai shunde road water supply pipeline project	281.00	1,832,781.70				1,832,781.70		Have been completed	Self-funded
The second water plant	48,086.51	15,990,971.67	3,726,539.01			19,717,510.68		earlier stage	Self-funded
Armed police building		6,175,976.26				6,175,976.26			

125

Items	Budget (10,000 yuan)	Opening balance	Increase in current period	Transferred to fixed assets at current period	Amount of other decreases of this period	Closing balance	Total investment in projects Proportion of budget (%)	Project progress (%)	Capital sources
Decoration of fire department building		89,600.00				89,600.00			
Group business building renovation project	996.58	6,579,501.92	915,979.38	7,495,481.30			100.00	85.00	Self-funded
Group dormitory building renovation project								100.00	
Honey-pomelo garden road surface hardening project	574.48	5,723,221.19	292,566.31	6,015,787.50			100.00	99.00	Self-funded
Nebula Academy of Lai Hai Cultural Park		28,935,733.56			28,935,733.56				Self-funded
Yuanshan Forest Ecological Park (Children forest Park)		14,074,652.37			14,074,652.37				Self-funded
Flower and tree culture market in high tech Zone		631,879.84			631,879.84				Self-funded
South Riverside Park		464,560.20			464,560.20				Self-funded
High-end joint - military condition construction		1,022,381.06			1,022,381.06			under construction	Self-funded
Automotive bearing technical renovation project	30,000.00	2,543,876.77	6,302,852.44	5,541,789.45	370,048.83	2,934,890.93		nder constructio	Self-funded
Pien Tze Huang Enterprise Culture Integrated Exhibition Hall Project	422.00	1,104,275.79	2,489,130.53		3,593,406.32				Self-funded

Items	Budget (10,000 yuan)	Opening balance	Increase in current period	Transferred to fixed assets at current period	Amount of other decreases of this period	Closing balance	Total investment in projects Proportion of budget (%)	Project progress (%)	Capital sources
1000L emulsification Unit installation project of Ikat	681.00	5,339,565.14	15,849.06	5,355,414.20					Self-funded
Reconstruction of workshop 1	1,784.00	4,662,358.19	11,228,512.63		15,890,870.82				Self-funded
Nanhu Hot Spring Hotel			7,032,536.08			7,032,536.08	100.00		Self-funded
Public plumbing gallery project	134,000.00		1,191,874,706.42			1,191,874,706.42			Self-funded
Solid waste field project	59,000.00		592,549,791.58			592,549,791.58			Self-funded
Saltworks project	220,000.00		2,222,956,435.48			2,222,956,435.48			Self-funded
Office building renovation	6.00		55,498.94			55,498.94			Self-funded
Parking shed works	38.00		310,012.35			310,012.35			Self-funded
Fender and ship facilities project	7.00		61,483.17			61,483.17			Self-funded
High-end joint bearing project	32,000.00		34,430,802.06	15,707,139.26		18,723,662.80			Self-funded
Purchase of Lijia equity assets	13,748.84		134,880,021.63		42,267,570.47	92,612,451.16			Self-funded
Pien Tze Huang Science and Technology Building Construction Project	99,908.00		262,264.16			262,264.16			Self-funded
Others	907.02	50,664.63	10,093,478.62	310,335.39		9,833,807.86			Self-funded
Zhangzhou Chengjia Real Estate Co., Ltd. (Bihu No.2 Building Project)	1,330,00.00		282,879,320.00			282,879,320.00	21.27	97.33	Self-funded
Total	739,324.74	657,371,552.32	4,567,172,365.22	80,235,863.71	112,094,716.45	5,032,213,337.40			

(XXI) Productive biological assets

Productive biological assets measured under cost models

Items	Forest musk deer	Honey pomelo tree	Tea tree	Total
I. Original carrying value				
1. Opening balance	15,641,608.76	8,820,286.74	36,000.00	24,497,895.50
2. Increase of this period	2,813,227.34	2,309,682.78		5,122,910.12
(1) Outsourcing		2,309,682.78		2,309,682.78
(2) Self-cultivation	2,813,227.34			2,813,227.34
(3) Increase by business combination				
3. Decrease of this period	1,339,746.95			1,339,746.95
(1) Disposal	145,522.19			145,522.19
(2) Others	1,194,224.76			1,194,224.76
4. Closing balance	17,115,089.15	11,129,969.52	36,000.00	28,281,058.67
II. Accumulated depreciation				
1. Opening balance	2,993,329.97	5,954,300.16		8,947,630.13
2. Increase of this period	1,327,114.20	113,093.40		1,440,207.60
(1) Withdrawing	1,327,114.20	113,093.40		1,440,207.60
3. Decrease of this period	413,208.11			413,208.11
(1) Disposal	16,400.46			16,400.46
(2) Others	396,807.65			396,807.65
4. Closing balance	3,907,236.06	6,067,393.56		9,974,629.62
III. Reserve for impairment				
1. Opening balance				
2. Increase of this period				
(1) Withdrawing				
3. Decrease of this period				
(1) Disposal				
(2) Others				
4. Closing balance				
IV. Book value				
1. Closing book value	13,207,853.09	5,062,575.96	36,000.00	18,306,429.05
2. Opening book value	12,648,278.79	2,865,986.58	36,000.00	15,550,265.37

(XXII) Intangible assets

1. Details of intangible assets

Items	Land use rights	Patent right	Computer software	Warrants qualifications, etc.	Total
I. Original carrying value					
1. Opening balance	631,180,794.05	1,240,121,753.04	18,502,445.23	151,032,059.86	2,040,837,052.18
2. Increase of this period	210,635,209.67	12,841,657.41	4,348,163.54	33,722,806.40	261,547,837.02
(1) Purchasing	208,486,128.47	561,683.17	4,348,163.54		213,395,975.18
(2) Internal R&D					
(3) Increase by business combination	2,149,081.20	11,799,974.24		33,722,806.40	47,671,861.84
(4) Others		480,000.00			480,000.00
3. Decrease of this period	130,004,387.96		3,106,738.76	891,000.00	134,002,126.72
(1) Disposal	35,099,084.67		2,625,423.01	891,000.00	38,615,507.68
(2) Decrease by business combination					
(3) Others	94,905,303.29		481,315.75		95,386,619.04
4. Closing balance	711,811,615.76	1,252,963,410.45	19,743,870.01	183,863,866.26	2,168,382,762.48
II. Accumulated amortization					
1. Opening balance	57,098,532.09	643,576,209.47	13,333,629.48	77,959,577.95	791,967,948.99
2. Increase of this period	14,182,364.92	106,111,356.63	2,986,270.03	26,878,447.19	150,158,438.77
(1) Amortization	13,580,622.52	94,044,715.72	2,986,270.03	26,878,447.19	137,490,055.46
(2) Increase in business mergers	601,742.40	11,799,974.24			12,401,716.64
(3) Others increases		266,666.67			266,666.67
3. Decrease of this period	15,507,862.71		2,717,853.04	683,100.00	18,908,815.75
(1) Disposal	10,464,272.02		2,451,186.37	683,100.00	13,598,558.39
(2) Decrease by business combination					
(3) Others	5,043,590.69		266,666.67		5,310,257.36
4. Closing balance	55,773,034.30	749,687,566.10	13,602,046.47	104,154,925.14	923,217,572.01
III. Reserve for impairment					
1. Opening balance					
2. Increase of this period					
(1) Withdrawing					
3. Decrease of this period					

Items	Land use rights	Patent right	Computer software	Warrants qualifications, etc.	Total
(1) Disposal					
(2) Decrease by business combination					
4. Closing balance					
IV Book value					
1. Closing book value	656,038,581.46	503,275,844.35	6,141,823.54	79,708,941.12	1,245,165,190.47
2. Opening book value	574,082,261.96	596,545,543.57	5,168,815.75	73,072,481.91	1,248,869,103.19

2. Land-use right of uncompleted ownership certificates

Items	Book value	Reasons for uncompleted ownership certificate
Z.G.G.Y. (2015) No. 00002	3,838,172.65	The transfer has not yet been completed
Total	3,838,172.65	

(XXIII) Goodwill

1. Carrying value of goodwill

Name of the investee and the formation of goodwill	Opening balance	Increase in current period	Decrease in current period	Closing balance
		Formed through business combination	Disposal	
Xiamen Pien Tze Huang Honest Medicine Co., Ltd. (Note 1)	41,580,000.00			41,580,000.00
Changsha Bode Metallurgical Materials Co., Ltd. (Note 2)	106,104.49			106,104.49
Zhangzhou Gulei Water Development Co., Ltd. (Note 3)	5,151,899.37			5,151,899.37
Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.	1,833,775,797.15			1,833,775,797.15
Fujian Longxi Bearing (Group) Corp. Ltd.	584,117,473.97			584,117,473.97
Fujian Xinhe Real Estate Development Co., Ltd.	37,389,662.01			37,389,662.01
Fujian Hongqi Co., Ltd.	13,658,045.56			13,658,045.56
Total	2,515,778,982.55			2,515,778,982.55

2. Provision for goodwill impairment

Name of the investee and the formation of goodwill	Opening balance	Increase in current period		Decrease in current period		Closing balance
		Withdrawing	Others	Disposal	Others	
Xiamen Pien Tze Huang Hongren Pharmaceutical Co., Ltd. (Note 1)	41,580,000.00					41,580,000.00
Fujian Hongqi Co., Ltd.	13,658,045.00					13,658,045.00
Total	55,238,045.00					55,238,045.00

Note 1: When the subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.

carries on impairment testing, the recoverable amount of the asset group(including goodwill) is the higher of its fair value less costs of disposal and its present value of estimated future cash flows. Goodwill is allocated to the Company's portfolio which are expected to benefit from the synergistic effect of merger of Xiamen Pien Tze Huang Honest Medicine Co., Ltd. The asset group portfolio includes assets of Xiamen Pien Tze Huang Honest Pharmaceutical Co., Ltd. and assets of its subsidiary Zhangzhou Pien Tze Huang Honest Pharmaceutical Co., Ltd.

In 2018 &2019, after testing, the estimated recoverable amount of the asset group of Xiamen Pien Tze Huang Hongren Pharmaceutical Co., Ltd. and Zhangzhou Pien Tze Huang Hongren Pharmaceutical Co., Ltd. was lower than the book value of the asset group (including goodwill). The Company has made separate provisions for impairment of goodwill of RMB 39,659,300 and RMB 1,920,700 according to the proportion of equity held by the above two companies.

Note 2: The subsidiary Fujian Longxi Bearing (Group) Corp., Ltd. calculates the recoverable amount of the asset groups by means of forecasting the present value of future cash flow. According to the results of the impairment test, no goodwill impairment was charged on Changsha Bode Metallurgic Material Co., Ltd.

Note 3: When the subsidiary Zhangzhou Jiulongjiang Gulei Investment Co., Ltd. prepares its consolidated statement, it adopts the business combination policy not under the common control for Zhangzhou Gulei Water Development Co., Ltd. and Zhangzhou Jiulongjiang Gulei Investment Co., Ltd. recognizes the favorable difference between the combination cost and the fair value of the net identifiable assets obtained from the acquiree during combination as goodwill. In accordance with the *Assets Appraisal Report* (M.J.Y.P.B.Z. No. 20162003) issued by Fujian Jianyou Assets and Real Estate Appraisal Co., Ltd. using September 30, 2016 as the evaluation benchmark, the equity valuation value of Zhangzhou Gulei Water

Development Co., Ltd. was RMB 455,527,200, with RMB 39,418,955.68 of increase from the appraisal, the fair value of the net identifiable assets on December 31, 2016 was RMB 455,078,140.17, and the amount of RMB5,151,899.37 was recognized as goodwill in accordance with 50% equity ratio.

(XXIV) Long-term deferred expense

Items	Opening balance	Increased amount of current period	Amortization amount of the current period	Other decreases	Closing balance
Decoration fee (fixed asset improvement expense)	31,271,465.21	20,220,920.92	9,415,591.32	7,791,156.64	34,285,638.17
Land compensation	99,083.49		27,000.00		72,083.49
Endorsement fee	1,391,509.44	5,287,735.70	2,319,182.36		4,360,062.78
Rental fees	1,018,707.18	335,008.15	910,797.66		442,917.67
Others	768,600.39	1,945,969.32	246,156.60		2,468,413.11
Establishing fee	535,598.71		428,478.96		107,119.75
Hard outfit project	7,312,867.55		2,858,367.88		4,454,499.67
Soft outfit project	289,997.58		89,230.08		200,767.50
Incidental repair	194,971.60		44,134.19		150,837.41
Million view repair fee	554,603.34	427,226.83	374,175.10		607,655.07
The curtain money of group business building and subsidiary building	70,844.66		28,337.87		42,506.79
Group dormitory Building Renovation project	284,941.24		113,976.49		170,964.75
The cost of increase capacity to electricity	826,072.42		330,428.96		495,643.46
Construction of exterior wall facade and interior supporting facilities		2,407,981.65	135,141.84		2,272,839.81
Interior decoration		3,557,979.41	199,682.51		3,358,296.90
Intelligent business building project		1,135,472.45	63,725.49		1,071,746.96
Company office decoration project funds	77,610.50		35,052.18		42,558.32
Land contract payment	14,075,000.00		300,000.00		13,775,000.00
Fee of decoration and repair of zhangzhou tea experience store	133,813.86	1,457.33	19,702.51		115,568.68
Production expense of publicity film	38,111.24		38,111.24		
Operation planning fee	70,833.27		50,000.04		20,833.23
Opening ceremony fee	21,388.92		11,666.64		9,722.28

Items	Opening balance	Increased amount of current period	Amortization amount of the current period	Other decreases	Closing balance
Cost of production of advertising materials	405,407.96	57,625.45	195,593.31		267,440.10
Organization costs	3,151,199.97	7,649,725.37		1,055,278.34	9,745,647.00
Staff dormitory decoration on the thirteenth floor	75,257.41	63,167.34	59,439.66		78,985.09
Office equipment	123,767.09	51,693.27	100,776.47		74,683.89
Modification of chlorine adding system	17,460.00	115,093.00	36,642.18		95,910.82
The greening renovation project of the compound	38,435.12		35,478.72		2,956.40
Renovation of the water supply canteen	104,136.44		96,126.00		8,010.44
Renovation project of water Affairs complex building	397,205.70	87,700.30	81,500.33		403,405.67
Water complex building repair project		198,425.74			198,425.74
Crane maintenance		467,256.64	54,513.27		412,743.37
Technical Service Fee (Sewage Permit)		29,702.97			29,702.97
Measurement service fee (multi - speed wave sweep sea survey)		88,118.81			88,118.81
The dormitory rent		28,080.00			28,080.00
Emission testing fee	482,180.08			482,180.08	
Overall relocation office building project	871,895.90			871,895.90	
Thermal processing and production joint plant and logistics complex building decoration project	574,036.00			574,036.00	
Transformation of the first workshop		15,890,870.82	794,543.54		15,096,327.28
consumable		525,059.10	19,968.52		505,090.58
VIS visual recognition system		85,000.00	18,888.88		66,111.12
Tailings pond pin		3,811,801.00			3,811,801.00
The cost of making the Roman flag			14,933.28		14,933.44
Total	65,306,868.99	64,469,071.57	19,547,344.08	10,774,546.96	99,454,049.52

Note: Other decreases were mainly due to the house demolition of the subsidiary Pien Tze Huang (Zhangzhou) Pharmaceutical Co., Ltd., a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd., and the decoration expenses that were regonised in the long-term deferred expenses related to the house were transferred to gain or lose from disposalofassets.

(XXV) Deferred income tax assets/deferred income tax liabilities

1. Non-offset deferred income tax assets

Items	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for assets impairment	103,065,645.12	18,792,617.24	108,715,580.17	26,275,314.53
Salary expense	67,373,566.41	10,208,869.17	83,375,410.68	14,016,576.67
Deductible losses	48,362,407.36	8,863,102.88	59,038,543.03	14,759,635.76
Accrued expense	140,181,121.96	24,057,593.34	136,379,582.47	30,458,621.22
Defined benefit plans	29,424,577.86	4,529,968.37	28,955,062.12	4,862,152.86
Deferred income	10,970,449.03	1,832,215.92	22,020,131.33	5,094,885.76
Unrealized profit and loss	78,409,412.30	18,659,010.11	36,693,439.08	9,173,359.77
Changes in fair value of salable financial assets recognized in other comprehensive incomes			18,706,981.40	2,838,306.66
Deductible difference of fixed asset depreciation	717,363.24	107,604.49	604,095.36	151,023.84
Deductible difference of intangible assets amortization	48,650,336.35	12,162,584.09	38,283,937.90	9,570,984.47
Changes in the measurement of fair value are included in other comprehensive income investment of other equity instruments	14,199,091.45	2,129,863.71		
Changes in the measurement of fair value are included in the receivables financing of other comprehensive income	198,549.94	49,637.49		
Other non-current financial assets whose changes in fair value measurement are recorded into current profits and losses	78,947.68	11,842.15		
Estimated demolition cost items can offset the difference	26,720,145.22	6,680,036.31		
Government subsidies	20,214,928.22	3,032,239.23		
Fair value change	3,612,091.32	553,487.04		
Total	592,178,633.46	111,670,671.54	532,772,763.54	117,200,861.54

2. Non-offset deferred income tax liabilities

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Evaluation of held-for-trading financial instruments and derivative financial instruments			5,873.34	1,174.67
Changes in fair value of available-for-sale financial assets recognized in other comprehensive incomes	1,552,418,171.77	267,201,705.30	812,837,454.52	175,810,378.87
Evaluation increment	431,676,927.96	107,919,231.99	894,174,669.53	223,535,706.84
Accrued interest income	39,514,085.04	6,018,633.46	30,733,136.93	4,778,213.85
Fair value change	252,114,319.71	37,818,028.93		
Not under the same control of the fair value of the enterprise merger adjustment	22,206,198.82	8,118,360.07		
Other non-current financial assets whose changes in fair value measurement are recorded into current profits and losses	5,351,489.32	802,723.41		
Total	2,303,281,192.62	427,878,683.16	1,737,751,134.32	404,125,474.23

(XXVI) Other non-current assets

Items	Closing balance	Opening balance
Prepaid land transferring fee	36,242,504.09	36,509,946.09
Prepayment for house and equipment	491,617,802.08	542,616,867.01
Advances on construction	213,544,637.54	4,442,879.39
Project cooperation funds (Note 1)	1,250,000,000.00	1,250,000,000.00
Prepayment for intangible assets	13,278,742.74	
Capital for debt payment	7,118,934.66	7,118,934.66
PPP project of S318 (Lian 14) Line, Jingcheng Chess Club to Niuqitou section of highway engineering	66,941,008.40	
PPP projects for sewage collection and treatment	207,796,279.43	114,471,779.08
Others	31,017,899.86	1,402,649.91
Total	2,317,557,808.80	1,956,563,056.14

Note : As an inferior-level limited partner, the Company invested RMB 1.25 billion to Zhangpu Gulei Tiancheng Investment Management Center (Limited Partnership), and the Limited Partnership had a plan to invest RMB 6,250 million to the Company's subsidiary Zhangzhou Jiulongjiang Gulei Investment Co., Ltd.

(Jiugu Investment). During the period of Zhangpu Gulei Tiancheng Investment Management Center (Limited Partnership) investing in Jiugu Investment, the Company would not participate any investment income and profit distribution of the partnership.

(XXVII) Short-term loans

Classification of short-term loans

Items	Closing balance	Opening balance
Pledged loans	125,000,000.00	95,000,000.00
Mortgage loans	10,000,000.00	
Guaranteed loans	87,000,000.00	724,000,000.00
Credit loans	10,157,090,708.98	10,210,431,080.93
Accrued interest	752,411.04	847,620.04
Total	10,379,843,120.02	11,030,278,700.97

(XXVIII) Notes payable

Type	Closing balance	Opening balance
Commercial acceptance bills	1,498,024,309.19	
Bank acceptance bills	36,696,044.57	308,547,936.57
Total	1,534,720,353.76	308,547,936.57

There is no note payable due and unpaid in current period.

(XXIX) Accounts payable

1. List of accounts payable

Items	Closing balance	Opening balance
Payment for goods	735,460,776.57	1,018,118,165.32
Payment for project and equipment amount	211,778,345.47	213,458,783.48
Others	11,691,965.00	26,091,813.34
Total	958,931,087.04	1,257,668,762.14

2. Significant accounts payable with age of more than one year

Items	Closing balance	Reasons for outstanding
Nanjing Chengong Pharmaceutical Co., Ltd.	3,667,259.00	The purchase balance has not been settled
Fujian Zhongyuan Medicine Co., Ltd.	1,126,918.95	The purchase balance has not been settled

Items	Closing balance	Reasons for outstanding
Zhangzhou Datong Pharmaceutical Co., Ltd.	493,362.49	The purchase balance has not been settled
Zhejiang Yuexi Capsules Co., Ltd.	446,751.20	The purchase balance has not been settled
Fujian Xinhuang Construction Development Co., Ltd.	366,483.28	The purchase balance has not been settled
Fujian Pacific Pharmaceutical Trading Co., Ltd	350,902.80	The purchase balance has not been settled
Fujian Xinte Pharmaceutical Co., Ltd.	349,902.53	The purchase balance has not been settled
Zhangzhou Third Construction Engineering Company	348,425.54	The purchase balance has not been settled
Zhangzhou Longji Industry and Trade Co., Ltd.	3,542,021.55	Payment of raw material purchase in installments
City Metal Company	1,100,000.00	Not yet settled
City Food Wholesale Market	1,000,000.00	Not yet settled
Xingguo County Traffic Highway Bridge Company	1,689,029.35	Not yet settled
Yellow River Survey, Planning and Design Company	5,244,616.88	Not yet settled
Xiamen Yuanchang Urban Construction Group Co., Ltd.	2,714,598.99	Not yet settled
Total	22,440,272.56	

(XXX) Receipts in advance

1. List of receipts in advance

Items	Closing balance	Opening balance
Payment for goods	934,595,687.73	592,208,668.09
Rent and electricity charge	1,307,443.50	970,142.50
Advance fund occupation fees	750,431.60	
Payment of construction		14,877,577.00
Advance of house payment	231,200,766.55	337,252,596.00
Others	5,586,317.18	136,020.00
Total	1,173,440,646.56	945,445,003.59

2. There is no significant receipts in advance with age of more than one year.

(XXXI) Contract liability

Items	Closing balance	Opening balance
Payment for goods	261,041,112.78	184,319,572.12
Unredeemed points from sales	1,821,134.92	1,888,694.68
Consideration from customer	59,631,025.97	64,055,765.96
Total	322,493,273.67	250,264,032.76

(XXXII) Accrued payroll

1. List of accrued payroll

Items	Opening balance	Increase in current period	Decrease in current period	Other changes in consolidated statements	Closing balance
I. Short-term remuneration	162,938,407.60	712,561,064.65	725,726,234.08	392,361.46	150,165,599.63
II. Post-employment benefit-defined contribution plans	6,570,794.81	41,733,065.83	36,460,254.33		11,843,606.31
III. Termination benefits		3,738,094.36	3,529,713.72		208,380.64
IV. Other welfare due within one year					
Total	169,509,202.41	758,032,224.84	765,716,202.13	392,361.46	162,217,586.58

2. List of short-term remuneration

Items	Opening balance	Increase in current period	Decrease in current period	Other changes in consolidated statements	Closing balance
1. Salaries, bonus, allowances and subsidies	121,613,892.72	583,198,667.40	605,847,852.70	380,446.05	99,345,153.47
2. Staff welfare expenses	3,618,093.92	29,032,836.67	30,681,074.96		1,969,855.63
3. Social insurance premiums	8,247,485.32	34,049,582.96	34,332,419.79		7,964,648.49
Including: Medical insurance premiums	1,564,131.73	23,824,086.85	23,865,766.36		1,522,452.22
Industrial injuries insurance premium	27,120.72	1,000,455.84	1,017,029.29		10,547.27
Maternity insurance premiums	37,435.87	1,817,327.07	1,791,677.88		63,085.06
Supplementary medical insurance	6,618,797.00	7,407,713.20	7,657,946.26		6,368,563.94
Others					
4. Housing provident fund	110,217.58	43,732,142.28	43,724,354.70		118,005.16
5. Union expenses and employee educational expenditure	29,348,718.06	22,544,140.34	11,136,936.93	11,915.41	40,767,836.88
6. Short-term compensated absences					
7. Short-term profit sharing plan					
9. Other short-term compensation		3,695.00	3,595.00		100.00
Total	162,938,407.60	712,561,064.65	725,726,234.08	392,361.46	150,165,599.63

3. List of defined contribution plans

Items	Opening balance	Increase in current period	Decrease in current period	Other changes in consolidated statements	Closing balance
1. Basic endowment insurance	563,965.68	20,464,209.29	20,832,484.97		195,690.00
2. Unemployment insurance premitums	18,867.98	763,121.65	776,183.76		5,805.87

Items	Opening balance	Increase in current period	Decrease in current period	Other changes in consolidated statements	Closing balance
3. Supplementary endowment insurance		10,932,467.15	10,716,799.28		215,667.87
4. Company annuity payment	5,987,961.15	9,573,267.74	4,134,786.32		11,426,442.57
Total	6,570,794.81	41,733,065.83	36,460,254.33		11,843,606.31

(XXXIII) Taxes payable

Items	Closing balance	Opening balance
VAT	78,071,443.37	71,044,912.37
Enterprise income tax	199,060,681.21	357,494,937.77
Urban maintenance and construction tax	4,495,436.41	5,039,182.72
Housing property tax	3,456,614.47	3,434,329.21
Education surcharge	3,695,891.72	3,936,788.77
Individual income tax	5,668,131.28	3,720,900.62
Land use tax	1,636,667.47	1,624,859.15
Stamp duty	1,057,892.22	784,871.14
Land value increment tax	49,102,208.44	14,826,987.54
Other taxes and fees	12,242,876.86	9,826,624.44
Total	358,487,843.45	471,734,393.73

(XXXIV) Other payables

Items	Closing balance	Opening balance
Interests payable	757,734,861.28	636,052,499.62
Dividends payable	24,117,200.05	2,793,367.33
Other payables	545,524,990.64	524,635,545.66
Total	1,327,377,051.97	1,163,481,412.61

1. Interests payable

Items	Closing balance	Opening balance
Long-term loan interest involving repayment of capital with interest paid by installment	22,770,186.93	13,231,942.12
Interests of enterprise bonds	723,709,748.09	597,932,119.75
Interest payable for short-term loan	9,719,545.42	24,888,437.75
Other intersts	1,535,380.84	
Total	757,734,861.28	636,052,499.62

2. Dividends payable

Items	Closing balance	Opening balance
Dividends on common stock	18,253,222.74	2,793,367.33
Dividends of subsidiary shareholders	5,863,977.31	
Total	24,117,200.05	2,793,367.33

3. Other payables

(1) Other payable listed by the nature of accounts

Items	Closing balance	Opening balance
Current account	200,981,399.72	61,726,429.97
Deposit and guarantee deposit	73,244,110.43	176,178,102.04
Accrued expenses (Note 1)	219,307,858.46	196,255,415.82
Agency fees		3,858,085.73
Withholding and remitting payment	11,016,078.91	7,545,756.29
Construction cost	670,716.71	6,124,641.24
Resettlement compensation	2,266,197.95	5,124,599.21
Underwriting fees	3,820,754.72	
State-owned enterprise financing assessment reward	1,342,764.50	949,102.33
Reservation agreement price	848,676.00	745,216.00
Pre-borrowing	500,000.00	500,000.00
New septic tank reconstruction subsidy funds	6,749,800.00	
Temporary receipts to be paid	149,467.50	4,079,868.66
Others	24,627,165.74	61,548,328.37
Total	545,524,990.64	524,635,545.66

Note: The accrued expenses were mainly related expenses that have not been settled for market promotion in accordance with the marketing plan of the subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. in 2020.

Accrued expenses by industry	Closing balance	Opening balance
Pharmaceuticals industry	97,573,782.02	51,700,793.45
Oral care and daily chemical industry	24,334,332.66	34,066,017.18
Cosmetics industry	87,237,583.84	37,794,828.66
Food, e-commerce and other industries	7,301,534.72	1,653,051.83
Total	216,447,233.24	125,214,691.12

(2) Other significant payables with age of more than one year

Items	Closing balance	Reasons for outstanding or non-carryover
Zhuhai Bengao Building Material Hardware Co., Ltd.	1,037,400.00	Deposit for specific product models
Fujian Zhanglong Construction Investment Group Co., Ltd.	8,094,171.80	The settlement period has not expired
Fuzhou Zhengda Pharmaceutical Technology Co., Ltd.	1,000,000.00	Deposit
Opal Cosmetics (Huizhou) Co., Ltd.	500,000.00	Deposit
Zhangzhou Yilv Agricultural Development Co., Ltd.	350,000.00	Deposit
Fujian Leo Pharmaceutical Co., Ltd	500,000.00	Deposit
Xiamen Meizhongfu Trading Co., Ltd. Fujian Xihai Pharmaceutical Co., Ltd.	250,000.00	Deposit
Fujian Xihai Pharmaceutical Co., Ltd.	203,719.95	The settlement period has not expired
Fujian Yanhuangshijia Food Co., Ltd.	200,000.00	Deposit
Municipal Finance (Renovation of Armed Police Building)	6,097,947.21	Unsettled
Dong Leng Company	3,079,662.00	Unsettled
Yuanguang North Branch of Industrial Bank	2,606,394.19	Unsettled
Zhangzhou City Finance Bureau	2,000,000.00	Unsettled
Fuzhou Zhucheng United Pipeline Co., Ltd.	1,982,596.80	Unsettled
Zhangzhou Promise Pharmaceutical Co., Ltd	9,884,495.75	Dividends (25% of dividends received by entrusted management)
Demolition and resettlement compensation	4,289,955.00	Requisition and demolition compensation for the Yinhe Plaza project of the Sanitary Dressing Factory
Housing reform fund	3,576,784.02	Issues left over by history
Employee Housing Reform Special Account Payment	3,564,979.99	Housing reform fund
Futang Housing Fund	2,567,856.78	Issues left over by history
Demolition expenses received	2,568,041.49	Issues left over by history
Idle funds of Longxi Machinery Factory Labor Service Company	1,650,346.30	Idle funds managed for the company
Assets to be liquidated from investment	1,022,293.19	Issues left over by history
Zhangzhou Zhangtang Construction Engineering Co., Ltd., Zhangzhou City, Fujian Province	655,577.98	Issues left over by history
Employees' economic compensation of Fujian Lijia Co., Ltd.	615,851.65	Lijia's retired employee placement expenses, such as holiday condolences, hospital condolences, and difficulties condolences from then on
Total	58,298,074.10	

(XXXV) Non-current liability due within one year

Items	Closing balance	Opening balance
Long-term loan due within one year	32,400,000.00	122,100,000.00
Long-term bonds payable due within one year	8,927,311,094.21	4,837,857,562.73
Long-term payables due within one year	2,830,188.68	347,223,167.84
Long-term payroll payable due within one year	2,493,095.06	2,498,076.74
Total	8,965,034,377.95	5,309,678,807.31

(XXXVI) Other current liabilities

Items	Closing balance	Opening beginning
Deposited guarantee deposit	515,360.00	515,360.00
Reserves for guarantee compensation	9,916,090.00	2,593,500.00
Short-term liability reserve funds	9,304,769.13	1,888,943.69
Accrued expense	1,259,200.00	1,259,200.00
Package money of unliquidated claims	34,099,123.51	24,205,248.61
Total	55,094,542.64	30,462,252.30

(XXXVII) Long-term loans

Classification of long-term loans

Items	Closing balance	Opening balance
Pledged borrowings	728,900,000.00	450,000,000.00
Mortgage borrowings	145,000,000.00	110,000,000.00
Guaranteed loan	4,560,000,000.00	5,702,000,000.00
Credit loans	1,634,592,329.00	1,156,400,000.00
Total	7,068,492,329.00	7,418,400,000.00

(XXXVIII) Bonds payable

1. Bonds payable

Items	Closing balance	Opening balance
14 Zhangjiulong Debt		140,000,000.00
16 Jiulongjiang MTN001		796,603,032.57
16 Zhangjiulong Debt		2,492,233,715.87
16 Jiulongjiang PPN001		996,952,651.58

Items	Closing balance	Opening balance
17 Zhangjiu 01	2,893,795,606.56	2,994,222,455.60
18 Jiulongjiang MTN001	796,440,778.46	794,875,959.76
18 Jiulongjiang MTN002	398,177,478.37	397,397,165.42
18 Jiulongjiang MTN003	597,113,133.59	595,949,959.54
18 Zhangjiu 01		1,097,733,121.81
18 Zhangjiu 02		1,396,941,506.48
18 Zhangjiu 03		998,842,418.81
18 Zhangjiu 04		998,755,606.94
19 Zhangjiu 01	1,996,964,794.78	1,996,017,321.80
19 Zhangjiu 02	998,448,778.06	997,976,863.87
19 Zhangjiu 03	998,425,892.87	998,122,043.85
Three year foreign dollar bonds	3,356,046,831.28	3,473,030,757.93
20 Jiulongjiang MTN001	996,838,614.34	
20 Jiulongjiang MTN002	996,780,554.16	
20 Jiulongjiang MTN004	1,096,009,941.87	
20 Jiulongjiang PPN001	998,096,695.77	
20 Jiulongjiang PPN002	998,866,379.11	
20 Zhangjiu 01	1,297,318,711.47	
20 Zhangjiu 02	1,499,174,581.60	
20 Zhangjiu 03	1,198,100,306.87	
Total	21,116,599,079.16	21,165,654,581.83

2. Movement of bonds payable (excluding other financial instruments, such as preferred shares and perpetual capital securities that were classified into financial liabilities):

Name of bonds	Nominal value	Issuing date	Bond period (year)	Opening balance	Issuance in the current period	Balance before initial reclassification	Interest accrued at nominal value	Amortization of premium or discount	Current repayment	Closing balance
14 Zhangjiulong Debt	700,000,000.00	2014-6-25	7	140,000,000.00	280,000,000.00		13,247,605.48		280,000,000.00	
15 Zhangjiulong Debt	2,500,000,000.00	2015-10-27	5		1,700,000,000.00		81,041,095.89		1,700,000,000.00	
16 Jiulongjiang MTN001	800,000,000.00	2016-3-14	5	796,603,032.57	796,603,032.57		28,560,000.00	2,568,165.58	799,171,198.15	
16 Zhangjiulong Debt	1,000,000,000.00	2016-12-1	5	996,952,651.58	996,952,651.58		46,000,000.00	1,574,527.93	998,527,179.51	
16 Jiulongjiang PPN001	2,500,000,000.00	2016-4-11	7	2,492,233,715.87	2,492,233,715.87		90,000,000.00	2,011,629.86	2,494,245,345.73	
17 Jiulongjiang PPN001	200,000,000.00	2017-2-22	3		200,000,000.00		1,481,095.89	0.00	200,000,000.00	
17 Jiulongjiang PPN002	1,000,000,000.00	2017-10-23	3		998,972,639.46		46,224,657.53	0.00	998,972,639.46	
17 Jiulongjiang PPN003	800,000,000.00	2017-10-31	3		799,152,218.86		36,646,575.34	0.00	799,152,218.86	
17 Zhangjiu 01	3,000,000,000.00	2017-7-10	5	2,994,222,455.60	2,994,222,455.60		170,244,153.97	2,573,150.96	103,000,000.00	2,893,795,606.56
18 Jiulongjiang MTN001	800,000,000.00	2018-5-3	5	794,875,959.76	794,875,959.76		45,600,000.00	1,564,818.70		796,440,778.46
18 Jiulongjiang MTN002	400,000,000.00	2018-5-24	5	397,397,165.42	397,397,165.42		22,280,000.00	780,312.95		398,177,478.37
18 Jiulongjiang MTN003	600,000,000.00	2018-7-12	5	595,949,959.54	595,949,959.54		32,100,000.00	1,163,174.05		597,113,133.59
18 Zhangjiu 01	1,100,000,000.00	2018-1-16	3+2	1,097,733,121.81	1,097,733,121.81		71,390,000.00	764,943.10	1,098,498,064.91	
18 Zhangjiu 02	1,400,000,000.00	2018-3-26	3+2	1,396,941,506.48	1,396,941,506.48		91,000,000.00	962,150.43	1,397,903,656.91	
18 Zhangjiu 03	1,000,000,000.00	2018-10-26	3	998,842,418.81	998,842,418.81		56,900,000.00	686,477.92	999,528,896.73	
18 Zhangjiu 04	1,000,000,000.00	2018-12-14	3	998,755,606.94	998,755,606.94		50,000,000.00	681,145.33	999,436,752.27	

Name of bonds	Nominal value	Issuing date	Bond period (year)	Opening balance	Issuance in the current period	Balance before initial reclassification	Interest accrued at nominal value	Amortization of premium or discount	Current repayment	Closing balance
19 Jiulongjiang PPN001	1,000,000,000.00	2019-12-16	120 days		999,732,704.41		9,972,602.74		999,732,704.41	
Three year foreign dollar bonds	3,488,100,000.00	2019-9-10	3	3,473,030,757.93	3,473,030,757.93		193,049,812.56	-116,983,926.65		3,356,046,831.28
19 Zhangjiu 01	2,000,000,000.00	2019-3-14	3+2	1,996,017,321.80	1,996,017,321.80		88,000,000.00	947,472.98		1,996,964,794.78
19 Zhangjiu 02	1,000,000,000.00	2019-4-8	3+2	997,976,863.87	997,976,863.87		44,700,000.00	471,914.19		998,448,778.06
19 Zhangjiu 03	1,000,000,000.00	2019-12-10	3+3	998,122,043.85	998,122,043.85		39,500,000.00	303,849.02		998,425,892.87
20 Jiulongjiang MTN001	1,000,000,000.00	2020/3/6	5 年			1,000,000,000.00	30,100,000.00	-3,161,385.66		996,838,614.34
20 Jiulongjiang MTN002	1,000,000,000.00	2020/4/3	5 年			1,000,000,000.00	29,047,945.21	-3,219,445.84		996,780,554.16
20 Jiulongjiang MTN004	1,100,000,000.00	2020/10/20	5 年			1,100,000,000.00	9,680,000.00	-3,990,058.13		1,096,009,941.87
20 Jiulongjiang PPN001	1,000,000,000.00	2020/5/22	3+2 年			1,000,000,000.00	22,706,849.32	-1,903,304.23		998,096,695.77
20 Jiulongjiang PPN002	1,000,000,000.00	2020/11/4	3+2 年			1,000,000,000.00	6,673,972.61	-1,133,620.89		998,866,379.11
20 Zhangjiu 01	1,300,000,000.00	2020/3/16	3+2 年			1,300,000,000.00	38,348,219.18	-2,681,288.53		1,297,318,711.47
20 Zhangjiu 02	1,500,000,000.00	2020/4/27	3+2 年			1,500,000,000.00	36,838,356.16	-825,418.40		1,499,174,581.60
20 Zhangjiu 03	1,200,000,000.00	2020/10/20	3+2 年			1,200,000,000.00	10,056,000.00	-1,899,693.13		1,198,100,306.87
Total	36,388,100,000.00			21,165,654,581.83	26,003,512,144.56	9,100,000,000.00	1,440,388,941.86	-118,744,408.46	13,968,168,656.94	21,116,599,079.16

(XXXIX) Long-term payables

Items	Closing balance	Opening balance
Long-term payables	453,088,986.46	531,621,977.42
Special payables	267,465,476.48	298,153,033.22
Total	720,554,462.94	829,775,010.64

1. Long-term payables

Other long-term payable listed by the nature of accounts

Items	Closing balance	Opening balance
Zhangzhou Urban Land Acquisition Reserve Center	7,470,960.66	7,470,960.66
Zhanglong Industrial Co., Ltd.	310,186,229.76	269,386,828.08
Perpetual bond underwriting fees of China Citic Bank		2,830,188.68
Bocom guoxin NO. 2980 steady collection fund trust plan		112,000,000.00
Zhangzhou Finance Bureau	3,934,000.00	3,934,000.00
Zhangzhou Foreign Trade & Economy Commission	500,000.00	500,000.00
Drinking Water Project in Gulei Area	51,997,796.04	80,500,000.00
Urban rural integration construction fund	79,000,000.00	55,000,000.00
Total	453,088,986.46	531,621,977.42

2. Special payables

Special payables listed by the nature of accounts

Items	Opening balance	Increase in current period	Other decreases	Closing balance
Venture loan guarantee fund principal	31,654,047.87	443,149.08	528,318.50	31,568,878.45
Industry and trade emergency working capital	45.83	2.30		48.13
Interest on policy-guaranteed funds	3,272.22			3,272.22
Tai-tou district assistant insurance loan interest (jiaomei construction bank 7776#)	926,404.89		926,404.89	
Entrepreneurship guidance fund for small, medium and micro enterprises	147,799.29			147,799.29
Risk compensation fund	50,315,791.33			50,315,791.33
Insurance assistance fund	2,847,329.82	1,113,280.54	1,159,341.35	2,801,269.01
Technical renovation fund	142,800,000.00		18,800,000.00	124,000,000.00

Items	Opening balance	Increase in current period	Other decreases	Closing balance
Help insure interest	615,849.69			615,849.69
Interest on venture guarantee fund	141,265.89	76.08		141,341.97
Interest on emergency working capital	180,577.30			180,577.30
Trust poverty alleviation fund	18,050,000.00	1,800,000.00	19,850,000.00	
Relocation costs	78,277.00			78,277.00
Research and maintenance project of aviation joint bearing (note 2)	48,730,000.00			48,730,000.00
Science-technology three-expense	13,600.00			13,600.00
The 12th five-year plan for rural drinking water safety project	1,648,772.09			1,648,772.09
Advance payment for land expropriation compensation of Chen Da factory area		7,220,000.00		7,220,000.00
Total	298,153,033.22	10,576,508.00	41,264,064.74	267,465,476.48

Note : The balance of the Aviation Joint Bearing Research and Maintenance Project of the subsidiary Fujian Longxi Bearing (Group) Corp., Ltd. was RMB 48,730,000.00, which was mainly due to the fixed assets investment of the military industry funded with cash and cash equivalences by Zhangzhou Finance Bureau. It is proposed to be transferred to state-owned capital reserve fund and can be transferred to state-owned shares in accordance with the plan approved by the shareholders' meeting when the Company increases its capital and shares.

(XL) Long-term accrued payroll

1. Form of long-term accrued payroll

Items	Closing balance	Opening balance
I. Post-employment benefit - net liabilities of defined benefit plan	50,955,911.30	55,664,463.64
II. Welfare of dismissal	1,008,753.84	1,742,655.05
Less: Long-term payroll payable due within one year	2,481,702.50	2,498,076.74
Total	49,482,962.64	54,909,041.95

2. Changes in defined benefit plan

Items	Amount incurred in the current period	Amount incurred in the previous period
I. Opening balance	55,664,463.64	47,813,757.84

Items	Amount incurred in the current period	Amount incurred in the previous period
II. Defined benefit cost recognized in the current profit and loss	4,767,590.74	7,689,317.14
1. Current service costs	2,958,622.79	5,968,370.52
2. Past service costs		
3. Settled gains (loss is listed with "-")	-26,900.00	
4. Net interest	1,782,067.95	1,720,946.62
III. Defined benefit cost recognized in other comprehensive incomes	-5,441,531.25	4,029,607.90
1. Actuarial gains (loss is listed with "-")	-5,441,531.25	4,029,607.90
2. Others		
IV. Other movements	-4,034,611.83	-3,868,219.24
1. Consideration paid in settlement		
2. Benefits paid	-4,034,611.83	-3,868,219.24
V. Closing balance	50,955,911.30	55,664,463.64

Net liabilities (net assets) of defined benefit plan

Items	Amount incurred in the current period	Amount incurred in the previous period
I. Opening balance	55,664,463.64	47,813,757.84
II. Defined benefit cost recognized in the current profit and loss	4,767,590.74	7,689,317.14
III. Defined benefit cost recognized in other comprehensive incomes	-5,441,531.25	4,029,607.90
IV. Other movements	-4,034,611.83	-3,868,219.24
V. Closing balance	50,955,911.30	55,664,463.64

(XLI) Accrued liabilities

Items	Closing balance	Opening balance	Cause
Product quality assurance	174,308.22	276,037.48	After-sales "three guarantees" obligation
Total	174,308.22	276,037.48	

(XLII) Deferred incomes

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Government subsidies	122,717,994.40	42,917,008.74	45,682,427.82	119,952,575.32
Relocation compensation	4,714,915.73	210,443.18	401,588.42	4,523,770.49
Total	127,432,910.13	43,127,451.92	46,084,016.24	124,476,345.81

Items involving governmental subsidies

Items of liabilities	Opening balance	This period of consolidation of the new subsidy amount	Newly increased Subsidies	Amount of other income in current period.	Other movements	Closing balance	Related to assets/income
Two development phases of Pien Tze Huang National Science and Technology Support Project	653,791.24			653,791.24			Related to assets
Construction of Musk Industrialization Base	2,380,000.00			340,000.00		2,040,000.00	Related to assets
Weining Infrastructure Construction Reward and Support Fund	3,301,449.31			137,362.50		3,164,086.81	Related to assets
Annual output of 5,000 tons of Chinese medicine decoction pieces and medicine and food homology project	106,386.11					106,386.11	Related to assets
Musk Base Construction (Kuantan)	260,000.00			260,000.00			Related to assets
2009 Provincial Connotation Deepening Technological Reform and Promotion of Special Fund Interest Discount	360,000.00			90,000.00		270,000.00	Related to assets
The construction of East China (Fujian) Drug Mobilization Center ,which is the capital subsidy for the expansion of production capacity and technical transformation	450,000.00			50,000.00		400,000.00	Related to assets
Fujian Provincial Classic Chinese Medicine Compound Innovation and Re-evaluation Research Center	40,988.57			40,988.57			Related to incomes
Study on Pien Tze Huang Pathway Regulating Autophagy and Inhibiting Liver Fibrosis	40,000.00			25,568.14		14,431.86	Related to assets
Study on the mechanism of Pien Tze Huang's treatment of liver cancer based on (phosphorylated) proteomics	4,000.00					4,000.00	Related to incomes
Study on the Mechanism of Pien Tze Huang's Treatment of Liver Cancer Based on Tumor Immunity	40,000.00					40,000.00	Related to incomes

Items of liabilities	Opening balance	This period of consolidation of the new subsidy amount	Newly increased Subsidies	Amount of other income in current period	Other movements	Closing balance	Related to assets/income
A multi-center clinical study on the treatment of herpes zoster with the famous Chinese medicine Pill Zihuang	132,690.89			53,128.33		79,562.56	Related to incomes
Study on the secondary development of the famous and high-quality Chinese medicine Pill Zihuang in the treatment of liver cancer			600,000.00	600,000.00			Related to incomes
Provincial Science and Technology Giants Leading Enterprise R&D Expenses Extra Deduction Reward Special Fund Reward			4,077,000.00	4,077,000.00			Related to incomes
Individual tax agency fee			221,978.62		221,978.62		Related to incomes
Job stabilization subsidy			4,991,155.24	2,484,183.52	395,436.30	2,111,535.42	Related to incomes
E-commerce development subsidy			767,000.00		767,000.00		Related to incomes
2018 Reward for Promoting the Stable Growth of the Service Industry			65,000.00	65,000.00			Related to incomes
Incentive funds for measures to promote foreign trade growth in 2019			22,571.00	22,571.00			Related to incomes
Award for the "Eight Measures to Promote the Development of Science and Technology Innovation" in 2019			1,304,200.00	1,304,200.00			Related to incomes
Subsidies for the introduction of eugenics from Zhangzhou prestigious schools in 2019			100,000.00	100,000.00			Related to incomes
2019 Biomedical Business Enterprise Operation Contribution Reward			1,774,273.00		1,774,273.00		Related to incomes
2020 Twin Innovation Star Subsidy Fund			202,198.50			202,198.50	Related to incomes
2020 Fujian Provincial Industrial Tourism Demonstration Base Incentive Fund			500,000.00		500,000.00		Related to incomes
2020 Provincial High-level Technology			300,000.00	300,000.00			Related to incomes

Items of liabilities	Opening balance	This period of consolidation of the new subsidy amount	Newly increased Subsidies	Amount of other income in current period	Other movements	Closing balance	Related to assets/income
R&D and Innovation Platform Subsidy							
The first batch of foreign trade subsidies for the epidemic			133,879.00		133,879.00		Related to incomes
E-commerce development subsidy			767,000.00		767,000.00		Related to incomes
Expenditures for the construction of the famous and veteran pharmaceutical studio in Zhangzhou Traditional Chinese Medicine Hospital			30,000.00			30,000.00	Related to incomes
Fujian Provincial Government Quality Award			2,000,000.00		2,000,000.00		Related to incomes
Pre-job skills training subsidy			180,600.00	180,600.00			Related to incomes
National Technology Innovation Demonstration Enterprise Subsidy Fund			5,000,000.00	5,000,000.00			Related to incomes
National Enterprise Technology Center			1,500,000.00			1,500,000.00	Related to assets
Study on the secondary development of the famous and high-quality Chinese medicine Pill Zihuang in the treatment of liver cancer			600,000.00	600,000.00			Related to incomes
Funding from Qiqihar Science and Technology Bureau			100,000.00	100,000.00			Related to incomes
Others		463,699.11	285,517.27	310,138.96		439,077.42	Related to incomes
Corporate R&D subsidy funds			791,740.00	791,740.00			Related to incomes
Value-added tax deduction for enterprises recruiting retired soldiers			159,000.00	159,000.00			Related to incomes
The development of the innovative drug PZH2111 for the targeted therapy of solid tumors, the research and development of the innovative drug PZH2108 for the targeted therapy of chronic pain (cancer pain)			2,000,000.00	2,000,000.00			Related to incomes
Bonus funds due to new regulations			550,000.00	550,000.00			Related to incomes

Items of liabilities	Opening balance	This period of consolidation of the new subsidy amount	Newly increased Subsidies	Amount of other income in current period.	Other movements	Closing balance	Related to assets/income
The Fujian Provincial Government Quality Award for the first time			500,000.00		500,000.00		Related to incomes
Machine and equipment subsidies during covid-19 epidemic			1,851,600.00	1,017,933.33		833,666.67	Related to assets
Supplementary measures to support the stable development of foreign trade enterprises during the epidemic			54,214.00		54,214.00		Related to incomes
Reward for industrial enterprise structure adjustment in the Employment and Training Management Center of Xiangcheng District, Zhangzhou City			349,356.00	349,356.00			Related to incomes
Recruiting post-doctoral personnel with provincial financial funding			80,000.00	80,000.00			Related to incomes
A reward for trading enterprises above designated size			362,027.00	362,027.00			Related to incomes
Subsidy for supporting the construction of emergency material guarantee system			2,750,000.00	1,811,520.67		938,479.33	Related to incomes
Subsidy for National Skills Master Studio	136,246.20					136,246.20	Related to incomes
Subsidy for Chen Yizhong Skills Master Studio	200,000.00					200,000.00	Related to incomes
Special joint bearing project	2,737,606.05			1,019,769.56		1,717,836.49	Related to assets
Special subsidy for industrial technician training base	342,679.20			83,921.28		258,757.92	Related to assets
Subsidy for articulated bearings for thrust rods of heavy trucks	6,632,977.49			1,286,747.91		5,346,229.58	Related to assets
Special subsidy for the development of intelligent manufacturing equipment (manufacturing of safety test systems for automobile and mechanical processing)	2,365,456.27			894,206.88		1,471,249.39	Related to assets
R&D and industrialization of high-end self-lubricating joint bearings (development	122,819.12			368.41		122,450.71	Related to assets

Items of liabilities	Opening balance	This period of consolidation of the new subsidy amount	Newly increased Subsidies	Amount of other income in current period.	Other movements	Closing balance	Related to assets/income
of major common key technologies in the industry)							
High-end joint bearing technology transformation project (provincial level)	871,428.54			155,926.20		715,502.34	Related to assets
High-end joint bearing technology transformation project (national funding)	12,250,100.63			2,263,944.00		9,986,156.63	Related to assets
Innovation platform R&D equipment subsidy	552,447.76			91,948.80		460,498.96	Related to assets
National Enterprise Technology Center Construction Project	4,111,477.21			326,470.66		3,785,006.55	Related to assets
18-RD01 Provincial Major Project-Molding			300,000.00	247,654.99		52,345.01	Related to incomes
Fujian High-end Joint Bearing Engineering Research Cente	4,627,607.50			510,882.24		4,116,725.26	Related to assets
Relocation technical transformation project subsidy	31,232,104.83			4,099,943.29		27,132,161.54	Asset-related subsidies
Industrial revitalization and technological transformation	5,753,611.09			256,666.67		5,496,944.42	Asset-related subsidies
Land subsidy for vehicle bearing technical transformation project	4,934,850.00			118,200.00		4,816,650.00	Asset-related subsidies
Research and development of high-end graphene bearing special grease	1,999,342.00					1,999,342.00	Asset-related subsidies
Relocation technical transformation project subsidy	33,711,661.25			3,881,482.37		29,830,178.88	Related to assets
Science and Technology Bureau Project Support Fund	150,000.00				150,000.00		Related to assets
Precision linear guide and slider Integrated coating injection project	62,115.38			6,923.08		55,192.30	Related to assets
Industrial Strong Base Project			8,050,000.00			8,050,000.00	Related to assets
20-RD14 high-end bearing friction and wear performance evaluation			500,000.00	426,604.86		73,395.14	Related to incomes
PPP project funding	210,227.03			24,098.00		186,129.03	Related to assets
Modern Agriculture Special Fund	116,800.00			3,893.28		112,906.72	Related to assets

Items of liabilities	Opening balance	This period of consolidation of the new subsidy amount	Newly increased Subsidies	Amount of other income in current period	Other movements	Closing balance	Related to assets/income
Agricultural Special Fund Subsidy of Zhangzhou City Finance Bureau	291,875.00				7,500.00	284,375.00	Related to assets
Special Fund for Tourism Project Construction of Zhangzhou City Finance Bureau	194,583.29				5,000.05	189,583.24	Related to assets
Eco Valley Toilet Construction Subsidy Fund	184,854.21				4,749.95	180,104.26	Related to assets
Special funds for modern agricultural park construction projects	583,750.00				15,000.00	568,750.00	Related to assets
Tourist toilet construction subsidy funds	206,054.31				5,250.00	200,804.31	Related to assets
Subsidies for the construction of water quality testing centers	267,857.14				128,568.00	139,289.14	Related to assets
Total	122,619,837.62	463,699.11	43,820,309.63	39,615,761.74	7,429,948.92	119,858,235.70	

(XLIII) Other non-current liabilities

Items	Closing balance	Opening balance
Special reserve for bird flu	99,111.00	99,111.00
Drug reserve	1,849,762.45	1,849,762.45
Influenza Aflu reserve	595,795.50	595,795.50
Novel Coronavirus Emergency Reserve	54,549,009.20	
Unsettled claims	400,000.00	
Unmatured liability reserve - long-term liability reserve	905,631.07	579,417.49
Total	58,399,309.22	3,124,086.44

(XLIV) Paid-in capital

The Company is a wholly state-owned company with an original registered capital of RMB 2 billion which has been verified by Z.Z.K.Y.Z. (2011) No. 021 Capital Verification Report issued by Zhangzhou Zhongcheng Certified Public Accountants Co., Ltd.. According to Zhangzhou Assets Rights [2019] No. 21, Zhangzhou State-owned Assets Supervision and Administration Commission approved Zhangzhou Jiulongjiang Group Co., Ltd.' s capital reserve to increase its registered capital. In this period, the Company used capital reserve to increase its registered capital by RMB 2 billion. After the transfer, the registered capital was changed to RMB 4 billion, and the Company has gone through the formalities for industrial and commercial change registration on June 26, 2019.

(XLV) Other equity instruments

1. Information on other financial instruments such as preference shares and perpetual bond

(1) On March 24, 2016, the Company issued " The Second Phase of 2016 Medium-term Notes of Zhangzhou Jiulongjiang Group Co., Ltd.". The medium-term note with face value of RMB one billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the note is as follows:

Mid-term Financing Bill Code: 101659020, referred to as: 16 Jiulongjiang MTN002; total amount of issuance: RMB one billion, with an annual interest rate of 4.38% and a face value of RMB 100, with interest calculation method: interest-bearing floating and interest payment frequency: annual interest payment, date of creditor's rights and debts registration: March 28, 2016, date of value: March 28, 2016, date of flow starting: March 28, 2016, period: 5+N.

(2) On September 27, 2017, the Company issued "The First Phase of 2017 Medium-term Notes of Zhangzhou Jiulongjiang Group Co., Ltd.". The medium-term note with face value of RMB one billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the note is as follows:

Mid-term Financing Bill Code: 101759064, referred to as: 17 Jiulongjiang MTN001; total amount of issuance: RMB one billion, with an annual interest rate of 5.92% and a face value of RMB 100, with interest calculation method: fixed interest rate and interest payment frequency: Annual interest payment, date of value: September 28, 2017, date of flow starting: September 29, 2017, period: 5+N.

(3) On Maech 28, 2019, the Company issued "The First Phase of 2019 Renewable Corporate Bond of Zhangzhou Jiulongjiang Group Co., Ltd.". The renewable corporate bond with face value of RMB 1 billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the corporate bond is as follows:

Corporate Bond Code: 155947, referred to as: 19 Zhangjiu Y1; total amount of issuance: RMB 1 billion, with an annual coupon rate of 5.69% and a face value of RMB 100, with interest calculation method: progressive interest rate and interest payment frequency: periodic interest payment, date of release: March 27, 2019, date of value: March 28, 2019, date of listing: April 10, 2019, period: 2+N.

(4) On June 20, 2019, the Company issued "The Second Phase of 2019 Renewable Corporate Bond of Zhangzhou Jiulongjiang Group Co., Ltd.". The renewable corporate bond with face value of RMB 1.5 billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the corporate bond is as follows:

Corporate Bond Code: 155913, referred to as: 19 Zhangjiu Y2; total amount of issuance: RMB 1.5 billion, with an annual coupon rate of 5.45% and a face value of RMB 100, with interest calculation method: progressive interest rate and interest payment frequency: periodic interest payment, date of release: June 20, 2019, date of value: June 21, 2019, date of listing: Juy 2, 2019, period: 2+N.

(5) On April 28, 2020, the Company issued "The Third Phase of 2020 Medium-term Bond of Zhangzhou Jiulongjiang Group Co., Ltd. (debt for epidemic prevention and control)". The debt for epidemic prevention and control with face value of RMB 1.0 billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the corporate bond is as follows:

Corporate Bond Code: 102000864, referred to as: 20 Zhangjiu (debt for epidemic prevention and control)MTN003; total amount of issuance: RMB 1.0 billion, with an annual coupon rate of 2.25% and a face value of RMB 100, with interest calculation method: progressive interest rate and interest payment frequency: periodic interest payment, date of release: April 27, 2020, date of value: April 28, 2020, date of listing: April 29, 2020, period: 3+N.

(6) On September 7, 2020, the Company issued "The First Phase of 2020 Renewable Corporate Bond of Zhangzhou Jiulongjiang Group Co., Ltd.. The Renewable Corporate Bond with face value of RMB 1.5 billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the corporate bond is as follows:

Corporate Bond Code: 175102, referred to as: 20 Zhangjiu Y1; total amount of issuance: RMB 1.5 billion, with an annual coupon rate of 4.48% and a face value of RMB 100, with interest calculation method: progressive interest rate and interest payment frequency: periodic interest payment, date of release: September 7, 2020, date of value: September 7, 2020, date of listing: September 11, 2020, period: 2 years. The period of the current bond is 2 years. At the end of the agreed basic period and the end of each renewal cycle, the company has the right to exercise the renewal option to extend the bond period of the current bond by one cycle (that is, extend it by 2 years), or Choose to mature the full amount of the bonds at the end of the period.

(7) On September 7, 2020, the Company issued "The Third Phase of 2020 Renewable Corporate Bond of Zhangzhou Jiulongjiang Group Co., Ltd.. The Renewable Corporate Bond with face value of RMB 0.5 billion issued in current period shall be valid before actually redeemed by the issuer in accordance with issuance clauses, and shall be due on redemption made by the issuer in accordance with issuance clauses. Basic information about the corporate bond is as follows:

Corporate Bond Code: 175555, referred to as: 20 Zhangjiu Y3; total amount of issuance: RMB 0.5 billion, with an annual coupon rate of 4.9% and a face value of RMB 100, with interest calculation method: progressive interest rate and interest payment frequency: periodic interest payment, date of release: December 18, 2020, date of value: December 21, 2020, date of listing: December 25, 2020, period: 2 years. The period of the current bond is 2 years. At the end of the agreed basic period and the end of each renewal cycle, the company has the right to exercise the renewal option to extend the bond period of the current bond by one cycle (that is, extend it by 2 years), or Choose to mature the full amount of the bonds at the end of the period.

2. Details of changes in financial instruments such as preferred stocks and perpetual bonds issued at the end of the period

Outstanding financial instruments	Opening balance		Increase in current period		Decrease in current period		Closing balance	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value
15 Jiulongjiang MTN001		985,594,339.62				985,594,339.62		
16 Jiulongjiang MTN002		985,699,056.60						985,699,056.60
17 Jiulongjiang MTN001		985,849,056.60						985,849,056.60
18 Zhangjiu Y1		499,235,849.06				499,235,849.06		
Bocom guoxin NO. 2980 steady collection fund trust plan		1,000,000,000.00				1,000,000,000.00		
19 Zhangjiu Y1		998,471,698.11						998,471,698.11
19 Zhangjiu Y2		1,497,707,547.17						1,497,707,547.17
Minmetals trust - Huixin No.11 collective fund trust scheme		500,000,000.00				500,000,000.00		
Jiulongjiang (epidemic prevention and control debt) MTN003				998,018,867.92				998,018,867.92
20 Zhangjiu Y1				1,498,018,867.92				1,498,018,867.92
20 Zhangjiu Y2				1,498,018,867.92				1,498,018,867.92

Outstanding financial instruments	Opening balance		Increase in current period		Decrease in current period		Closing balance	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value
20 Zhangjiu Y3				499,339,622.64				499,339,622.64
Total		7,452,567,547.16		4,493,396,226.40		2,984,840,188.68		8,961,123,584.88

(XLVI) Capital reserves

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Capital Premium (share premium)	1,896,224,356.89	95,263,317.19	15,169,811.31	1,976,317,862.77
Other capital reserves	1,667,312,120.76	119,621,392.96	186,663,718.21	1,600,269,795.51
Total	3,563,536,477.65	214,884,710.15	201,833,529.52	3,576,587,658.28

Main changes in capital reserve this year:

Note 1: According to the Minutes of the Tenth Committee Meeting of Zhangzhou City [2016] No. 9, RMB 100 million subsidies would be allocated Gulei investment to increase the company's capital reserve .

Note 2: Subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. acquired the minority shareholders' equity of the holding subsidiary Pien Tze Huang (Zhangzhou) Pharmaceutical Co., Ltd. during the current period. The difference between the paid investment and the share of net assets calculated continuously from the date of merger of the subsidiary shall increase the capital reserve by 647,550.19 yuan based on the proportion of the acquired equity.

Note 3: As for other equity instruments of the parent company due in the current period, the difference between the redemption of the par value and the book value will be used to offset the capital reserve-equity premium of RMB 15,169,811.31 .

Note 4: According to the resolution of the shareholder meeting of the subsidiary Zhangzhou Jiulongjiang Gulei Investment Co., Ltd., the shareholders' meeting resolved to reduce the company's registered capital from RMB 3,333,000,000 on December 31,2019 to RMB 1,692,300,000. Accordingly, the proportion of shareholders' capital contribution was adjusted accordingly, which reduced RMB59,959,600.07 due to this matter.

Note 5: Subsidiary Zhangzhou Jiulongjiang Gulei Investment Co., Ltd. adjusted its subsidiary Zhangzhou Jiulongjiang Gulei Water Affairs Development

Co., Ltd. to assess value-added matters and increased its capital reserve by RMB 13,523,553.76 .

Note 6: In this year, the Company and its subsidiaries Fujian Longxi Bearing (Group) Corp., Ltd. and Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. reduced capital reserve by a total of RMB 32,088,351.14 through fair value amortization

Note 7: According to the Special Meeting Minutes (2019) No. 67 of Zhangzhou High-tech Industrial Development Zone Management Committee, Zhangzhou High-tech Zone Land Management Committee Minutes (2019) No. 1 and the special audit report issued by a third-party auditing agency, the subsidiary Zhangzhou Jiulongjiangyuan Shan Investment Co., Ltd. adjusted the accounts of Zhangzhou Lihai Cultural Park, which increased the capital reserve by RMB 6,095,796.00. Accounting adjustments were made to Zhangzhou Lihai Cultural Park, which increased the capital reserve by RMB 6,095,796.00 .

(XLVII) Other comprehensive incomes

Items	Opening balance	Amount incurred in this period					Closing balance
		Accrual before Income taxed in this period Amount	Less: The amount calculated in other comprehensive income in earlier period and carried over to profit and loss in current period.	Less: Income taxes	Attributable to parent company after tax	After-tax attributable to minority shareholders	
I. Other comprehensive income that couldn' t be classified into profit and loss in the future	58,617,931.21	65,129,135.04		9,993,621.67	32,245,654.62	32,836,962.05	90,863,585.81
Including: Re-measurement of changes in net liabilities and net assets in defined benefit plan	-4,259,916.12	5,234,446.45		22,706.16	1,965,696.53	3,247,751.11	-2,294,219.61
Changes in the fair value of other equity instruments	62,877,847.33	66,472,770.07		9,970,915.51	33,905,138.79	29,589,210.94	96,782,986.12
Under the equity method, the share of other comprehensive income of the invested entity that cannot be reclassified into profit and loss		-6,578,061.48			-3,625,180.70		-3,625,180.70
II. Other comprehensive income that would be classified into profit and loss in the future	432,619,958.88	77,534,716.43	-56,797.90	20,134,308.07	58,677,039.66	-1,309,219.55	491,296,998.56
Including: Shares of other comprehensive incomes of the investee to be reclassified into profit and loss under equity method in subsequent period	82,023,296.24						82,023,296.24
Change in fair value of available - for- sale financial assets	348,202,028.62	80,591,711.09		20,147,463.80	60,297,880.21		408,499,908.83
Hold-to-maturity investments are reclassified							

Items	Opening balance	Amount incurred in this period					Closing balance
		Accrual before income taxed in this period Amount	Less: The amount calculated in other comprehensive income in earlier period and carried over to profit and loss in current period.	Less: Income taxes	Attributable to parent company after tax	After-tax attributable to minority shareholders	
as gains and losses on financial assets available for sale							
The effective portion of the cash flow hedging profit and loss							
Difference in the foreign currency financial statements	2,427,982.16	-2,856,963.78			-1,598,568.57	-1,258,395.22	829,413.61
Accounts receivable financing	-33,348.14	-200,030.88	-56,797.90	-13,155.73	-22,271.98	-50,824.33	-55,620.12
Others							
Other total comprehensive income	491,237,890.09	142,663,851.47	-56,797.90	30,127,929.74	90,922,694.28	29,681,232.31	582,160,584.37

(XLVIII) Special reserves

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Safety production expense	4,730,656.74	3,222,264.48	1,846,661.65	6,106,259.57
Total	4,730,656.74	3,222,264.48	1,846,661.65	6,106,259.57

(XLIX) Surplus reserve

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Statutory surplus reserve	524,232,703.17	52,768,222.28		577,000,925.45
Total	524,232,703.17	52,768,222.28		577,000,925.45

Note: For current new increase, the surplus reserve is withdrawn based on 10% net profit.

(L) Undistributed profits

Items	Current period	Previous period
Pre-adjustment balance brought forward	4,715,766,121.45	3,127,507,982.32
Adjustment of beginning balance		21,768,005.45
Undistributed profits at the beginning of the period after adjustment	4,715,766,121.45	3,149,275,987.77
Add: Net profit attributable to shareholders of the parent company	1,230,791,753.60	2,296,232,655.60
Less: Appropriation to statutory surplus reserve	52,768,222.28	173,021,836.18
Appropriation of discretionary surplus reserves		
Appropriation of general risk reserves		
Ordinary dividends declared	391,846,400.00	280,584,909.36
Payment of other equity instruments - perpetual bond interest	421,769,188.98	276,135,776.38
Others		
Undistributed profits at the end of the period	5,080,174,063.79	4,715,766,121.45

(LI) Operating income and operating costs

Items	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	18,427,926,326.50	15,003,900,393.12	15,118,201,611.31	12,130,496,436.77
Other businessess	3,287,483,123.97	1,863,916,819.93	3,555,756,071.87	1,870,280,726.06
Total	21,715,409,450.47	16,867,817,213.05	18,673,957,683.18	14,000,777,162.83

(LII) Taxes and surcharges

Items	Amount incurred in the current period	Amount incurred in the previous period
Urban maintenance and construction tax	44,459,873.84	36,119,668.03
Education surcharge	32,597,227.88	26,615,452.04
Housing property tax	12,481,147.91	13,747,566.03
Flood prevention expense	10,079,679.13	7,709,159.60
Land use tax	4,574,328.18	4,391,939.61
Stamp duty	7,711,859.18	7,061,570.77
Vehicle and vessel use tax	20,421.96	11,834.22
Environmental protection tax		21,748.56
Others	5,397,540.19	4,233,331.55
Increment tax on land value	16,651,137.26	
Total	133,973,215.53	99,912,270.41

(LIII) Selling expenses

Items	Amount incurred in the current period	Amount incurred in the previous period
Promotion, business promotion and advertising fees	479,974,367.70	343,206,786.91
Employee remuneration	141,458,495.49	133,598,745.04
Freight and miscellaneous charges	18,944,833.14	35,034,169.62
After-sales service and repair costs	11,512,610.95	12,154,367.42
Travelling expenses	24,340,750.73	14,823,025.41
Packing fees	6,660,670.10	6,442,960.01
Business entertainment expense	16,200.59	41,263.91
Agency fee	2,378,621.43	2,826,902.32
Rentals	6,810,235.45	6,234,157.29
Administrative office fee	12,836,486.54	9,329,765.72
Others	86,373,298.11	68,790,041.57
Total	791,306,570.23	632,482,185.22

(LIV) Administrative expenses

Items	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	305,477,355.89	317,354,967.78
Depreciation and amortization expenses	121,570,602.07	79,749,193.94

Items	Amount incurred in the current period	Amount incurred in the previous period
Taxes	40,460.13	393,355.00
Business entertainment expense	2,091,217.93	1,424,776.49
Brokerage fee	38,926,798.09	17,136,877.82
Office expense	31,423,882.45	25,303,419.17
Traveling expense	5,316,392.31	9,934,966.42
Rentals	16,953,807.95	14,561,079.16
Business publicity expenses	1,785,880.89	1,945,792.84
Vehicle expense	651,462.39	1,774,991.44
Utilities	2,758,349.00	2,209,757.71
Repair expenses	1,003,888.81	1,399,321.62
Security expense	490,371.74	327,057.33
Others	43,264,055.83	36,168,500.06
Total	571,754,525.48	509,684,056.78

(LV) Research and Development expenses

Items	Amount incurred in the current period	Amount incurred in the previous period
Material consumption cost	27,117,172.84	21,029,313.86
Employee compensation and related welfare expenses	86,725,609.52	81,214,123.44
Depreciation and amortization	16,568,231.78	13,929,048.75
Hydropower and gas expenses	13,972,130.07	3,379,721.25
Technical service fee	3,107,711.18	1,374,521.34
Professional fee		2,346,467.94
Research and development of outsourcing	43,710,688.58	75,667,791.03
Others	14,335,627.76	11,535,181.39
Total	205,537,171.73	210,476,169.00

(LVI) Financial expenses

Items	Amount incurred in the current period	Amount incurred in the previous period
Interest expenses	565,780,420.55	679,789,748.70
Less: Interest income	156,891,387.13	155,347,663.11
Exchange profits and losses	-322,397,977.60	-2,538,821.79
Acceptance bills discount interest	594,161.64	

Items	Amount incurred in the current period	Amount incurred in the previous period
Fees and others	132,861,043.87	94,152,664.02
Cash discount	-296,749.83	
Set Benefit Plan Obligations	472,270.37	
Total	220,121,781.87	616,055,927.82

(LVII) Asset impairment losses

Items	Amount incurred in the current period	Amount incurred in the previous period
I. Provision for bad debts	-2,229,717.55	4,437,812.87
II. Provision for Inventory price decline	-50,198,947.77	-40,846,696.08
III. Impairment losses for available-for-sale financial asset		
IV. Provision for loss on construction		
V. Provision for impairment losses of intangible asset		
VI. Provision for loan loss		
VII. Impairment loss of fixed assets		
VIII. Goodwill impairment loss		-6,096,505.10
IX. Other impairment losses		
Total	-52,428,665.32	-42,505,388.31

(LVIII) Other income

Sources of other incomes	Amount incurred in the current period	Amount incurred in the previous period
Support funds	2,018,316.64	604,029.17
Scientific research subsidy	9,097,916.30	9,614,714.29
Rewards and other subsidies	17,943,826.32	7,988,320.55
Government subsidies transferred from deferred income	15,709,161.20	16,002,173.73
Individual income tax commission refund	615,571.95	100,410.54
Increased yield and efficiency award		66,683.50
Standardization incentives	580,000.00	400,000.00
Provincial financial funding for postdoctoral research		160,000.00
Special incentive funds for civil-military integration		90,602.00
"Industry 22" award		831,700.00
Promote the transformation and development of commercial and trade industry support policy support award subsidy	10,000.00	
Subsidy for post stability	1,521,819.64	5,857.20
Other subsidies	2,391,722.89	36,675.95

Sources of other incomes	Amount incurred in the current period	Amount incurred in the previous period
Financing subsidy	178,000,000.00	178,000,000.00
Guaranteed risk compensation	4,403,300.00	528,240.00
Expenses for personnel secondment		610,079.68
Patent application grant funds		87,600.00
Subsidy for Labor and Employment Center		1,681,091.04
National and Local Joint Engineering Research Center of High-end Bearing Precision Manufacturing Technology(Zhangzhou City Finance Bureau)		1,000,000.00
Zhangzhou Finance Bureau 2017-2018 Introduced high-level talents Promotion Award		50,000.00
2017 Yong 'an Science and Technology Innovation Award		200,000.00
Military tax refund		7,002,547.54
Small and micro enterprises financing guarantee business fee reduction award subsidy project funds	3,740,100.00	2,110,400.00
Subsidy for Organic Fertilizer and acidification Improvement Model		24,000.00
2018 Annual commerce and trade support policy award		200,000.00
Zhangzhou Municipal Finance Bureau agricultural special fund subsidies		7,500.00
Special fund for tourism Project construction of Zhangzhou Finance Bureau		5,000.05
Health Valley toilet construction subsidy funds		8,695.65
Special fund for modern Agricultural Park construction project		15,000.00
Organic fertilizer subsidy		70,000.00
Provincial Jinxuan tea planting standardization demonstration area project subsidy.		30,000.00
VAT additional deduction and deduction		771,107.08
Subsidies for the construction of water quality monitoring center	128,568.00	32,142.86
Government talent subsidies	325,000.00	
R&D Project Subsidy from Zhangzhou City Finance Bureau 2020 State-owned Capital Management Budget	2,000,000.00	
Intelligent manufacturing model factory (workshop) high-end joint shaft	2,877,800.00	
One Enterprise One Policy Incentive	554,250.00	
Epidemic prevention subsidy funds	132,023.00	
Labor Employment Center Subsidy	721,305.00	
2019 Local Import and Export Interest Discount Subsidy Fund (Zhangzhou City)	405,821.00	
Export credit insurance support funds for the third quarter of 2019	63,153.00	
National Intellectual Property Advantage Enterprise Reward	150,000.00	

Sources of other incomes	Amount incurred in the current period	Amount incurred in the previous period
Hua'an County Science and Technology Subsidy	160,000.00	
Hua'an County Finance Bureau (patent awards)	30,000.00	
Subsidies from the Bureau of Industry and Information Technology	245,620.00	
Participation subsidy funds from the Bureau of Industry and Information Technology	5,000.00	
2019 Granted Patent Award Subsidy	75,000.00	
The first batch of funding for invention patent applications in 2020	10,000.00	
Changsha City R&D Subsidy Funds	311,000.00	
Bureau of Commerce's 2019 insurance premium and credit fee refund	46,029.60	
Entrepreneurship guarantee subsidy	37,200.00	
Resumption of work and production and job stabilization subsidies	1,513.78	
"Twelve Articles of Service Industry" Award and Supplementary Funds for Commercial Enterprises	60,000.00	
Special funds for foreign trade development	2,000,000.00	
Baiya Qilan Tea Organic Fertilizer Product Demonstration Subsidy Fund	15,000.00	
Geographical Indication Subsidy	25,000.00	
Total	246,411,018.32	228,334,570.83

(LIX) Investment income

Items	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment returns calculated by cost method	4,334,412.02	
Investment income from Long-term equity investment measured by equity method	-708,706,779.15	678,390,947.07
Investment income from the disposal of long-term equity investment	6,145,379.37	
Investment income from financial assets measured at fair value through profit or loss during the holding period	163,599.16	1,208,278.17
Dispose of the investment income obtained from carbon emission rights measured at fair value and whose changes are included in current profits and losses	-1,581,381.67	
Investment profits from disposal of financial assets measured at fair value through profit or loss during the holding period	7,458,309.80	40,276.87
Investment profit from held-to-maturity investments during the holding period	3,750,051.98	3,060,858.31
Investment income from financial assets available for sale during the holding period	33,099,349.93	9,603,066.04
Dividend income from other equity instrument investments during the holding period	6,081,897.22	
Income from investment of other non-current financial assets during the holding period	10,358,364.30	
Investment income from the disposal of financial assets available for sale during the holding period		976,960.17

Items	Amount incurred in the current period	Amount incurred in the previous period
Yields from banking financial products	11,681,647.51	14,005,861.74
Others	2,351,209.02	1,926,877.67
Total	-624,863,940.51	709,213,126.04

(LX) Gains from changes in fair value

Sources of profits from change in fair value	Amount incurred in the current period	Amount incurred in the previous period
Financial assets measured at fair value through profits or losses	74,278,024.86	122,674,666.91
Including: The incomes from the change in fair value of any derivative financial instrument		-8,436.66
Carbon emission rights which are measured at fair value and whose changes are included in current profits and losses		
Financial liabilities at fair value through profits and losses		
Investment property measured at fair value		
Others	6,716,105.58	-82,594.39
Total	80,994,130.44	122,592,072.52

(LXI) Credit impairment loss

Items	Amount incurred in the current period	Amount incurred in the previous period
Bad debt losses on accounts receivable	-4,993,477.41	-3,113,338.82
Bad debt losses on other receivables	-905,335.77	1,263,724.52
Bad debt loss es on notes receivable	-420,922.02	1,362,023.40
Total	-6,319,735.20	-487,590.90

(LXII) Asset disposal income

Source of income from asset disposal	Amount incurred in the current period	Amount incurred in the previous period
Gains from disposal of assets held for sale or disposal group		
Gains on disposal of non-current assets	87,697,468.05	5,926,162.10
Gain on disposal of non - current assets in debt restructuring		
Gain on exchange of non-monetary assets		
Others		-176,291.70
Total	87,697,468.05	5,749,870.40

(LXIII) Non-operating incomes

1. Non-operating incomes

Items	Amount incurred in the current period	Amount incurred in the previous period	Amount recognized in current non-recurring profits and losses
Total disposal gains on non-current assets		32,789.76	
Including: Gains from disposal of fixed assets		32,789.76	
Disposal gains on intangible assets			
Gains from debt restructuring	410,381.72	589,779.34	410,381.72
Gains from exchange of non-monetary assets		25,744,794.39	
Income from donation		4,150.00	
Penalty and indemnity incomes	7,517,525.35	555,731.70	7,517,525.35
Government subsidies	12,592,127.49	7,002,363.26	12,592,127.49
Land compensation			
Income from nonpayment	1,615,661.53	867,718.45	1,615,661.53
Breach of contract	543,627.00		543,627.00
PPP project working funds	24,098.00		24,098.00
Others	23,277,028.04	7,089,499.76	23,277,028.04
Income from profit yield		14,559,145.65	
Total	45,980,449.13	56,445,972.31	45,980,449.13

2. Government subsidies recognized in current gains and losses

Subsidy items	Amount incurred in the current period	Amount incurred in the previous period	Related to assets/income
Intangible cultural heritage production protection and inheritance subsidy		150,000.00	Related to income
Subsidies for e-commerce development	767,000.00	2,000,000.00	Related to income
Reward funds for Commercial and trade enterprises		1,916,217.00	Related to income
Income from personnel expenses		2,400,000.00	Related to income
Job security subsidy		8,146.26	Related to income
Subsidy for exhibition and sales of the 12th tea king competition		2,000.00	Related to income
Bonus of Pinghe baiyaqilan Tea Association		16,000.00	Related to income
Financial individual subsidy		10,000.00	Related to income

Subsidy items	Amount incurred in the current period	Amount incurred in the previous period	Related to assets/income
Awards for added value of high-tech industries		500,000.00	Related to income
2019 Biomedical Business Enterprise Operation Contribution Reward	1,774,273.00		Related to income
2020 Fujian Provincial Industrial Tourism Demonstration Base Award	500,000.00		Related to income
The first batch of foreign trade subsidies for the epidemic	133,879.00		Related to income
Fujian Provincial Government Quality Award	2,500,000.00		Related to income
Supplementary measures to support the stable development of foreign trade enterprises during the epidemic	54,214.00		Related to income
Demolition compensation received for the construction of the "Women's Volleyball Base" project	6,265,787.00		Related to income
Fertilizer subsidy	70,500.00		Related to income
Machine farming section of orchard	3,893.28		Related to income
Green label new certification subsidy	10,000.00		Related to income
Green food certification subsidy	15,000.00		Related to income
020 corporate salary survey funding subsidy	500.00		Related to income
tax deduction	15,181.21		Related to income
985 University Full-time Employment and Entrepreneurship Subsidy	14,000.00		Related to income
2019 Tea King Competition Gold Award	58,000.00		Related to income
Other subsidies	409,900.00		Related to income
Total	12,592,127.49	7,002,363.26	

(LXIV) Non-operating expenses

Items	Amount incurred in the current period	Amount incurred in the previous period	Amount recognized in current non-recurring profits and losses
Total losses from disposal of non-current assets	1,761,615.21	868,640.40	1,761,615.21
Including: Loss from disposal of fixed assets	326,578.98	476,139.08	326,578.98
Losses from disposal of intangible assets	928,019.12	392,501.32	928,019.12
Loss from disposal of biological assets	507,017.11		507,017.11
Donation	12,431,632.87	2,954,433.01	12,431,632.87
loss on arrangement	49,000.00	6,921.20	49,000.00

Items	Amount incurred in the current period	Amount incurred in the previous period	Amount recognized in current non-recurring profits and losses
Late payment penalties and fines	1,563,113.21	137,377.12	1,563,113.21
Removal charge			
More tax payments			
Wanjing business development costs			
Project construction management fee not recognized			
Unrecoverable money			
Economic compensation for employee placement		27,563,080.50	
Others	23,035,845.97	2,926,021.96	23,035,845.97
Total	38,841,207.26	34,456,474.19	38,841,207.26

(LXV) Income tax expenses

1. Details of income tax

Items	Amount incurred in the current period	Amount incurred in the previous period
Income taxes of current period	549,476,446.93	606,622,620.72
Deferred income tax	4,248,366.73	-88,996.96
Total	553,724,813.66	606,533,623.76

2. The adjustment process of accounting profit and income tax expenses

Items	Amount incurred in the current period
Total profit	2,663,528,490.22
Income tax expenses calculated at legal/applicable tax rate	665,882,122.56
Impact of various tax rates applicable to subsidiaries	-108,246,108.85
The change amount of Subsidiary company income tax rate	7,349,479.85
Adjustment of impact on the income tax in the previous period	-25,513,355.87
Impact of non-taxable income	99,900,316.77
Profit and loss of joint ventures and associated enterprises checked by equity method	-5,669,545.60
Impact of additional deductions in accordance with tax laws	
Impact of non-deductible costs, expenses and losses	-91,910,517.45
Impact of deductible losses of deferred tax assets unconfirmed in the previous use period	-4,066,788.80

Items	Amount incurred in the current period
Impact of the deductible temporary differences or deductible loss of the unconfirmed deferred tax assets of this period	28,740,536.80
Preferential policy of additional tax deductions for enterprise R&D expenses	-16,715,055.78
The impact of tax rate change on deferred income tax balance at the beginning of the period	4,948,164.27
Others	-974,434.24
Income tax expense	553,724,813.66

(LXVI) Other comprehensive incomes

See Note V. (XLVII) for details.

(LXVII) Items of cash flow statements

1. Cash received from other operating activities

Items	Amount incurred in the current period	Amount incurred in the previous period
Received guarantee deposit and employee reserve	6,635,193.70	86,541,315.27
Interest income	168,383,008.98	102,264,349.50
Government subsidies	221,345,594.06	313,474,166.17
Other business income such as leasing	8,889,666.46	8,951,172.12
Receivables and payables, and miscellaneous	5,216,593,123.08	9,268,241,920.59
Total	5,621,846,586.28	9,779,472,923.65

2. Cash paid relating to other operating activities

Items	Amount incurred in the current period	Amount incurred in the previous period
Sales expenses and administrative expenses after deducting wages, depreciation, amortization and taxes	623,017,577.99	638,075,762.40
Fees and other expenses in financial expenses	118,999,453.28	61,664,302.96
Deducting long-term asset disposal losses from non-operating expenses	10,874,646.27	4,947,308.32
Restricted cash and cash equivalences	284,398,297.33	1,946,262,437.00
Receivables and payables, and miscellaneous	4,969,800,337.59	7,071,353,997.79
Total	6,007,090,312.46	9,722,303,808.47

3. Other cash received relating to investment activities

Items	Amount incurred in the current period	Amount incurred in the previous period
Recovery of the net amount of wealth management products such as structured deposit	419,000,000.00	16,000,000.00
Receivables related to construction project		300,000.00

Items	Amount incurred in the current period	Amount incurred in the previous period
Interest income		24,297,734.64
The increased cash of Fujian Pien Tze Huang Health Science and Technology Co., LTD., which was newly added by the merger of non-identical control enterprises		57,332,456.98
Receivables and payables, and miscellaneous	5,133,129.00	14,644,488.79
Total	424,133,129.00	112,574,680.41

4. Cash payments relating to other investing activities

Items	Amount incurred in the current period	Amount incurred in the previous period
Payment for purchasing wealth management products such as structured deposits	900,000.00	169,382,939.14
Bank charges for Aviation Joint Bearing Research and Maintenance Project		
Payment for land requisition advance		1,777,595.40
Receivables and payables, and miscellaneous	8,970,000.00	-287,277.97
Total	9,870,000.00	170,873,256.57

5. Other cash receipts relating to financing activities

Items	Amount incurred in the current period	Amount incurred in the previous period
Special fiscal appropriation		80,616,010.04
The amount of capital reserve invested by minority shareholders to pay for the adjustment of intangible assets		4,290,000.00
The stock market receives funds from the sale of stock		679,154,798.55
Receivables and payables, and miscellaneous	28,394,310.54	38,743,978.88
Total	28,394,310.54	802,804,787.47

6. Other cash payments relating to financing activities

Items	Amount incurred in the current period	Amount incurred in the previous period
Interest payment and redemption of service fees & guarantee fees	4,851,299.99	56,592,607.08
Pledged deposit and grantee bond	2,554,250.31	
Clearing the investment funds paid by Fujian Pien Tze Huang Yinzhijie Health Management Co., Ltd. to minority shareholders		11,000,000.00
Receivables and payables, and miscellaneous	38,937,388.16	352,268.20
Acquisition of subsidiary Pien Tze Huang (Zhangzhou) Pharmaceutical Co., Ltd. Minority shareholders equity funds	4,366,550.00	
Total	50,709,488.46	67,944,875.28

(LXVIII) Supplementary data of cash flow statement

1. Supplementary data of cash flow statement

Items	Amount of current period	Amount of previous period
1. Reconciliation of net profits to cash flows from operating activities		
Net profit	2,109,803,676.56	3,042,922,446.06
Add: Reserve for assets impairment	58,748,400.53	42,992,979.21
Depreciations of fixed assets, oil and gas assets, and productive biological assets	209,885,010.61	167,438,930.48
Amortization of intangible assets	151,394,474.75	103,239,367.28
Amortization of long-term deferred expenses	19,547,344.08	20,234,912.24
Losses on the disposal of fixed assets, intangible assets and other long-term assets ("-" for profit is represented by "-")	-87,697,468.05	-5,749,870.40
Losses on the discard of fixed assets (profit is represented by "-")	1,761,615.21	835,850.64
Losses on the change of fair value (profit is represented by "-")	-80,994,130.44	-122,592,072.52
Financial expense (profit is represented by "-")	243,382,442.95	677,250,926.91
Losses from investments (profit is represented by "-")	624,863,940.51	-709,213,126.04
Deferred income tax assets credit ("-" indicates increase)	5,530,190.00	-21,262,677.40
Deferred tax liabilities increment ("-" indicates decrease)	23,753,208.93	75,321,755.67
Decrease in inventories (increase is represented by "-")	-401,601,286.62	-1,083,593,470.54
Decrease in items of operational receivables items ("-" indicates increase)	-1,263,501,675.47	-314,899,144.48
Increase in items of operational payables items ("-" indicates decrease)	653,623,053.27	2,508,899,870.81
Others		
Net cash flows from operating activities	2,268,498,796.82	4,381,826,677.92
2. Investments and financing activities not related to cash expenditure and income:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets under finance leases		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	7,299,156,007.21	5,295,596,694.66
Less: Beginning balance of cash	5,295,596,694.66	4,661,047,674.71

Items	Amount of current period	Amount of previous period
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	2,003,559,312.55	634,549,019.95

2. Details of cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	7,299,156,007.21	5,295,596,694.66
Including: Cash on hand	220,122.41	216,272.56
Bank deposit on demand	7,194,643,236.14	5,193,191,881.92
Other cash available on demand	104,292,648.66	102,188,540.18
II. Cash equivalents		
Including: Bond investment maturing within three months		
III. Closing balance of cash and cash equivalents	7,299,156,007.21	5,295,596,694.66
Including: Restricted cash and cash equivalents used by parent company and subordinated company of Group		

(LXIX) Assets with limited ownership or right of use

Items	Carrying value at the end of the period	Reason for restriction
Cash and cash equivenlent	3,058,452,198.91	Deposit, term deposit, house modification fund, frozen account, etc
Notes receivable	12,770,000.00	Bank acceptance bills for pledge
Accounts receivabl financing		
Fixed assets	196,933,974.30	Undertaking property rights change registration and mortgage loan guarantee,etc.
Total	3,268,156,173.21	

(LXX) Monetary items in foreign currency

1. Monetary items in foreign currency

Items	Balance of foreign currency at the end of period	Exchange rate	Balance in RMB at the end of period
Cash			
Including: USD	4,932,070.24	6.5249	32,181,265.11
HKD	56,115,110.85	0.8416	47,226,477.29
GBP			

Items	Balance of foreign currency at the end of period	Exchange rate	Balance in RMB at the end of period
Accounts receivable			
Including: USD	2,972,805.49	6.5249	19,397,258.54
EUR			
Prepayment			
Including: USD	778,404.15	6.5249	5,079,009.24
HKD			
Accounts payable			
Including: USD	57,090,638.83	6.5249	372,510,709.30
Contract liability			
Including: USD	32,780.87	6.5249	213,891.90
Payroll payable			
HKD	100.00	0.8416	84.16
Other payables			
Including: USD	5,019,000.00	6.5249	32,748,473.10
HKD	1,480,200.00	0.8416	1,245,736.32
Other current liability			
Including: USD	4,261.51	6.5249	27,805.93

2. Notes to overseas operational entity

Note: In accordance with the resolution of the sixth meeting of the Board of Directors of Fujian Longxi Bearing (Group) Corp., Ltd. on February 16, 2015, the Company agreed to cooperate with Allawos & Company of the United States, and invested USD 30,000 for the establishment of the US Dragon Axis in Delaware, holding 75% of the equity, and the remaining 25% of the shares granted to Allawos & Company by the Company without compensation. The company began its business operations in 2019. Because the company is located in the United States, its main business activities are mainly are mainly settled in U.S. dollars. Therefore, the company's functional currency is U.S. dollars.

VI. Change of the scope of consolidation statements

During the reporting period, no change with the scope of the company's consolidated financial statements.

(I) Rights and interests in subsidiaries

1. The structure of the group

Name of subsidiary	Principal place of businessbusiness	Registered address	Business nature	Shareholding ratio (%)		Acquisition method
				Directly	Indirectly	
Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. (Note 1)	Zhangzhou Fujian	Zhangzhou Fujian	Production	55.11	3.31	Allocated by the government
Zhangzhou Pien Tze Huang Assets Management Co., Ltd.	Zhangzhou Fujian	Zhangzhou Fujian	Production and sales	100.00		Establishment
Fujian Longxi Bearing (Group) Corp. Ltd. (Note 2)	Zhangzhou Fujian	Zhangzhou Fujian	Production and sales	37.85		Allocated by the government
Zhangzhou State Asset Investment Management Co., Ltd.	Zhangzhou Fujian	Zhangzhou Fujian	Investment, construction, production and sales	100.00		Allocated by the government
Xiamen Xiangjiang Import and Export Co., Ltd.	Xiamen Fujian	Xiamen Fujian	Self-operation and agent of import and export business of various technologies	100.00		Allocated by the government
Zhangzhou Investment Group Co., Ltd.	Zhangzhou Fujian	Zhangzhou Fujian	Financial investment and asset management	100.00		Establishment
Zhangzhou Jiulongjiang Yuanshan Investment Co., Ltd.	Zhangzhou Fujian	Zhangzhou Fujian	Investment in construction of infrastructure and municipal utilities	80.00		Establishment
Zhangzhou Jiulongjiang Jiugu Investment Co., Ltd.	Zhangpu County, Fujian Province	Zhangpu County, Fujian Province	Investment in industry, agriculture, and service industries; investment, construction, operation, and management of infrastructure and municipal utilities	34.14		Establishment
Zhangzhou Guoyan Real Estate Co., Ltd.	Zhangzhou Fujian	Zhangzhou Fujian	Investment properties	60.00		Establishment

Note 1: At the end of the period, the subsidiary Zhangzhou State-owned Assets Investment Management Co., Ltd. directly held 0.50% of the shares of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. (referred to as Pien Tze Huang Pharmaceutical), and the Company directly held 54.61% of the shares of Pien Tze Huang Pharmaceutical, which totally accounted for 55.11% of its direct shareholding. The Company manages the shares of Pien Tze Huang Pharmaceutical

on behalf of Zhanglong Industrial Co., Ltd, with a shareholding ratio of 3.31%. The escrow shares are listed as "long-term payables" for accounting. After merge, the Company held a total of 58.42% of the shares of Pien Tze Huang Pharmaceutical, and had 58.42% of voting rights to the shares of Pien Tze Huang Pharmaceutical.

Note 2: Subsidiary Fujian Longxi Bearing (Group) Corp., Ltd.: In accordance with Z.Z.Z. [2010] No. 56 *Reply Concerning Agreement of Zhangzhou Municipal People's Government on Transfer of Equity of Fujian Longxi Bearing (Group) Corp., Ltd. Held by Zhangzhou Mechanical & Electrical Investment Co., Ltd. to Zhangzhou Pien Tze Huang (Group) Co., Ltd.* on April 27, 2010, 31.39% equity of Fujian Longxi Bearing (Group) Corp., Ltd. held by Zhangzhou Mechanical & Electrical Investment Co., Ltd. (hereinafter referred to as Longxi Shares) was allocated to Zhangzhou Pien Tze Huang Group Co., Ltd. without any compensation. After allocation, the equity of Longxi Shares held by Zhangzhou Pien Tze Huang Group Co., Ltd was changed from 9.02% to 40.41%. On April 29, 2010, both parties entered into the *Free Transfer Agreement on State-owned Shares*. In August 2010, the State-owned Assets Supervision and Administration Commission of the State Council approved the above-mentioned transfer of state-owned shares without compensation (see G.Z.C.Q. (2010) No. 751 Document). Such matter was approved by China Securities Regulatory Commission in March 2011. In the same month, Shanghai Branch of China Securities Depository and Clearing Co., Ltd. completed the transfer registration of 94,166,400 shares. After the completion of the equity transfer registration, Zhangzhou Pien Tze Huang Group Co., Ltd. held a total of 121,233,800 shares of the Company, accounting for 40.41% of the Company's total share capital and becoming the controlling shareholder of Longxi Shares. After the private placement of Longxi Shares, the Company's headquarters held 151,233,800 shares of Longxi Shares, with a shareholding ratio of 37.85%.

2. Key non-wholly owned subsidiaries

Name of subsidiary	Shareholding ratio of minority shareholders (%)	Profit and loss belonging to minority shareholder of the current period	Dividend declared to be distributed to minority shareholder of the current period	Closing balance of minority equity
Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.	41.58	17,897,947.78	224,549,997.20	394,446,869.89
Fujian Longxi Bearing (Group) Corp. Ltd.	62.15	-10,186,560.81	30,600,892.81	20,691,667.52

3. Main financial information of key non-wholly owned subsidiaries

Abbreviated name of subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Pien Tze Huang	8,296,042,219.05	1,909,527,495.05	10,205,569,714.10	1,799,717,913.71	148,670,943.19	1,948,388,856.90
Longxi Bearing	1,837,099,391.28	1,105,953,461.65	2,943,052,852.93	405,116,622.71	466,035,974.93	871,152,597.64
Abbreviated name of subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Pien Tze Huang	7,352,299,916.69	1,458,496,474.04	8,810,796,390.73	1,746,997,013.64	94,041,863.20	1,841,038,876.84
Longxi Bearing	1,789,725,051.48	971,727,275.19	2,761,452,326.67	545,150,117.06	244,513,876.42	789,663,993.48

Abbreviated name of subsidiary	Amount incurred in the current period				Amount incurred in the previous period			
	Operating incomes	Net profit	Total comprehensive income	Cash flow from operating activities	Operating incomes	Net profit	Total comprehensive income	Cash flow from operating activities
Pien Tze Huang	6,510,781,957.23	1,689,980,578.50	1,741,850,364.41	1,467,076,541.32	5,722,273,431.36	1,386,935,598.45	1,532,238,335.05	-679,372,169.03
Longxi Bearing	1,158,705,322.14	-39,360,413.78	141,616,744.12	98,582,152.78	946,028,497.39	-36,829,068.91	133,624,488.39	21,316,372.93

(II) Equity in joint ventures or associated enterprises

1. Important joint ventures or associated enterprises

Names of joint ventures or associated enterprises	Principal place of business	Registered address	Business nature	Shareholding ratio (%)		Accounting treatment methods of joint ventures or associated enterprises
				Directly	Indirectly	
Fujian Tongchun Pharmaceutical Co., Ltd.	Fuzhou City	Fuzhou City	Wholesale of drugs	24.00		Equity method
Fujian longfu Bearing Co., Ltd.	Zhangzhou City	Zhangzhou City	Machinery	45.00		Equity method

Names of joint ventures or associated enterprises	Principal place of business	Registered address	Business nature	Shareholding ratio (%)		Accounting treatment methods of joint ventures or associated enterprises
				Directly	Indirectly	
Zhangzhou Lantian Development Co., Ltd.	Zhangzhou City	Zhangzhou City	Real estate development	38.59		Equity method
Funeng (Zhangzhou) Finance Leasing Co., Ltd.	Zhangzhou City	Zhangzhou City	Finance Leases	49.00		Equity method
Fujian Fuhua Environmental Protection Technology Co., Ltd.	Zhangzhou City	Zhangzhou City	Technical services of environmental protection technology	18.00		Equity method
Zhangzhou Fuhua Environmental Protection Technology Co., Ltd.	Zhangzhou City	Zhangpu County, Zhangzhou City	Research & development and technical services of environmental protection technology	30.00		Equity method
Zhangzhou Power Distribution and Sales Co., Ltd.	Zhangzhou City	Zhangzhou City	Sale and supply of power; installation of electric power facilities	49.00		Equity method
Fujian Fuhua Gulei Petrochemical Co., Ltd.	Zhangzhou Gulei Port Economic Development Zone	Zhangzhou City	Investment and construction petrochemical projects	49.00		Equity method
Zhangzhou Tourism Investment Group Co., Ltd.	Zhangzhou City	Zhangzhou City	Hotel and tourism investment	31.00		Equity method

2. Financial information of important joint ventures.

Unit: RMB 10,000

Items	Closing balance/ Amount incurred in the current period		Opening balance / Amount incurred in previous period	
	Tongchun Pharmaceutical	Fujian longfu Bearing	Tongchun Pharmaceutical	Fujian longfu Bearing
Current assets	115,300.49	836.70	137,131.90	365.48
Non-current assets	20,757.59	292.60	17,318.00	1,205.80
Total assets	136,058.09	1,129.30	154,449.90	1,571.28
Current liabilities	67,892.41	120.87	88,256.40	299.57
Non-current liabilities	16,298.62		14,398.62	
Total liabilities	84,191.03	120.87	102,655.02	299.57
Minority shareholders' equity	3,784.28	229.64	3,774.68	446.31
Total shareholders' equity attributed to parent company	48,082.78	778.80	48,020.19	897.27
Share of net assets as calculated as per shareholding proportion	11,539.87	778.80	11,524.85	897.27
Adjusting events	-2.34		-16.34	
--Goodwill				
--Internal transaction unrealized gains	-2.34		-16.34	
--Miscellaneous				
Book value of equity investment on associated enterprises	11,537.53	778.80	11,508.51	897.27
Fair value of equity investment in associated enterprises under public offering				
Operating incomes	386,087.68		429,178.02	
Net profit	6,928.23	-263.27	6,293.97	-130.67
Other comprehensive incomes				
Total comprehensive income	6,928.23	-263.27	6,293.97	-130.67
Dividend from associated enterprises received in the current year	1,608.00		1,320.00	

Items	Closing balance/ Amount incurred in the current period		Opening balance / Amount incurred in previous period	
	Zhangzhou Lantian Development Limited Company	Zhangzhou Power Distribution and Sales Co., Ltd.	Zhangzhou Lantian Development Limited Company	Zhangzhou Power Distribution and Sales Co., Ltd.
Current assets	28,666.50	1,465.35	45,767.81	1,619.53
Non-current assets	16,350.93	2,401.60	20,716.72	1,828.13
Total assets	45,017.43	3,866.95	66,484.54	3,447.66
Current liabilities	9,034.26	168.26	16,758.14	0.01
Non-current liabilities	30,434.48		43,216.24	
Total liabilities	39,468.74	168.26	59,974.38	0.01
Net asset	5,548.69	3,698.69	6,510.16	3,447.64
Minority shareholders' equity				
Total shareholders' equity attributed to parent company	5,548.69	3,698.69	6,510.16	3,447.64
Share of net assets as calculated as per shareholding proportion	2,141.24	1,812.36	2,512.27	1,689.34
Adjusting events				
--Goodwill				
--Internal transaction unrealized gains				
--Miscellaneous				
Book value of equity investment on associated enterprises	7,202.14	1,702.18	7,574.52	1,579.17
Fair value of equity investment in associated enterprises under public offering				
Operating incomes	69.46	380.05	136.71	342.86
Net profit	-964.96	251.05	-619.91	229.21
Net profit of discontinuing operation				
Other comprehensive incomes				
Total comprehensive income	-964.96	251.05	-619.91	229.21
Dividend from associated enterprises received in the current year				

Items	Closing balance/ Amount incurred in the current period		Opening balance / Amount incurred in previous period	
	Funeng (Zhangzhou) Finance Leasing Co., Ltd.	Fujian Fuhua Environmental Protection Technology Co., Ltd.	Funeng (Zhangzhou) Finance Leasing Co., Ltd.	Fujian Fuhua Environmental Protection Technology Co., Ltd.
Current assets	17,778.37	103,795.23	12,736.54	105,696.11
Non-current assets	14,905.10	40,887.39	21,256.82	32,982.65
Total assets	32,683.47	144,682.62	33,993.36	138,678.75
Current liabilities	16.35	22,276.19	148.88	5,223.85
Non-current liabilities	4,058.23	3,475.34	3,232.08	14,127.55
Total liabilities	4,074.58	22,276.19	3,380.96	19,351.39
Net asset	28,608.89	-120.93	30,612.40	119,327.36
Minority shareholders' equity				16,196.48
Total shareholders' equity attributed to parent company	28,608.89	103,363.00	30,612.40	103,130.88
Share of net assets as calculated as per shareholding proportion	14,018.36	18,605.34	15,000.08	21,478.93
Adjusting events				
—Goodwill				
—Internal transaction unrealized gains				
—Miscellaneous				
Book value of equity investment on associated enterprises	15,757.54	18,333.71	15,757.54	18,350.20
Fair value of equity investment in associated enterprises under public offering				
Operating incomes	140.57	5,275.50	1,176.05	3,502.28
Net profit	-2,013.02	-120.93	-1,438.74	673.56
Net profit of discontinuing operation				
Other comprehensive incomes				
Total comprehensive income	-2,013.02	-120.93	-1,438.74	673.56
Dividend from associated enterprises received in the current year				

Items	Closing balance/ Amount incurred in the current period		Opening balance / Amount incurred in previous period	
	Fujian Fuhua Gulei Petrochemical Co., Ltd.	Zhangzhou Tourism Investment Group Co., Ltd.	Fujian Fuhua Gulei Petrochemical Co., Ltd.	Zhangzhou Tourism Investment Group Co., Ltd.
Current assets	1,146,887.53	72,313.53	1,032,220.89	42,740.04
Non-current assets	3,035,869.24	521,096.33	2,997,822.51	497,375.36
Total assets	4,182,756.76	593,409.85	4,030,043.40	540,115.40
Current liabilities	1,094,971.96	222,706.94	654,540.04	190,637.39
Non-current liabilities	1,591,347.33	112,746.68	1,656,399.73	74,419.91
Total liabilities	2,686,319.29	335,453.62	2,310,939.77	265,057.30
Net asset	1,496,437.47	257,956.23	1,719,103.62	275,058.11
Minority shareholders' equity	454,689.23	4,814.00	518,226.32	5,100.14
Total shareholders' equity attributed to parent company	1,041,748.24	253,142.23	1,200,877.30	269,909.74
Share of net assets as calculated as per shareholding proportion	510,456.64	73,411.25	588,429.88	79,766.85
Adjusting events				
--Goodwill				
--Internal transaction unrealized gains				
--Miscellaneous				
Book value of equity investment on associated enterprises	425,934.57	35,722.38	476,407.05	42,671.21
Fair value of equity investment in associated enterprises under public offering				
Operating incomes	1,858,139.92	125,721.88	2,113,847.67	63,046.64
Net profit	-169,531.78	-24,295.86	179,038.20	-20,955.45
Net profit of discontinuing operation				
Other comprehensive incomes				
Total comprehensive income	-169,531.78	-24,295.86	179,038.20	-20,955.45
Dividend from associated enterprises received in the current year				

3. There is no significant restriction on the ability of joint ventures to transfer funds to the Company.

VIII. Risks Related to Financial Instruments

Details about various financial instruments of the Company have been disclosed in relevant notes. Risks related to these financial instruments, and risk management policies adopted by the Group to lower these risks are described as follows. The Group's management manages and monitors these risk exposures, so as to ensure that above risk is controlled in limited scope.

(I) Objectives and policies of risk management

The risk management objective of the Group is to strike an appropriate balance between risk and return, and strive to reduce the adverse impact of financial risks on the Group' s financial performance. Based on this risk management objective, the Group has established risk management policies to identify and analyze the risks which are faced by the Group, set up appropriate risk acceptance levels, and design corresponding internal control procedures to monitor the Group' s risk level. The Group will regularly review these risk management policies and related internal control systems to adapt to market conditions or changes in the Group' s operating activities. The internal audit department of the Company will also regularly or randomly check whether the implementation of the internal control system complies with the risk management policies. Main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk.

1. Credit risk

Credit risk refers to the risk of the Company' s financial losses incurred by the counter party' s failure to perform its contractual obligations.

The Group manages the credit risk according to the combination classification. Credit risk mainly comes from bank deposits and account receivables.

The Group' s bank deposits are mainly deposited in state-owned banks and other large or medium-sized listed banks. The Group predicts that there is no significant credit risk on bank deposits.

In addition, for accounts receivable, the Group sets the policies to control the credit risk exposure. The Group evaluates the debtor' s credit qualification and sets up corresponding borrowing limit and credit period, based on the debtor' s financial situation, credit history and other factors, such as the current market conditions. The Group periodically monitors the debtor' s credit record. For debtors with bad credit records, the Group would send out reminders in writing , shorten the credit period or cancel the credit period, so as to ensure the Group's overall credit risk within the controllable range.

The amount of the five largest clients in arrears accounted for 8.76% of the total amount of accounts receivable of the Group, the amount of the largest five companies in arrears accounted for 26.12% of the total amount of other receivables of the Group.

2. Liquidity risk

Liquidity risk refers to the risk of a shortage of funds when the Company is required to settle its obligations in the form of cash or other financial assets.

For current risk management, the Group maintains to monitor adequate cash and cash equivalents to fulfill the needs for operation and lower the influence of cash flow fluctuation. The Group management monitors the use of bank loan and ensure of compliance of loan agreement.

3. Market risk

Market risk of financial instruments refers to the possibility of fluctuation in the fair value of financial instruments or future cash flow caused by market price change, including interest rate risk, exchange rate risk and other price risks.

4. Interest rate risk

Interest rate risk refers to the possibility of fluctuation in the fair value of financial instruments/future cash flow caused by market interest rate change. The interest rate risk may be derived from the recognized interest-bearing financial instruments and unrecognized financial instruments (such as some loan commitment).

For current risk management, the Company maintains cash and cash equivalent deemed sufficient by the management, and monitor to fulfill the needs for operation, and lower the influence of cash flow fluctuation. The company management monitors the use of bank loan, and ensure of compliance of loan agreement. At the same time, the company management obtains enough spare cash commitment from the major financial institutions, so as to meet the short-term and long-term capital requirements.

5. Exchange rate risk

Exchange rate risk refers to the possibility of fluctuation of the fair value of financial instruments or future cash flows due to changes in foreign exchange rates. Exchange rate risk may be derived from financial instruments that are denominated in foreign currencies other than the bookkeeping base currency.

The Group pays close attention to the influence of exchange rate change on the foreign currency risk of the Group. The Group has not adopted any measures to avoid exchange rate risk at present. But the Management should monitor the exchange rate risk and take into account the risk of significant exchange rate hedging if required.

When the Group receives foreign exchange funds, it will settle the foreign exchange promptly. The possible reasonable changes in the foreign currency against the RMB exchange rate this year will have less impact on the current profit and loss. Details of the ending foreign currency financial assets and foreign currency financial liabilities can be found from notes of foreign currency monetary items.

(II) Capital management

The purpose of the Company's capital management policy is to ensure going concern, so as to provide returns for shareholders and benefits for stakeholders, while maintaining the best capital structure to lower the cost of capital.

The Group monitors the capital structure based on the asset-liability ratio (namely total liabilities divided by total assets). As at December 31, 2020, the asset-liability ratio of the Group was 63.33% (December 31, 2019: 64.52%).

IX. Disclosure of Fair Value

(I) Ending balance of fair value of assets and liabilities measured at fair value

Items	Ending balance of fair value			
	Level I measurement of fair value	Level II measurement of fair value	Level III measurement of fair value	Total
Continuous measurement of fair value				
I. Trading financial assets	410,871,219.96		157,000,000.00	567,871,219.96
1. Financial assets measured at fair value through profits and losses	410,871,219.96		157,000,000.00	567,871,219.96
(1) Debt instrument investment	1,500,000.00			1,500,000.00
(2) Equity instrument investment	409,371,219.96			409,371,219.96
(3) Derivative financial assets				
II. Investment in other equity instruments			157,000,000.00	157,000,000.00
III. Other non-current financial assteds	1,382,469,739.27		14,572,668.95	1,397,042,408.22
IV. Accounts receivable financing			60,650,458.07	60,650,458.07
Total assets continuously measured at fair value		24,576,074.52	49,894,579.27	74,470,653.79

Level 1: Offer for similar financial assets and liabilities in active market (prior to adjustment).

Level 2: Direct (namely, price) or indirect (namely derivation from price) use of observable input value other than market offer of assets or liabilities at Level 1

Level 3: Input value (unobservable input value) not based on observable market data used by assets or liabilities

(II) The fair value of financial assets and liabilities not measured at fair value

The financial assets and liabilities measured at amortized cost of the Company mainly include: Bank and cash, notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable, other payables and bonds payable. For the above financial assets and liabilities not measured at fair value, the difference between the book value and the fair value is not significant.

X. Related parties and related-party transactions

Transactions of affiliated parties between the Company and its subsidiaries have been offset in consolidation of financial statements. Transactions between the Company and the other affiliated parties within the reporting period are as follows:

(I) Information of the Company's parent company

The Company is wholly (100%) invested by the State-owned Assets Supervision and Administration Commission of the People's Government of Zhangzhou City, and is a state-owned holding company.

(II) Information of the Company's subsidiaries

For details of the subsidiaries of the Company, please refer to Note (I) "Rights and Interests in Other Entities".

(III) Affiliates and joint ventures of the Company

Details of other joint ventures or associated enterprises with balance from related party transactions with the Company this period or earlier are as follows:

Names of joint ventures or associated enterprises	Relation with the Company
Sichuan Qixiang Pien Tze Huang Industry Co., Ltd.	Affiliated enterprises
Fujian Tongchun Pharmaceutical Co., Ltd.	Affiliated enterprises
Huarun Pien Tze Huang Pharmaceutical Co., Ltd.	Affiliated enterprises

(IV) Information of other related parties

Names of other affiliated parties	Relationship between other affiliated parties and the Company
Zhangzhou China Resources Pien Tze Huang Pharmaceutical Trading Co., Ltd.	The affiliated enterprise of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.On August 31, 2019, the company was wholly transferred to Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd., and renamed as Fujian Pien Tze Huang Health Technology Co., Ltd.
Fujian Xinte Pharmaceutical Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd. (a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Fuzhou Changchun Pharmaceutical Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd. (a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Fuzhou Huichun Pharmaceutical Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd. (a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Fuzhou Tongchun Traditional Chinese Medicine Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd. (a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Xiamen Tongchun Pharmaceutical Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd. (a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Xiamen Lvjingu Pharmacy Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd. (a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Fujian Longyan Tongchun Pharmaceutical Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd. (a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Fujian Sanming Tongchun Pharmaceutical Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd. (a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Fujian Ningde Gutian Tongchun Pharmaceutical Co., Ltd. of Fujian Province	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd. (a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.)
Fujian Putian Tongchun Pharmaceutical Co., Ltd.	Holding subsidiaries of Fujian Tongchun Pharmaceutical Co., Ltd. (a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.).
Xiamen Honest Medicine Co., Ltd.	Other shareholders of subsidiary Xiamen Pien Tze Huang Honest Medicine Co., Ltd., a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.
Xiamen Tiancheng Investment Co., Ltd.	The holding subsidiary of Xiamen Hongren Pharmaceutical Co., LTD., a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., LTD
Shanghai Jahwa United Co., Ltd.	Other shareholders of subsidiary Zhangzhou Pien Tze Huang Shanghai Jahwa Oral Care Co., Ltd. a subsidiary of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.
Shanghai Jahwa Sales Co., Ltd.	The holding subsidiary of Shanghai Jahwa United Co., LTD.
Shanghai Jahwa E-commerce Co. Ltd.	The holding subsidiary of Shanghai Jahwa United Co., LTD
Shanghai Jahwa Cosmetics Sales Co., Ltd.	The holding subsidiary of Shanghai Jahwa United Co., LTD
Shanghai Jahwa Trading Co., Ltd.	The holding subsidiary of Shanghai Jahwa United Co., LTD
Shanghai Jahwa Commercial Co., Ltd.	The holding subsidiary of Shanghai Jahwa United Co., LTD
Shanghai Herborist Beauty Investment Management Co., Ltd.	The holding subsidiary of Shanghai Jahwa United Co., LTD
Shanghai Gaofu Cosmetics Co., Ltd	The holding subsidiary of Shanghai Jahwa United Co., LTD
Fujian Longfu Bearing Co., Ltd.	Associated enterprise of subsidiary Fujian Youxi Bearing (Group) Co., Ltd
Haishunde (Zhangzhou) Environmental Protection Catalyst Co., Ltd.	A shareholding enterprise of subsidiary Zhangzhou Jiulongjiang Guiei Investment Co., Ltd.
Zhangzhou Lantian Development Co., Ltd.	A shareholding enterprise of the parent company
Zhangzhou Chengjia Real Estate Co., Ltd.	A shareholding enterprise of the parent company

Related party	Details of transaction between related parties	Amount incurred in current period (RMB 10,000)	Amount incurred in previous period (RMB 10,000)
Fujian Longyan Tongchun Pharmaceutical Co., Ltd.	Purchase of commodity	6.76	
Fujian Putian Tongchun Pharmaceutical Co., Ltd.	Purchase of commodity	17.52	
Fujian Sanming Tongchun Pharmaceutical Co., Ltd.	Purchase of commodity		3.01
Fujian Ningde Gutian Tongchun Pharmaceutical Co., Ltd.	Purchase of commodity	186.55	401.71
Fujian Xinte Pharmaceutical Co., Ltd.	Purchase of commodits		934.12
Fujian Tongchun Pharmaceutical Co., Ltd.	Purchase of commodity	2,463.99	3,646.67
Fuzhou Changchun Pharmaceutical Co., Lt	Purchase of commodity	403.32	322.8
Fuzhou Tongchun Traditional Chinese Medicine Co., Ltd.	Purchase of commodity	784.61	2,097.94
Xiamen Tongchun Pharmaceutical Co., Ltd.	Purchase of commodity	39.41	86.13
Shanghai Jahwa Cosmetics Sales Co., Ltd.	Purchase of commodity	128.46	152.16
Zhangzhou Huarun Pien Tze Huang Pharmaceutical Trading Co., Ltd.	Purchase of commodity		250.18
Shanghai Jahwa Trading Co., Ltd.	Purchase of commodity		0.82
Shanghai Jahwa Trading Co., Ltd.	Labor services		1.07
Shanghai Jahwa United Co., Ltd.	Labor services	105.04	107.95
Shanghai Jahwa United Co., Ltd.	Receiving service	10.87	10.87
Xiamen Tiancheng Investment Co., Ltd.	Receiving service	8.14	4.42
Xiamen Honest Medicine Co., Ltd.	Receiving service	56.06	46.21
Xiamen Honest Medicine Co., Ltd.	Purchase of water and power	120.89	131.23
Xiamen Tiancheng Investment Co., Ltd.	Purchase of water and power	18.79	12.94
Shanghai Jahwa United Co., Ltd.	Purchase of water and power	3.74	4.95
Shanghai Herborist Beauty Investment Management Co., Ltd.	Acceptance of market promotion	39.44	226.50
Shanghai Jahwa Trading Co., Ltd.	Acceptance of market promotion	10.68	
Shanghai Jahwa Trading Co., Ltd.	Acceptance of market promotion g	216.42	
Shanghai Jahwa Trading Co., Ltd.	Acceptance of market promotion	4,004.26	4,749.11
Zhangzhou Huarun Pien Tze Huang Pharmaceutical Trading Co., Ltd.	Acceptance of market promotion		891.56
Zhangzhou Huarun Pien Tze Huang Pharmaceutical Trading Co., Ltd.	Acceptance of market promotion	66.52	18.24
Zhangzhou Chengjia Real Estate Co., Ltd.	Fixed return income	282.73	338.99
International Seiko Co., Ltd.	Consultancy fees	0.24	
Total		8,974.44	14,429.58

(V) Details of related- party transactions

1. Related-party transactions through trade of goods and labor services

Details of Purchasing of Goods and obtaining Labor (excluding tax)

Details of Sales of Goods and Rendering Labor (excluding tax)

Related party	Details of transaction between related parties	Amount incurred in current period (RMB 10,000)	Amount incurred in current period (RMB 10,000)
Fujian Huichun Pharmaceutical Co., Ltd.	Goods sales		0.27
Fujian Longyan Tongchun Pharmaceutical Co., Ltd.	Goods sales	28.27	177.96
Fujian Sanming Tongchun Pharmaceutical Co., Ltd.	Goods sales	0.70	31.18
Fujian Ningde Gutian Tongchun Pharmaceutical Co., Ltd.	Goods sales	17.79	378.30
Fujian Xinte Pharmaceutical Co., Ltd.	Goods sales	423.44	636.40
Fujian Tongchun Pharmaceutical Co., Ltd.	Goods sales		790.76
Fuzhou Changchun Pharmaceutical Co., Ltd.	Goods sales	779.10	
Xiamen Honest Medicine Co., Ltd.	Goods sales	0.83	
Fujian Tongchun Pharmaceutical Co., Ltd.	Goods sales	6,857.48	8,421.06
Xiamen Lvjingu International Health Industry Co., Ltd.	Goods sales		0.08
Xiamen Tongchun Pharmaceutical Co., Ltd.	Goods sales	17.44	45.54
Shanghai Herborist Beauty Investment Management Co., Ltd.	Goods sales	-61.02	9,124.59
Shanghai Jahwa E-Commerce Co., Ltd.	Goods sales	1,329.67	
Shanghai Jahwa Cosmetics Sales Co., Ltd.	Goods sales	226.28	
Shanghai Jahwa Trading Co., Ltd.	Goods sales	5,593.22	
Shanghai Jahwa Sales Co., Ltd.	Goods sales	6,796.12	7,526.36
Zhangzhou Huarun Pien Tze Huang Pharmaceutical Trading Co., Ltd.	Goods sales	1.34	3,187.50
Sichuan Qixiang Pien Tze Huang Musk Industry Co., Ltd.	Labor services		0.71
Zhangzhou Pien Tze Huang Aizhiwei Biotechnology Food Co., Ltd.	Labor services	32.62	53.68
Zhangzhou Pien Tze Huang Aizhiwei Biotechnology Food Co., Ltd.	Water and power sales	0.99	1.61
Zhangzhou Huarun Pien Tze Huang Pharmaceutical Trading Co., Ltd.	Water and power sales		0.24
Fujian Longfu Bearing Co., Ltd.	Sell transportation equipment		70,400.51
Fujian Longfu Bearing Co., Ltd.	Goods sales	16,395.52	
Fujian Longfu Bearing Co., Ltd.	Labor cost	201,564.11	
Fujian Longfu Bearing Co., Ltd.	Water and electricity fees	6,232.73	
Total		246,236.63	100,776.75

2. Lease between related parties

Subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. as the lessor

Name of Lessee	Type of leasing assets	Rental income recognized in current period	Rental income recognized in previous period
Zhangzhou Pien Tze Huang Aizhiwei Shengji Food Co., Ltd.	Houses	101,714.29	101,714.29
Zhangzhou Huarun Pien Tze Huang Pharmaceutical Trading Co., Ltd.	Houses		68,521.14
Total		101,714.29	170,235.43

Subsidiary Fujian Longxi Bearing (Group) Corp., Ltd. as the lessor

Name of Lessee	Type of leasing assets	Rental income recognized in current period	Rental income recognized in previous period
Fujian Longfu Bearing Co., Ltd.	Houses	116,253.42	

Subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. as the lessee

Name of Lessee	Type of leasing assets	Rental fees recognized in current period	Rental fees recognized in previous period
Xiamen Honest Medicine Co., Ltd.	Houses	9,961,448.36	8,589,004.60
Xiamen Tiancheng Investment Co., Ltd.	Houses	1,368,020.19	968,782.86
Shanghai Jahwa United Co., Ltd.	Houses	747,874.28	688,285.70
Total		12,077,342.83	10,246,073.16

3. Detail of guarantee between related parties

(1) Related-party guarantee of parent company Zhangzhou Jiulongjiang Group Co., Ltd. in current reporting period

The Company as a guarantor: RMB 10,000

The guaranteed	Amount of guarantee	Starting date of guarantee	Ending date of guarantee	Has the guarantee been fulfilled?
Xiamen Xiangjiang Import & Export Corporation Limited	12,000.00	2018/11/5	2021/12/17	No
	10,000.00	2019/3/5	2021/6/8	No
Zhangzhou Jiulongjiang Gulei Investment Co., Ltd.	8,000.00	2016/3/25	2036/3/24	No
Fujian Fuhaichuang Petrochemical Co., Ltd.	98,000.00	2019/6/19	2021/4/17	No
Fujian Fuhua Gulei Petrochemical Co., Ltd.	12,250.00	2020/11/16	2021/11/15	No
Zhangzhou Lantian Development Co., Ltd.	80,000.00	2016/5/27	2027/11/25	No
		2017/2/9	2022/2/10	No

The Company acts as the guaranteed

Guarantor	Guarantee amount (unit: RMB 10,000)	Starting date of guarantee	Ending date of guarantee	Has the guarantee been fulfilled?
Zhangzhou Pien Tze Huang Assets Management Co., Ltd.	20,000.00	2018/06/28	2020/06/27	Yes

(2) Related-party guarantee of subsidiary Fujian Longxi Bearing (Group) Corp., Ltd.

The Company acts as the guarantor

The guaranteed	Amount of guarantee	Starting date of guarantee	Ending date of guarantee	Has the guarantee been fulfilled?
LMA Linear Tech.	28,400,000.00	2017/6/15	2023/6/11	No

4. Inter-bank lending of related parties

Inter-bank lending between subsidiaries Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. and other related parties.

The subsidiary Longhui Pharmaceutical Co., Ltd. recently borrowed RMB 34,799,036.29 from Hangzhou Wildlife World Co., Ltd. during the merger and acquisition, and RMB 18,000,000.00 was returned in August 2020, it returned RMB10 million in November 2020., and as of December 31, 2020, the balance of the loan was RMB 6,799,036.29 .

5. The detail of asset transfer and debt restructuring of related parties of Subsidiary Fujian Longxi Bearing (Group) Co., Ltd. during the reporting period

Related party	Related Party Transaction Contents	Amount incurred in current period	Amount incurred in current period
Fujian Lijia Co., Ltd.	Purchase plant and land, etc	137,549,063.00	

(VI) Accounts receivable and payable among the related parties

1. Receivables

Project name	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Fujian Longyan Tongchun Pharmaceutical Co., Ltd	1,112.40	6.45		
	Fujian Sanming Tongchun Pharmaceutical Co., Ltd.	12,387.00	19.82	40,671.00	2,033.55
	Fujian Ningde Gutian Tongchun Pharmaceutical Co., Ltd.	360,501.60	689.37	590,432.11	2,952.17

Project name	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Fujian Xinte Pharmaceutical Co., Ltd.			1,054.26	105.43
	Fujian Tongchun Pharmaceutical Co., Ltd.	236,391.60	418.36	215,646.41	1,270.87
	Fuzhou Tongchun Traditional Chinese Medicine Co., Ltd.	95,371.00	4,281.62	956,561.00	28,558.83
	Xiamen Tongchun Pharmaceutical Co., Ltd.	8,710.00	13.94	62,104.00	310.52
	Shanghai Herborist Beauty Investment Management Co., Ltd.			6,666,498.69	333,324.94
	Shanghai Jahwa Sales Co., Ltd.	21,331,822.80	1,066,591.14	22,103,079.99	1,105,154.00
	Fuzhou Changchun Pharmaceutical Co., Ltd.	9,380.00	54.40		
	Shanghai Gaofu Cosmetics Co., Ltd.	15,162.52	758.13		
	Shanghai Jahwa E-Commerce Co., Ltd.	1,023,434.44	51,171.72		
	Shanghai Jahwa Trading Co., Ltd.	6,727,140.63	336,357.03		
	International Seiko Co., Ltd.	149,970.00	29,994.00	149,970.00	14,997.00
	Fujian Longfu Bearing Co., Ltd.	281,183.00	21,253.49	148,901.44	7,445.07
Prepaiment	Fuzhou Changchun Pharmaceutical Co., Ltd.	12,160.00			
	Shanghai Jahwa Cosmetics Sales Co., Ltd.	277.69		1,288,374.73	
Other account receivable	Fujian Tongchun Pharmaceutical Co., Ltd.	97,283.88	486.42		
	Xiamen Honest Medicine Co., Ltd.	917,651.45	4,588.26		
	Xiamen Tiancheng Investment Co., Ltd.	138,200.40	691.01	138,200.40	691.01
	Shanghai Jahwa United Co., Ltd.	108,000.00	540.00	108,000.00	540.00
	Zhangzhou Chengjia Real Estate Co., Ltd.				
	Fujian Longfu Bearing Co., Ltd.	920,911.70	46,045.59	333,089.17	16,654.46
Interest receivable	Zhangzhou Chengjia Real Estate Co., Ltd	16,825,968.27		13,998,646.59	

2. Payables

Project name	Related party	Closing book value	Opening book balance
Accounts payable	Fujian Huichun Pharmaceutical Co., Ltd.	800.00	800.00
	Ningde Gutian Tongchun Pharmaceutical Co., Ltd. of Fujian Province	86,366.70	154,770.40
	Fujian Xinte Pharmaceutical Co., Ltd.	349,902.53	349,902.53
	Fujian Tongchun Pharmaceutical Co., Ltd.	2,071,715.61	3,538,009.72
	Fuzhou Changchun Pharmaceutical Co., Ltd.	4,500.00	189,623.02

Project name	Related party	Closing book value	Opening book balance
	Fuzhou Tongchun Traditional Chinese Medicine Co., Ltd.	1,713,342.05	
	Xiamen Tongchun Pharmaceutical Co., Ltd.	90,421.14	
	Xiamen Honest Medicine Co., Ltd.	200.00	200.00
	Fujian Futian Tongchun Pharmaceutical Co., Ltd.	49,505.00	
	International Seiko Co., Ltd.	3,296,873.37	3,296,873.37
Unearned Revenue	Fujian Xinte Pharmaceutical Co., Ltd.	27.42	27.42
Contract liability	Fujian Tongchun Pharmaceutical Co., Ltd.	170,019.56	
	Fuzhou Tongchun Traditional Chinese Medicine Co., Ltd.	3,682,008.05	998,230.09
dividends payable	Fujian Tongchun Pharmaceutical Co., Ltd.		120,000.00
other account payable	Xiamen Honest Medicine Co., Ltd.	3,152,953.17	2,223,969.25
	Fuzhou Tongchun Traditional Chinese Medicine Co., Ltd.	368,506.19	232,418.40
	Hangzhou Wildlife World Co., Ltd.	6,799,036.29	
	Shanghai Jahwa Cosmetics Sales Co., Ltd.	6,978,505.69	
Other current payable	Fujian Tongchun Pharmaceutical Co., Ltd.	22,102.54	
		Fuzhou Tongchun Traditional Chinese Medicine Co., Ltd.	129,769.91

XI. Share Payment

There are no matters of share payment that need to be explained this year.

XII. Commitments and Contingencies

(I) Significant commitments

1. Performance of the previous commitments by subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.

A *Joint Venture Agreement* was made and entered into by subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. and Taiwan AGV Products Corporation formally in Zhangzhou on July 7, 2012, stipulating that the parties would cooperate to establish the following two joint ventures: ① Zhangzhou Pien Tze Huang AGV Beverage Co., Ltd., with a registered capital of RMB 100 million, RMB 50 million from each party. The business scope covers developing and producing functional beverage such as herbal tea and liver-protecting tea containing the trademarks of Pien Tze Huang. ② Zhangzhou AGV Pien Tze Huang Commercial and Trading Co., Ltd., with a registered capital of RMB 50 million. The business scope covers selling the Pien Tze Huang functional beverage such as herbal tea and liver-protecting tea by Zhangzhou Pien Tze Huang AGV Beverage Co., Ltd. and selling the products of their respective brands. Both of the above companies have been established, and the Company invested RMB 25 million into Zhangzhou Pien Tze Huang AGV Biotech Food Co., Ltd. as the first phase of contribution in August 2013. But contribution to Zhangzhou AGV Pien Tze Huang Commercial and Trading Co., Ltd. has not been fully made.

2. Capital commitments of subsidiary Fujian Longxi Bearing (Group) Corp., Ltd.

Capital commitments already signed in contract but not confirmed in financial statements	Closing balance	Opening balance
Commitments for acquisition or construction of long-term assets	49,625,896.32	49,625,896.32

(II) Contingencies

1. External guarantee in the reporting period Unit: RMB 10,000

Guarantor	Guaranteed object		Guarantee method	Consistent Counter guarantee	Guarantee Amount	Consistent Overdue	Status of guaranteed object
	Name	Business nature					
Zhangzhou Jiulongjiang Group Co., Ltd.	Zhangzhou Yuanshan New City Construction Co., Ltd.	State-controlled	Joint guarantee	No	246,400.00	No	Normal operating
Zhangzhou Jiulongjiang Group Co., Ltd.	Zhangzhou Gulei Public Utilities Development Co., Ltd.	State-controlled	Joint guarantee	No	40,000.00	No	Normal operating
Zhangzhou Jiulongjiang Group Co., Ltd.	Zhangzhou Yuanshan Daffodil Development Co., Ltd	State-controlled	Joint guarantee	No	11,700.00	No	Normal operating
Zhangzhou Jiulongjiang Group Co., Ltd.	Zhangzhou Gulei Traffic Development Co., Ltd	State-controlled	Joint guarantee	No	65,000.00	No	Normal operating

2. The contingencies of subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. are as follows:

(1) On October 13, 2020, subsidiary Xiamen Pien Tze Huang Honest

Pharmaceutical Co., Ltd. issued an irrevocable, pay-as-you-go advance payment guarantee of RMB 2.38 million at the Bank of China Xiamen Branch in accordance with the contractual requirements signed with the Xiamen University Cardiovascular Hospital. (Guarantee No. GC0957620001011), valid until June 22,2021.

(2) In 2020, the subsidiary Pien Tze Huang (Zhangzhou) Pharmaceutical Co., Ltd. (hereinafter referred to as the "Pharmaceutical Company") as a first-tier distributor and Fujian Furen Pharmaceutical Co., Ltd. signed two purchase agreements in March 2020 and May 2020 respectively. In April 2020 and June 2020, the pharmaceutical company prepaid Fujian Furen Pharmaceutical Co., Ltd. for drug purchases of 1.05 million yuan and 1.6080 million yuan respectively. After the pharmaceutical company completed the first batch of drug purchases, it was distributed to secondary distributors. From June to August 2020, the above-mentioned distributed products were returned to the pharmaceutical company from the distributors, with a value of 1.0119 million yuan. According to the contract, the pharmaceutical company claimed to Fujian Furen Pharmaceutical Co., Ltd. to return the purchase price of 1.0019 million yuan and the advance payment of 1.6080 million yuan. Fujian Furen Pharmaceutical Co., Ltd. objected to this and refused to refund but accepted the return of the goods. The pharmaceutical company filed two lawsuits with the People's Court of Xiangcheng District, Zhangzhou City, Fujian Province, claiming that Fujian Furen Pharmaceutical Co., Ltd. should return the payment of first batch of drug purchases and subsequent drug advance payments and pay the payment of late fee and liquidated damages, The pharmaceutical company would return the drugs, and cancel the procurement contract signed between the Pharmaceutical Company and Fujian Furen Pharmaceutical Co., Ltd. in May 2020.

The People's Court of Xiangcheng District, Zhangzhou City, Fujian Province issued a civil judgment (2020) Min 0602 Minchu No. 8045 in November 2020, ruling that Fujian Furen Pharmaceutical Co., Ltd. refunded the payment of RMB 1,011,900 to the pharmaceutical company, and paid liquidated damages for overdue payments based on the one-year loan market quoted interest rate announced by the Interbank Funding Center, and the pharmaceutical company returned the drugs to Fujian Furen Pharmaceutical Co., Ltd.

The People's Court of Xiangcheng District, Zhangzhou City, Fujian Province issued a civil judgment (2020) Min 0602 Minchu No. 8041 in December 2020, ruling the termination of the contract signed by the pharmaceutical company and Fujian Furen Pharmaceutical Co., Ltd. signed the "Contract" in May 2020 to terminate. Fujian Furen Pharmaceutical Co., Ltd. refunded the pharmaceutical company's 1.608 million yuan of payment, and paid a penalty for overdue payments at the quoted rate of the one-year loan market announced by the Interbank Funding Center.

Fujian Furen Pharmaceutical Co., Ltd. refused to accept the above two judgments and filed an appeal. As of the date of this report, the second instance judgment of the above case has not been issued.

(3) As of December 31, 2020, the Company had no other important contingencies that should be disclosed.

XIII. Events after the Balance Sheet Date

(I) Description of significant events after the balance sheet date of subsidiary Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd.

Profit distribution

In accordance with the 2020 Annual Profit Distribution Plan reviewed and approved by the Board of Directors of the Company on April 15, 2021, the Company intends to distribute a cash dividend of RMB 9.00 (tax inclusive) for every 10 shares based on the total share capital of 603,317,210.00 shares of the Company as of December 31, 2020. As a result, the total cash dividends distributed would be RMB 542,985,489.00.

(II) Description of significant events after the balance sheet date of subsidiary Fujian Longxi Bearing (Group) Corp., Ltd.

On April 7, 2021, the company' s seventh board of directors held its 31st meeting, and approved the profit distribution plan for 2020. Based on the existing total share capital of 399,553,571 shares, it is proposed to implement a cash dividend of 1.13 yuan (tax included) for every 10 shares to all shareholders, for a total of 45,149,553.52 yuan, and the remaining undistributed profits will be carried forward to the next year.,and the capital reserve shall not be converted to share capital. The above profit distribution plan is subject to approval by the shareholders' meeting.

XIV. Other Important Events

I. Direct financing

On January 16, 2018, the Company issued non-public corporate bond with a total amount of RMB 1.1 billion and a bond period of 3+2 years. The bond issuing rate is 6.49%, and the due date for payment of principal and interest is January 16, 2023. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is January 16 of each year during the bond period.

On March 26, 2018, the Company issued non-public corporate bonds with a total amount of RMB 1.4 billion and a bond period of 3+2 years. The bond issuing rate is 6.5%, and the due date for repayment of principal and interest is March26, 2023. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is March 26 of each year in the bond period.

On May 3, 2018, the Company issued the second phase of medium-term notes for 2018, with a bond amount of RMB 0.8 billion and a bond period of 5 years. The bond issuing rate is 5.7%, and the due date is May 3, 2023. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is May 3 of each year in the bond period.

On May 24, 2018, the Company issued the second phase of medium-term notes for 2018, with a bond amount of RMB 400 million and a bond period of 5 years. The bond issuing rate is 5.57%, and the due date for repayment of principal and interest is May 24, 2023. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is May 24 of each year in the bond period.

On July 12, 2018, the Company issued the third phase of medium-term notes for 2018, with a bond amount of RMB 600 million and a bond period of 5 years. The bond issuing rate is 5.35%, and the due date for repayment of principal and interest is July 12, 2023. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is July12 of each year in the bond period.

On July 19, 2018, the Company issued the first phase short-term corporate bonds with a total amount of RMB 400 million and a bond period of 1year. The bond issuing rate is 4.74%, and the due date for repayment of principal and interest is July 19, 2019. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is July 19 of each year in the bond period.

On October 26, 2018, the Company issued non-public corporate bonds with a total amount of RMB 1 billion and a bond period of 3 years. The bond issuing rate is 5.69%, and the due date for repayment of principal and interest is October 26, 2021. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is October 26 of each year in the bond period.

On December 14, 2018, the Company issued non-public corporate bonds with a total amount of RMB 1 billion and a bond period of 3 years. The bond issuing rate is 5.00%, and the due date for repayment of principal and interest is December 14, 2021. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is December 14 of each year in the bond period.

On December 24, 2018, the Company issued non-public corporate bonds with a total amount of RMB 500 million and a bond period of 2+N years. The bond issuing rate is 5.99%, and the due date for repayment of principal and interest is December 24, 2020. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is December 24 of each year in the bond period.

On March 14, 2019, the Company issued the first phase public corporate bonds with a total amount of RMB 2 billion and a bond period of 3+2 years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 4.40%, and the maturity date for repayment of principal and interest is March 14, 2024. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is March 14 of each year in the bond period.

On March 28, 2019, the Company issued the first phase publicly issued renewable corporate bonds with a total amount of RMB 1 billion and a bond period of 2+N years. The basic period is 2 years, with every 2 interest accrual years as a cycle. At the end of each cycle, the issuer has the right to choose to extend the maturity of the current bond by 1 cycle (that is, 2 years), or choose to redeem the bonds in full at the end of the period. The bond issuing rate is 5.69%, and the maturity date for repayment of principal and interest is March 28, 2021. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is March 28 of each year in the bond period.

On April 8, 2019, the Company issued the second phase public corporate bonds with a total amount of RMB 1 billion and a bond period of 3+2 years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 4.47%, and the maturity date for repayment of principal and interest is April 8, 2024. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is April 8 of each year in the bond period.

On June 21, 2019, the Company issued the second phase publicly issued renewable corporate bonds with a total amount of RMB 1.5 billion and a bond period of 2+N years. The basic period is 2 years, with every 2 interest accrual years as a cycle. At the end of each cycle, the issuer has the right to choose to extend the maturity of the current bond by 1 cycle (that is, 2 years), or choose to redeem the bonds in full at the end of the period. The bond issuing rate is 5.45%, and the maturity date for repayment of principal and interest is June 21, 2021. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is June 21 of each year in the bond period.

On September 10, 2019, the Company issued USD 500 million (equivalent to RMB 3.5 billion) offshore USD bonds with a bond maturity of 3 years. The bond issuing rate is 5.60%, and the maturity date for repayment of principal and interest is September 10, 2022. The interest of current bonds is paid every six months during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The day for payment of interest is March 10 and September 10 of each year during the duration.

On September 27, 2019, the Company issued the first phase of ultra-short-term financing bonds with an amount of RMB 1 billion and a bond maturity of 180 days. The bond issuing rate is 3.30%, and the maturity date for repayment of principal and interest is March 25, 2020. The interest of the current bond is paid once during the duration, and the final period interest is paid together with the redemption of the principal and interest. The first day of interest payment is March 25 during the duration.

On December 10, 2019, the Company issued the third phase public corporate bonds with a total amount of RMB 1 billion and a bond period of 3+3 years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 3.95%, and the maturity date for repayment of principal and interest is December 10, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is December 10 of each year in the bond period.

On December 12, 2019, the Company issued the second phase of ultra-short-term financing bonds with an amount of RMB 500 million and a bond maturity of 180 days. The bond issuing rate is 3.35%, and the maturity date for repayment of principal and interest is June 9, 2020. The interest of the current bond is paid once during the duration, and the final period interest is paid together with the redemption of the principal and interest. The first day of interest payment is June 9th during the duration.

On December 16, 2019, the company issued the first phase of privately placed debt financing instruments with an amount of RMB 1 billion and a bond maturity of 120 days. The bond issuing rate is 3.50%, and the maturity date for repayment of principal and interest is April 14, 2020. The interest of the current bond is paid once during the duration, and the last period of interest is paid together with the redemption of principal and interest. The first day of interest payment is April 14th during the duration.

On February 14, 2020, the company issued the first phase of ultra-short-term financing bonds with an amount of RMB 0.2 billion and a bond maturity of 255 days. The bond issuing rate is 2.88%, and the maturity date for repayment of principal and interest is October 29, 2020. The interest of the current bond is paid once during the duration, and the last period of interest is paid together with the redemption of principal and interest. The first day of interest payment is Octoberl 29th during the duration.

On March 5, 2020, the company issued the first phase of medium-term financing bonds with an amount of RMB 1 billion and a bond maturity of 5 years. The bond issuing rate is 3.65%, and the maturity date for repayment of principal and interest is March 5, 2025. The interest of the current bond is paid once during the duration, and the last period of interest is paid together with the redemption of principal and interest. The first day of interest payment is March 5th during the duration.

On March 12, 2020, the Company issued the third phase non- public corporate bonds with a total amount of RMB 1.3 billion and a bond period of 3+2 years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 3.70%, and the maturity date for repayment of principal and interest is March 12, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is March 12th of each year in the bond period.

On April 2, 2020, the company issued the second phase of medium-term financing bonds with an amount of RMB 1 billion and a bond maturity of 5 years. The bond issuing rate is 3.75%, and the maturity date for repayment of principal and interest is April 2, 2025. The interest of the current bond is paid once during the duration, and the last period of interest is paid together with the redemption of principal and interest. The first day of interest payment is April 2nd during the duration.

On April 23, 2020, the Company issued the third phase non- public corporate bonds with a total amount of RMB 1.5 billion and a bond period of 3+2 years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 3.60%, and the maturity date for repayment of principal and interest is April 23, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is April 23rd of each year in the bond period.

On April 27, 2020, the Company issued the third phase perpetual medium-term corporate bonds with a total amount of RMB 1.0 billion and a bond period of 3+N years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 3.81%, and the maturity date for repayment of principal and interest is April 27, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is April 27th of each year in the bond period.

On May 22, 2020, the Company issued the third phase non- public corporate bonds with a total amount of RMB 1.0 billion and a bond period of 3+2 years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 3.70%, and the maturity date for repayment of principal and interest is May 22, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is May 22nd of each year in the bond period.

On September 4, 2020, the Company issued the third phase reneable public corporate bonds with a total amount of RMB 1.5 billion and a bond period of 2+N years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 4.48%, and the maturity date for repayment of principal and interest is September 4, 2022. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is September 4th of each year in the bond period.

On September 10, 2020, the Company issued the second phase of ultra-short-term financing bonds with an amount of RMB 500 million and a bond maturity of 60 days.

The bond issuing rate is 2.99%, and the maturity date for repayment of principal and interest is November 13, 2020. The interest of the current bond is paid once during the duration, and the final period interest is paid together with the redemption of the principal and interest. The first day of interest payment is September 10 during the duration.

On October 16, 2020, the Company issued the third phase non- public corporate bonds with a total amount of RMB 1.2 billion and a bond period of 3+2 years, with the option to adjust the coupon rate at the end of the third year and the option to resell to investors. The bond issuing rate is 4.90%, and the maturity date for repayment of principal and interest is October 16, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is October16th of each year in the bond period.

On October 20, 2020, the Company issued the third phase medium-term corporate bonds with a total amount of RMB 1.1 billion and a bond period of 5 years. The bond issuing rate is 4.4%, and the maturity date for repayment of principal and interest is October 20, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is October 20th of each year in the bond period.

On October 26, 2020, the Company issued the third phase short-term corporate bonds with a total amount of RMB 1.0 billion and a bond period of 1 years. The bond issuing rate is 3.38%, and the maturity date for repayment of principal and interest is October 26, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is October 26th of each year in the bond period.

On November 2, 2020, the Company issued the second phase renewable public corporate bonds with a total amount of RMB 1.5 billion and a bond period of 2+N years, with the option to adjust the coupon rate at the end of the second year and the option to resell to investors. The bond issuing rate is 4.17%, and the maturity date for repayment of principal and interest is November 2, 2022. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is November 2nd of each year in the bond period.

On November 3, 2020, the Company issued the second phase renewable public corporate bonds with a total amount of RMB 1.0 billion and a bond period of 3+2 years, with the option to adjust the coupon rate at the end of the second year and the option to resell to investors. The bond issuing rate is 4.20%, and the maturity date for repayment of principal and interest is November 3, 2025. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is November 3rd of each year in the bond period.

On December 21, 2020, the Company issued the second phase renewable public corporate bonds with a total amount of RMB 0.5 billion and a bond period of 2+N years, with the option to adjust the coupon rate at the end of the second year and the option to resell to investors. The bond issuing rate is 4.90%, and the maturity date for repayment of principal and interest is December 21, 2022. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is December 21st of each year in the bond period.

On December 24, 2020, the Company issued the third phase ultra-short-term corporate financing bonds with a total amount of RMB 0.5 billion and a bond period of 104 days. The bond issuing rate is 3.43%, and the maturity date for repayment of principal and interest is June 22, 2021. The interest of current bonds is paid once a year during the bond period, and the final period interest is paid together with the redemption of the principal and interest. The first day for payment of interest is June 22nd of each year in the bond period.

II. Discontinue business

Subsidiary Fujian Longxi Bearing (Group) Co., Ltd

(1) Details of discontinued operations

Items	Income	Expenses	Total profit	Tax expense	Net profit	Discontinued operating profit attributable to owners of the parent company
Xinlongshaft Automotive Technology (Fujian) Co., Ltd.		16,360.82	120,369.81		120,369.81	120,369.81
ujian Jinzhu Automobile Steering Gear Co., Ltd.	47,078.85	764,187.90	272,172.71		272,172.71	244,955.44

(2) Disposal of discontinued operations

Items	Total disposal gains and losses	Income tax expense/income	Net profit and loss of disposal
ujian Jinzhu Automobile Steering Gear Co., Ltd.	272,172.71		272,172.71

(3) The profit and loss from continuing operations attributable to the owners of the parent company in the current period was 149,257,531.99 yuan (previous period: 146,226,379.54 yuan); the discontinued operation profit and loss attributable to the owners of the parent company in the current period was

365,325.25 yuan (previous period: 140,340.43 yuan)

III. Explanation of other important matters of the subsidiary Zhangzhou Sinopharm Real Estate Co., Ltd

According to the resolution of the shareholders meeting of Zhangzhou Sinopharm Real Estate Co., Ltd. on March 10, 2020, Zhangzhou Sinopharm Real Estate Co., Ltd. ceased business activities and conducted liquidation. The company established a liquidation group and filed with the company registration authority.

XV. Explanations to Major Items of Financial Statement of Parent Company

I. Other receivables

Items	Closing balance	Opening balance
Interest receivables	1,345,007,765.44	218,148,612.28
Dividend receivables		
Other receivables	8,560,693,608.48	3,745,850,271.53
Total	9,905,701,373.92	3,963,998,883.81

Interest receivables

Items	Closing balance	Opening balance
Fixed deposit		
Entrusted Loans	400,836,113.71	27,437,380.68
Fixed rate return	944,171,651.73	190,711,231.60
Total	1,345,007,765.44	218,148,612.28

2. Other receivables

(1) Classification of other receivables

Type	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individual significant amount subject to individual assessment for impairment										
Other receivables portfolio subject to impairment by credit risk	8,562,046,040.18	100.00	1,352,431.70	0.02	8,560,693,608.48	3,747,076,473.92	100.00	1,226,202.39	0.03	3,745,850,271.53
Aging portfolio	1,352,431.70	0.02	1,352,431.70	100.00		1,226,202.39	0.03	1,226,202.39	100.00	
Low risk portfolio	8,560,693,608.48	99.98			8,560,693,608.48	3,745,850,271.53	99.97			3,745,850,271.53
Other receivables with individual insignificant amount subject to individual assessment for impairementunt										
Total	8,562,046,040.18	100.00	1,352,431.70	0.02	8,560,693,608.48	3,747,076,473.92	100.00	1,226,202.39	00.03	3,745,850,271.53

Other receivables with individual significant amount subject to individual assessment for impairment: None

Other receivables using the age method for measurement of provision for bad debts in the portfolio

Aging	Closing balance		
	Other receivables	Provision for bad debt	Proportion (%)
Within 1 year (including 1 year)			
1 - 2 year (s) (including 2 years)			
Over 2 years but within 3 years (including 3 years)			
3-4 years (including 4 years)			
4-5 years (including 5 years)			
Over 5 years	1,352,431.70	1,352,431.70	100.00
Total	1,352,431.70	1,352,431.70	100.00

Other receivables using the other method for measurement of provision for bad debts in the portfolio

Low risk portfolio	Closing balance		
	Other receivables	Provision for bad debt	Proportion (%)
Related party	8,544,874,030.52		
Intercourse funds	14,414,319.81		
Imprest, security deposit and deposit	698,211.67		
Other	396,173.26		
Accounts receivable of nature of relevant government agencies	279,293.99		
Collection and paid for another	31,579.23		
Total	8,560,693,608.48		

(2) Classification of other receivables based on the fund nature

Fund nature	Closing book value	Opening book balance
Imprest, security deposit and deposit	698,211.67	276,000.46
Intercourse funds	8,559,875,683.02	3,746,304,244.15
Accounts receivable in the nature of relevant government agencies	1,044,392.99	
Collection and paid for another	31,579.24	
Others	396,173.26	496,229.31
Total	8,562,046,040.18	3,747,076,473.92

(3) The provision for bad debts that are withdrew, recovered and reversed in current period

The provision for bad debt withdrew in this current period was RMB 126,229.31 and the provision for bad debts recovered or reversed in this current period was RMB 0.0.

(4) The top five other accounts receivable based year-end balance collected from arrear party

Organization name	Nature	Closing balance	Aging	Proportion in total closing balance of other receivables (%)	Closing balance of reserve for bad debts
Zhangzhou Jiulongjiang Gulei Investment Co., Ltd.	Intercourse funds	7,230,990,000.00	Within 1 year	84.45	
Zhangzhou jiulongjiang gulei wharf co. LTD	Intercourse funds	1,160,600,000.00	Within 1 year	13.56	
Zhangzhou Pien Tze Huang Assets Management Co., Ltd.	Intercourse funds	81,308,317.97	Within 1 year	0.95	
Xiamen Xiangjiang Import & Export Corporation Limited	Intercourse funds	37,600,000.00	Within 1 year	0.44	
Zhangzhou Jiulongjiang Yangming Investment Co., Ltd.	Intercourse funds	25,400,000.00	1-3 year(s)	0.30	
Total		8,535,898,317.97		99.69	

(II) Long-term equity investment

1. Investment to subsidiaries

The investee	Measurement Method	Investment cost	Opening balance	Increase or decrease	Closing balance	Shareholding ratio in invested companies (%)	Voting rights proportion in invested companies (%)	Explanation for difference between the holding percentage and voting right percentage in the invested companies	Impairment reserve	Estimated accrued impairment reserve of current period	Cash bonus
Fujian Longxi Bearing (Group) Corp. Ltd. (Note 1)	Cost method	588,931,201.18	1,308,803,280.18		1,308,803,280.18	37.85	37.85				16,635,718.00
Zhangzhou Investment Group Co., Ltd.	Cost method		420,002,090.00		420,002,090.00	100.00	100.00				
Xiamen Xiangjiang Import & Export Corporation Limited	Cost method	880,536.47	194,190,536.47		194,190,536.47	100.00	100.00				
Zhangzhou Guoyao Real Estate Co., Ltd.	Cost method		6,000,000.00		6,000,000.00	60.00	60.00				
Zhangzhou Jiulongjiang Gulei Investment Co., Ltd.	Cost method	30,000,000.00	1,228,290,000.00	-714,290,000.00	514,000,000.00	80.03	80.03				13,350,000.00
Zhangzhou Jiulongjiang Yuanshan Investment Co., Ltd.	Cost method	160,000,000.00	480,000,000.00	80,000,000.00	560,000,000.00	80.00	80.00				
Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. (Note 2)	Cost method	517,087,728.00	2,841,476,637.95		2,841,476,637.95	57.92	57.92				270,170,115.00
Zhangzhou Pien Tze Huang Assets Management Co., Ltd.	Cost method		909,295,687.48		909,295,687.48	100.00	100.00				
Zhangzhou State Asset Investment Management Co., Ltd.	Cost method		1,264,721,070.48	16,097,800.00	1,280,818,870.48	100.00	100.00				
Minmetals International Trust Co., Ltd.	Cost method	215,000,000.00	215,000,000.00	-215,000,000.00		45.00	45.00				
Total		1,511,899,465.65	8,867,779,302.56	-833,192,200.00	8,034,587,102.56						300,155,833.00

Note 1: Subsidiary Fujian Longxi Bearing (Group) Co., Ltd.: According to Zhang Zhengzong [2010] No. 56 on April 27, 2010, "Zhangzhou People's Government Approves Fujian Longxi Bearings held by Zhangzhou Electromechanical Investment Co., Ltd. Reply of the (Group) Co., Ltd. Equity to Zhangzhou Pien Tze Huang Group Company", The 31.39% equity of Fujian Longxi Bearing (Group) Co., Ltd. (hereinafter referred to as Longxi Shares) held by Zhangzhou Electromechanical Investment Co., Ltd. was transferred to Zhangzhou Pien Tze Huang Group Company for free. After the allocation, Pien Tze Huang Group Company held the equity of Long Xi Shares. Changed from 9.02% to 40.41%. On April 29, 2010, the two parties signed the "State-owned Equity Free Transfer Agreement." In August 2010, the State-owned Assets Supervision and Administration Commission of the State Council approved the above-mentioned free transfer of state-owned equity (see State Assets Quan (2010) No. 751). This matter was approved by the China Securities Regulatory Commission in March 2011. In the same month, the Shanghai branch of China Securities Depository and Clearing Co., Ltd. completed the registration procedures for the transfer of 94,166,400 equity. After completing the equity transfer registration, Zhangzhou Pien Tze Huang Group Co., Ltd. has accumulated 121,233,800 shares of the company, accounting for 40.41% of the company's total share capital, and has become the controlling shareholder of Longxi Co., Ltd. After the private placement of Longxi shares, the company's headquarters holds 151,233,800 shares of Longxi shares, with a shareholding ratio of 37.85%.

Note 2: At the end of the period, the subsidiary Zhangzhou State Asset Investment Management Co., Ltd. directly held 0.50% of Pien Tze Huang's shares, and the parent company directly held 54.61% of Pien Tze Huang's shares. In total, the Company's direct shareholding proportion was 55.11%. The Company escrows the Pien Tze Huang shares of Zhanglong Industrial Co., Ltd. with a shareholding ratio of 3.31%. The escrow shares are listed as "long-term payables" accounting. After the merger, the Company holds 58.42% of the shares in Pien Tze Huang, and the proportion of voting rights in the shares of Pien Tze Huang is 58.42%. Pien Tze Huang gave 5 shares to every10 shares in 2016 and now has a total share capital of 603 million shares. The Company holds 349,455,750 shares in Pien Tze Huang.

2. Investment into associated enterprises and joint ventures

The investee	Opening balance	Increase or decrease in this period								Closing balance	Closing balance of depreciation reserves
		Additional investments	Decrease in investment	Profit and loss on investments confirmed with equity method	Other comprehensive incomes	Other equity change	Profit or cash dividend declared to be distributed	Withdrawn impairment reserve	Others		
I. Affiliated enterprises											
Fujian Hongqi Co., Ltd. (Note 1)	32,040,838.08			-4,285,531.99						27,755,306.09	
Funeng (Zhangzhou) Finance Leasing Co., Ltd.	157,575,404.13			-9,863,803.46						147,711,600.67	
Fujian Fuhua Environmental Protection Technology Co., Ltd.	183,337,084.88			417,800.39						183,754,885.27	
Zhangzhou Fuhua Environmental Protection Technology Co., Ltd.	77,130,600.10			942,853.79						78,073,453.89	
Fuhua Industry and Trade (Zhangzhou) Co., Ltd. (Note 2)	106,957,568.32		106,957,568.32								
Fujian Fuhua Gulei Petrochemical Co., Ltd. (Note 3)	4,764,070,512.53	176,400,000.00		-681,124,778.17						4,259,345,734.36	
Zhangzhou Power Distribution and Sales Co., Ltd.	15,791,656.27			1,230,151.15						17,021,807.42	
Zhangzhou Tourism Investment Group Co., Ltd.	426,712,148.86			-69,488,317.93						357,223,830.93	
Total	5,763,615,813.17	176,400,000.00	106,957,568.32	-762,171,626.22						5,070,886,618.63	

Note 1: In December 2013, the Company held a total of 52.72% of shares of Hongqi Co., Ltd. after freely receiving the 32.61% of shares of Hongqi Co., Ltd. originally held by Fujian Electromechanical (Holding) Co., Ltd.. The Company entrusted Fujian Longxi Bearing Corp. Ltd. to exercise shareholder power and voting rights for its 52.72% of shares of Hongqi Co., Ltd. The Company enjoyed the dividend rights but would not participate in the operation and management of Hongqi Co., Ltd.

Note 2: According to Zhangzhou Assets Rights [2020] No. 10 Zhangzhou State-owned Assets Supervision and Administration Commission's approval for Zhangzhou Jiulongjiang Group Co., Ltd. to transfer 49% of the equity of Fu Chemical Trade (Zhangzhou) Co., Ltd.. The Company transferred its 49% equity of Fu Chemical Trade (Zhangzhou) Co., Ltd. to Fujian Fuhai Chuang Petrochemical Co., Ltd. at a transfer price of 109.4 million yuan.

Note 3: According to the capital increase agreement signed by the Company with Fujian Petrochemical Group Co., Ltd. and Fujian Petrochemical Industry Co., Ltd. in October 2020, the Company passed the 391st resolution of the first board of directors, in the current period,

the company increased its capital by RMB 176.4 million in Fujian Fuhua Gulei Petrochemical Co., Ltd. in accordance with its 49% stake in Fujian Fuhua Gulei Petrochemical Co., Ltd.

(III) Operating incomes and operating costs

Items	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	8,185,513,802.35	8,117,831,791.07	5,529,454,282.28	5,401,011,659.57
Other businesses	2,731,901,486.73	1,363,361,678.99	2,498,474,379.13	1,313,926,418.97
Total	10,917,415,289.08	9,481,193,470.06	8,027,928,661.41	6,714,938,078.54

(IV) Investment income

Items	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income measured by cost method	300,155,833.00	567,367,630.00
Long-term equity investment income measured by equity method	-762,171,626.12	634,639,688.07
Investment profits by the disposal of long-term equity investment	2,482,265.68	
Investment profits by financial assets measured at fair value through profit or loss during the holding period	156,815.84	552,216.13
Investment income received from disposal of financial assets measured at fair value with changes recognized in profits and losses		
Investment profit by held-to-maturity investments during the holding period		
Investment profit by marketable financial assets during the holding period	9,055,015.30	6,888,243.36
Investment profit by the disposal of other non-current financial assets		976,960.17
Investment profit by the disposal of marketable financial assets		
Profits by recalculating the shares remaining at fair value after losing control power.		
Total	-450,321,696.30	1,210,424,737.73

Legal representative:

Accounts supervisor in charge:

Head of finance department:

Zhangzhou Jiulongjiang Group Co., Ltd.

April 29, 2021

统一社会信用代码

91350100084343026U

营业执照

（副　本）副本编号：1 - 1

扫描二维码登录"国家企业信用信息公示系统"了解更多登记、备案、许可、监管信息。

名　　称　华兴会计师事务所（特殊普通合伙）

类　　型　特殊普通合伙企业

执行事务合伙人　林宝明

经营范围　审查会计报表、出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务、出具有关报告；基本建设年度财务决算审计，代理记账；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务。（依法须经批准的项目，经相关部门批准后方可开展经营活动）

成立日期　2013年12月09日

合伙期限　2013年12月09日 至 长期

主要经营场所　福建省福州市鼓楼区湖东路152号中山大厦B座7–9楼

仅供出具报告使用

登记机关　福州市鼓楼区市场监督管理局

2021 年 1 月 4 日

国家企业信用信息公示系统网址：http://www.gsxt.gov.cn

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告

国家市场监督管理总局监制

会计师事务所

执业证书

名　　称：华兴会计师事务所（特殊普通合伙）

首席合伙人：

主任会计师：林宝明

经营场所：福州市湖东路 152 号中山大厦 B 座 6-9 楼

仅供出具报告使用

组织形式：特殊普通合伙

执业证书编号：35010001

批准执业文号：闽财会(2013)46 号

批准执业日期：2013 年 11 月 29 日

证书序号：0001939

说　明

1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。

2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。

3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。

4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。

发证机关：福建省财政厅

二〇一六年[illegible]月二十五日

中华人民共和国财政部制

证书序号：000395

会计师事务所
证券、期货相关业务许可证

经财政部、中国证券监督管理委员会审查，批准

华兴会计师事务所（特殊普通合伙）

执行证券、期货相关业务。

首席合伙人：林宝明

仅供出具报告使用

证书号：47

发证时间：二〇[illegible]九年十 月十[illegible]

证书有效期至：二〇二一年十月 十日

姓名 Full name [illegible]

性别 Sex 男

出生日期 Date of birth [illegible]

工作单位 Working unit [illegible]

身份证号码 Identity card No. 350203196702144073

证书编号：
No. of Certificate 350100010009

批准注册协会：
Authorized Institute of CPAs 福建省注册会计师协会

发证日期：
Date of Issuance 1994 年 /y 09 月 /m 27 日 /d

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

年 /y 月 /m 日 /d

姓名 Full name

性别 Sex

出生日期 Date of birth

工作单位 Working unit

身份证号码 Identity card No.

证书编号: 350100230536
No. of Certificate

批准注册协会:
Authorized Institute of CPAs 福建省注册会计师协会

发证日期: 1994 年/y 09 月/m 27 日/d
Date of Issuance

会计师事务所（特殊普通合伙）

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

任职资格检查合格

年/y 月/m 日/d

ISSUER

Zhangzhou Jiulongjiang Group Co., Ltd.
(漳州市九龍江集團有限公司)
Jiulongjiang Group Building
1 Hubin Road
Longwen District
Zhangzhou City
Fujian Province
China

TRUSTEE

The Hongkong and Shanghai Banking Corporation Limited
Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong

PRINCIPAL PAYING AGENT

The Hongkong and Shanghai Banking Corporation Limited
Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong

REGISTRAR AND TRANSFER AGENT

The Hongkong and Shanghai Banking Corporation Limited
Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong

LEGAL ADVISERS

To the Issuer as to English law

Linklaters
11th Floor
Alexandra House
Chater Road
Hong Kong

To the Issuer as to PRC law

Junzhi Law Firm
11/F, Tower B, Global Trade Center
No.36 North Third Ring Road East
Dongcheng District
Beijing
China

To the Joint Lead Managers and the Trustee as to English law

Freshfields Bruckhaus Deringer
55th Floor, One Island East
Taikoo Place
Quarry Bay
Hong Kong

To the Joint Lead Managers as to PRC law

JunHe LLP
20th Floor, China Resources Building
8 Jianguomenbei Avenue
Beijing
China

AUDITORS OF THE ISSUER

Huaxing Certified Public Accountants LLP
6-9th Floor, Block B
152 Hudong Road
Fujian Province
China