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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspects of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Resources Pharmaceutical Group Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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**華潤醫藥集團有限公司**

**China Resources Pharmaceutical Group Limited**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 3320)**

**MAJOR TRANSACTION  
IN RELATION TO  
THE PROPOSED ACQUISITION OF  
A CONTROLLING STAKE IN  
BOYA BIO-PHARMACEUTICAL GROUP**

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## DEFINITIONS

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In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Board”	the board of Directors;
“BSCOMC”	Beijing State-Owned Capital Operation And Management Center (北京國有資本經營管理中心), a state-owned enterprise incorporated in the PRC and a substantial Shareholder of the Company;
“close associate”	has the meaning ascribed to it under the Listing Rules;
“Company” or “CR Pharmaceutical”	China Resources Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“CR Holdings”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of CRI and a controlling Shareholder of the Company;
“CRI”	China Resources Inc., a joint stock limited liability company established in the PRC and a controlling Shareholder of the Company;
“CRH (Pharmaceutical)”	CRH (Pharmaceutical) Limited, a company incorporated in the British Virgin Islands, a controlling shareholder of Company;
“CR Pharmaceutical Holdings”	China Resources Pharmaceutical Holdings Company Limited (華潤醫藥控股有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company;
“Director(s)”	the director(s) of the Company;
“Enlarged Group”	the Group and the Target Group upon completion of the transactions contemplated under the Transaction Documents;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Investment Framework Agreement”	an investment framework agreement dated 30 September 2020 entered into between CR Pharmaceutical Holdings and the Vendor;
“Latest Practicable Date”	17 December 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time;
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules;
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this circular only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended from time to time;
“Share(s)”	share(s) of the Company;
“Share Subscription Agreement”	a share subscription agreement dated 30 September 2020 entered into between CR Pharmaceutical Holdings and the Target Company;
“Share Transfer Agreement”	a share transfer agreement dated 30 September 2020 entered into between CR Pharmaceutical Holdings and the Vendor;
“Shareholder(s)”	shareholder(s) of the Company;
“Target Company”	Boya Bio-pharmaceutical Group Co., Ltd (博雅生物製藥集團股份有限公司), a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300294);

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## DEFINITIONS

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“Target Group”	the Target Company and its subsidiaries;
“Transaction Documents”	Investment Framework Agreement, Share Transfer Agreement, Voting Rights Entrustment Agreement, and Share Subscription Agreement;
“Vendor”	Shenzhen Gaotejia Investment Group Co., Ltd. (深圳市高特佳投資集團有限公司), a company incorporated in the PRC;
“Voting Rights Entrustment Agreement”	a voting rights entrustment agreement dated 30 September 2020 entered into between CR Pharmaceutical Holdings and the Vendor; and
“%”	per cent.

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LETTER FROM THE BOARD

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**華潤醫藥集團有限公司**

**China Resources Pharmaceutical Group Limited**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 3320)

*Directors:*

**Chairman and non-executive Director**

WANG Chuncheng

**Executive Directors**

HAN Yuewei

LI Xiangming

WENG Jingwen

**Non-executive Directors**

YU Zhongliang

GUO Wei

WANG Shouye

LYU Ruizhi

**Independent non-executive Directors**

SHING Mo Han Yvonne

KWOK Kin Fun

FU Tingmei

ZHANG Kejian

*Registered Office:*

41/F,

China Resources Buildings,

26 Harbour Road

Wanchai,

Hong Kong

Hong Kong, 24 December 2020

*To the Shareholders,*

Dear Sir or Madam,

**MAJOR TRANSACTION  
IN RELATION TO  
THE PROPOSED ACQUISITION OF  
A CONTROLLING STAKE IN  
BOYA BIO-PHARMACEUTICAL GROUP**

**A. INTRODUCTION**

Reference is made to the announcements of the Company dated 28 September 2020, 30 September 2020, 23 October 2020 and 14 December 2020 (the “**Announcements**”) in relation to, among other things, the proposed acquisition of a controlling stake in the Target Company. As

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## LETTER FROM THE BOARD

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disclosed in the Announcements, on 30 September 2020, CR Pharmaceutical Holdings entered into the Transaction Documents, upon which becoming effective and at completion, the controlling shareholder of the Target Company will be changed to CR Pharmaceutical Holdings.

The purpose of this circular is to provide you with, among other things, further information on the transactions contemplated under the Transaction Documents, and other information required to be contained in this circular under the Listing Rules.

### **B. PRINCIPAL TERMS OF THE TRANSACTION DOCUMENTS**

#### **Date of Transaction Documents**

30 September 2020

#### **Target Company**

Boya Bio-pharmaceutical Group Co., Ltd

#### **Subject Matter**

Upon the Transaction Documents becoming effective and at completion, the controlling shareholder of the Target Company will be changed to CR Pharmaceutical Holdings:

1. Pursuant to the Share Transfer Agreement, CR Pharmaceutical Holdings intends to acquire 69,331,978 non-restricted tradable shares of the Target Company (representing 16.00% of the total share capital of the Target Company) held by the Vendor by way of cash.
2. Pursuant to the Voting Rights Entrustment Agreement, the Vendor intends to indefinitely entrust the voting rights of all the remaining shares of the Target Company held by it to CR Pharmaceutical Holdings. Upon the aforesaid share transfer and voting rights entrustment, CR Pharmaceutical Holdings will own 29.17% of the voting rights in the total share capital of the Target Company. To the best of the Directors' knowledge, it is the commercial consideration of the Vendor to maintain its economic rights in but no longer control the Target Company.
3. Pursuant to the Share Subscription Agreement, CR Pharmaceutical Holdings intends to subscribe by way of cash for 86,664,972 shares (or the adjusted amount of shares, representing 20.00% of the total share capital prior to the issuance, while the final subscription volume shall be subject to the documents approved by the China Securities Regulatory Commission for registration) to be issued by the Target Company to CR Pharmaceutical Holdings. The shares to be subscribed by CR Pharmaceutical Holdings shall not be transferred within 36 months from the date of completion of the equity registration. The maximum number of shares of the Target Company to be subscribed by the Company pursuant to the Share Subscription Agreement will be 86,664,972 shares (subject to any adjustment pursuant to the terms of the Share Subscription Agreement).

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## LETTER FROM THE BOARD

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Upon completion of the aforesaid transactions contemplated under the relevant Transaction Documents, the total share capital of the Target Company is expected to be changed to 519,989,835 shares, whereas CR Pharmaceutical Holdings will, subject to any adjustment pursuant to the terms of the relevant Transaction Documents, hold 155,996,950 shares of the Target Company (representing 30.00% of the total share capital of the Target Company). Meanwhile, it will have the voting rights corresponding to 57,049,640 shares of the Target Company (representing 10.97% of the total share capital of the Target Company), holding the voting rights corresponding to 213,046,590 shares of the Target Company (representing 40.97% of the total share capital of the Target Company) in aggregate, and CR Pharmaceutical Holdings will become the controlling shareholder of the Target Company.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Vendor, the Target Company and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

### **Conditions Precedent**

As at the Latest Practicable Date, the transaction remained subject to the approval of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) and the passing of concentration of undertakings filing by the Anti-Monopoly Bureau of the State Administration for Market Regulation, the compliance confirmation of the Shenzhen Stock Exchange and the application for registration of share transfer with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited; the issuance of shares to specific targets by of the Target Company shall be considered and approved at the general meeting of the Target Company, subject to review by the Shenzhen Stock Exchange and registration by the CSRC.

As at the Latest Practicable Date, other than the approval of the issuance of shares at the general meeting of the Target Company, the other conditions precedent have not yet been fulfilled.

### **Consideration**

The total consideration under the Transaction Documents is expected to be approximately RMB5.358 billion.

Pursuant to the Share Transfer Agreement, CR Pharmaceutical Holdings intends to acquire 69,331,978 non-restricted tradable shares of the Target Company held by the Vendor at a price of RMB38 per share by way of transfer by agreement. The consideration was determined after arm's length negotiations between the parties with reference to the closing price of the shares of the listed company in the secondary market on one trading day prior to the signing date of the Share Transfer Agreement (being RMB40.25 per share, representing a discount of approximately 5.6% of the purchase price per share under the Share Transfer Agreement).



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## LETTER FROM THE BOARD

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Pursuant to the Share Subscription Agreement, the issue price of the shares of the Target Company shall be RMB31.43 per share and the price benchmark date was on 1 October 2020. The issue price of the shares issued by the Target Company to CR Pharmaceutical Holdings, is 80% of the average trading price of the shares of the Target Company for the 20 trading days preceding the pricing benchmark date. Average trading price of the shares of the Target Company for the 20 trading days preceding the pricing benchmark date = total trading amount of the shares of the Target Company for the 20 trading days preceding the pricing benchmark date/total trading volume of the shares of the Target Company for the 20 trading days preceding the pricing benchmark date.

During the period from the pricing benchmark date to the issue date, the issue price will be adjusted accordingly if there occurs any ex-right or ex-dividend event (such as distribution of dividend, bonus issue and conversion of capital reserve into share capital) by the Target Company (“**Ex-right or Ex-dividend Event**”). If there occurs any Ex-right or Ex-dividend Event (other than in the case of distribution of cash dividend), the total number of shares of the Target Company to be subscribed by the Company will also be adjusted accordingly. Therefore, other than in the case of distribution of cash dividend, the total consideration payable by the Company under the Share Subscription Agreement will remain unchanged if there occurs the above-mentioned Ex-right or Ex-dividend Event.

Taking into account the Target Company is a publicly listed company, the Board is of the view that using the trading price of the Target Company’s shares as the basis of determining the consideration for the transactions contemplated under the Transaction Documents is fair and reasonable.

### C. INFORMATION ON THE PARTIES

CR Pharmaceutical Holdings is one of the largest pharmaceutical groups in China with a complete industrial chain in production and operation, covering pharmaceutical manufacturing, pharmaceutical distribution, pharmaceutical R&D and medical device manufacturing. CR Pharmaceutical Holdings has modern production bases, distribution centers and high-level R&D centers in Beijing, Shanghai, Shenzhen, Sichuan and Shandong, providing pharmaceutical R&D, manufacturing, wholesale, distribution, retail chain and hospital distribution services. It mainly provides products and services to patients and society in the fields of the Chinese patent medicine, instant Chinese herbal medicine, chemical synthetic drugs, biological drugs, natural drugs, pharmaceutical intermediates, nutritional and healthcare products, medical devices, pharmaceutical equipment and pharmaceutical distribution, in which it has a leading position in the PRC in the fields of cardiovascular, large infusion, reproductive health, natural medicine, Chinese patent medicine and medical equipment. CR Pharmaceutical Holdings is an investment holding company and a wholly-owned subsidiary of the Company.

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## LETTER FROM THE BOARD

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The general business activities of the Vendor are direct investment in high-tech industry and other technological innovation enterprises; entrusted to manage and operate start-up capital of other venture capital companies; investment advisory business; direct investment or participation in the construction of business incubators. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Listed on the Shenzhen Stock Exchange (stock code: 300294), the Target Company is engaged in pharmaceutical product manufacturing business. The Target Company mainly develops, produces, and sells blood products, diabetes drugs, anti-infective chemicals, biochemical drugs, and other products.

According to the audited financial report of the Target Group prepared in accordance with the China Accounting Standards for Business Enterprises ("CAS"), as of 31 December 2019/for the year ended 31 December 2019, the audited operating revenue of the Target Group was approximately RMB2,908,800,000, the audited net profit was approximately RMB442,100,000 and the audited total assets were RMB5,256,700,000. As of 31 December 2018/for the year ended 31 December 2018, the audited operating revenue of the Target Group was approximately RMB2,451,300,000, the audited net profit was approximately RMB485,100,000 and the audited total assets were RMB5,073,200,000.

As of 30 June 2020, the unaudited net assets of the Target Group were approximately RMB4,085,000,000. As at the Latest Practicable Date, the market capitalization of the Target Company (calculated based on its closing trading price as at the Latest Practicable Date) was approximately RMB15.4 billion.

### **D. REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTIONS**

The blood product industry is characterized by its rapid growth, strong profitability, scarcity of raw materials, rigid demand, stable competitive landscape and high barriers to entry, hence a business with very stable and long-term growth cash flow. Entering the blood product industry is of strategic significance, enabling a breakthrough of the Group's existing product portfolio into biomedicine. The Company believes that it can in turn provide a foundation for the Group to further develop its overall business strategies and achieve a jump-start of its business in the biopharmaceutical area. The transactions contemplated under the Transaction Documents can effectively promote the further development of CR Pharmaceutical towards biomedicine, help expand the business scale of the Group, integrate high-quality products into the Group's product portfolio, give full play to the synergy effect by leveraging on the Group's existing comprehensive product portfolio and wide distribution networks, further improve the performance and enhance the overall competitiveness, so as to expand and strengthen its position in the pharmaceutical and healthcare industry in the PRC.

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## LETTER FROM THE BOARD

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### **E. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS**

Upon completion of the aforesaid transaction, CR Pharmaceutical Holdings will become the controlling shareholder of the Target Company, holding 30.00% of the total share capital and 40.97% of the voting rights in the Target Company in aggregate, and the Target Company will become a subsidiary of the Company. The results of and investment in the Target Company will be incorporated in the consolidated financial statements of the Group using the equity method of accounting.

Set out in Appendix IV to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial effects of the transactions contemplated under the Transaction Documents on the assets and liabilities of the Enlarged Group assuming the transactions had been completed on 30 June 2020.

#### **Assets**

As at 30 June 2020, the unaudited consolidated total assets of the Group were approximately HK\$197,169.74 million. According to the unaudited pro forma financial information set out in Appendix IV to this circular, the unaudited pro forma consolidated total assets of the Enlarged Group would have increased to approximately HK\$205,134.94 million.

#### **Liabilities**

As at 30 June 2020, the unaudited consolidated total liabilities of the Group were approximately HK\$126,723.65 million. According to the unaudited pro forma financial information set out in Appendix IV to this circular, the unaudited pro forma consolidated total liabilities of the Enlarged Group would have increased to approximately HK\$128,729.41 million.

#### **Earnings**

For the year ended 31 December 2019, the audited consolidated profit of the Group was approximately HK\$5,097.80 million, and for the six months ended 30 June 2020, the unaudited consolidated profit of the Group was approximately HK\$3,647.81 million. The audited consolidated net profit of the Target Group for the year ended 31 December 2019 was approximately RMB442.12 million, and the unaudited consolidated net profit of the Target Group for the six months ended 30 June 2020 was approximately RMB168.42 million. Based on the track record of the Target Group, it is expected that after completion, the Target Group could make a positive contribution to the profit of the Group.

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## LETTER FROM THE BOARD

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### F. IMPLICATIONS OF THE LISTING RULES

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Transaction Documents exceeds 25% but is less than 100%, the transactions contemplated under the relevant Transaction Documents constitute a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder nor any of their close associates has material interest in the transactions contemplated under the relevant Transaction Documents. Accordingly, no Shareholder is required to abstain from voting pursuant to the Listing Rules if the Company were to convene a general meeting for the approval of the transactions contemplated under the relevant Transaction Documents. Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the transactions contemplated under the relevant Transaction Documents may be given by way of written Shareholders' approval in lieu of holding a general meeting, in case of the following circumstances: (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of in the transactions contemplated under the relevant Transaction Documents; and (2) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who in total hold more than 50% of the issued share capital of the Company and has obtained the right to attend and vote at the general meeting to approve the transactions contemplated under the relevant Transaction Documents.

The approval of the transactions contemplated under the relevant Transaction Documents has been given by CRH (Pharmaceutical) by way of written Shareholders' approval in lieu of holding a general meeting. As at the Latest Practicable Date, CRH (Pharmaceutical) held 3,333,185,612 issued Shares of the Company, representing approximately 53.05% of the issued Shares of the Company. Therefore, the Company will not convene a general meeting for the approval of the transactions contemplated under the relevant Transaction Documents pursuant to Rule 14.44 of the Listing Rules.

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## LETTER FROM THE BOARD

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### G. WAIVER FROM STRICT COMPLIANCE WITH RULE 14.67(6)(A)(I) OF THE LISTING RULES

The Company has applied for, and The Stock Exchange of Hong Kong Limited has granted, a waiver from strict compliance with the accountants' report requirement under Rule 14.67(6)(a)(i) of the Listing Rules on the following grounds:

- (a) The Target Company has been listed on the Shenzhen Stock Exchange since 2012 (stock code: 300294). The financial statements of the Target Group were audited by a competent and recognized auditing firm in the PRC.
- (b) The circular to be despatched by the Company will include (i) the audited consolidated financial statements of the Target Company for three financial years ended 31 December 2017, 2018 and 2019, prepared in accordance with the CAS and audited by Jiangsu Gongzheng Tianye Certified Public Accountants (江蘇公證天業會計師事務所), as published by the Target Company on the Shenzhen Stock Exchange website, and (ii) the unaudited consolidated financial statements of the Target Company for the six months ended 30 June 2020, prepared in accordance with the CAS (collectively, the “**Target Group Historical Track Record Accounts**”).
- (c) Jiangsu Gongzheng Tianye Certified Public Accountants (江蘇公證天業會計師事務所) is a certified public accounting firm founded in 1982 and was admitted to practice in securities and futures related auditing work since 1993. Jiangsu Gongzheng Tianye Certified Public Accountants is a member of the Chinese Institute of Certified Public Accountants, Jiangsu Institute of Certified Public Accountants and Assets Appraisal Society of Jiangsu in China. Jiangsu Gongzheng Tianye Certified Public Accountants established a branch, GZTY CPA GROUP, LLC in the USA, which is a member of the Public Company Accounting Oversight Board (The PCAOB).
- (d) None of the Target Group Historical Track Record Accounts has been issued (or is expected to be issued) with any audit qualification.
- (e) The Company considers that if the Company were to engage an accounting firm to re-audit the financial information of the Target Group, it would not produce any meaningful information to the Shareholders beyond the Target Group Historical Track Record Accounts.
- (f) The Company considers that it has taken reasonable steps to request for information for compliance with the requirements under Rule 14.67(6)(a)(i) of the Listing Rules, and that a relaxation of such requirements, which are unduly burdensome and impractical to the Company in the circumstances, would unlikely result in undue risks to the Shareholders and potential investors of the Company.

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## LETTER FROM THE BOARD

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The Company has included the following information in this circular as alternative disclosure to an accountants' report under Chapter 4 of the Listing Rules:

- (a) Full text of the Target Group Historical Track Record Accounts.
- (b) The management discussion and analysis of the results of operations of the Target Group for the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 as extracted from the published documents of the Target Company.
- (c) A reconciliation of financial information and unaudited adjusted consolidated financial information for the above financial periods, together with the reconciliation process adopted by the Target Company, had they been prepared by the Target Company in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**”). Ernst & Young conducted work on the reconciliation information in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”. The Company does not expect that there would be any significant impact on the group financial information of the Target Group being prepared under the HKFRS adopted by the Company.
- (d) In the annual or interim financial results and annual or interim reports of the Company, the results of the Target Company and its subsidiaries will have been included in the consolidated financial statements of the Group, on basis consistent with HKFRS such that Shareholders would be able to assess the financial performance of the Enlarged Group, taken as a whole.
- (e) The reasons for and details of the waiver sought in respect of the requirements under Rule 14.67(6)(a)(i) of the Listing Rules.

### **H. ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board  
**China Resources Pharmaceutical Group Limited**  
**WANG Chuncheng**  
*Chairman*

**1. FINANCIAL INFORMATION OF THE GROUP**

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2017, 2018 and 2019 and the unaudited consolidated financial information of the Group for the six months ended 30 June 2020, together with the relevant notes thereto are disclosed in the following documents:

- interim report of the Company for the six months ended 30 June 2020 published on 18 September 2020 (pages 39 to 84):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0918/2020091800386.pdf>

- annual report of the Company for the year ended 31 December 2019 published on 24 April 2020 (pages 132 to 307):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042401311.pdf>

- annual report of the Company for the year ended 31 December 2018 published on 18 April 2019 (pages 104 to 288):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0418/ltn201904181238.pdf>

- annual report of the Company for the year ended 31 December 2017 published on 17 April 2018 (pages 97 to 250):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0418/ltn201904181238.pdf>

**2. STATEMENT OF INDEBTEDNESS**

As at the latest practicable date for ascertaining information regarding this indebtedness statement (being 31 October 2020), the Enlarged Group had the following indebtedness:

- (i) unsecured and unguaranteed bank borrowings of approximately HK\$29,162,167,000;
- (ii) secured but unguaranteed bank borrowings of approximately HK\$230,622,000, which was secured by the pledge of certain land, buildings and trade and bills receivables of the Enlarged Group;
- (iii) guaranteed but unsecured bank borrowings of approximately HK\$14,706,511,000;
- (iv) unsecured and unguaranteed bonds of approximately HK\$5,765,550,000;
- (v) unsecured and unguaranteed short-term debentures of approximately HK\$2,306,220,000;
- (vi) unsecured and unguaranteed outstanding shareholder's loans of approximately HK\$5,689,405,000; and

(vii) unsecured and unguaranteed lease liabilities of approximately HK\$2,239,780,000.

Save as disclosed above or as otherwise mentioned herein, and apart from intragroup liabilities and normal accounts payables in the ordinary course of business, as of such latest practicable date (being 31 October 2020), the Group did not have any material debt securities issued and outstanding, or authorized or otherwise created but unissued, or term loans, other borrowings or indebtedness in the nature of borrowing including liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, or outstanding mortgages or charges, or guarantees or material contingent liabilities.

### **3. SUFFICIENCY OF WORKING CAPITAL**

As at the Latest Practicable Date, the Directors were of the opinion that, after taking into account the effect of the transactions contemplated under the Transaction Documents, the cash flows generated from the operating activities of the Enlarged Group, and the financial resources available to the Enlarged Group, including internally generated funds, the existing bank borrowings and available banking facilities, and in the absence of unforeseeable circumstances, the Enlarged Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

### **4. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP**

In the coming financial year, the Enlarged Group will continue to increase investment in R&D and strive to strengthen R&D innovation, build an innovative and technological platform for biopharmaceutical drugs and accelerate the acquisition of high-quality products. The Enlarged Group will also focus on its core areas through strengthening its brand advantages, enriching its product portfolios and promoting the transformation and upgrading of the pharmaceutical business. Specifically, upon completion of the transactions contemplated under the Transaction Documents, the Group expects to introduce its management concept to the Target Group to further improve the management and operation of their businesses, allocate adequate resources to the Target Group, improve the management of blood plasma collection stations and develop additional blood plasma collection stations, thereby accelerating the commercialization of the pipeline products of the Target Group and optimizing their business operation, scale of business and overall profitability.

In order to strengthen its competitive edge, the Enlarged Group will optimize its business structure, accelerate its penetration into primary medical and retail terminals and promote the transaction of the Enlarged Group's pharmaceutical distribution business away from the traditional distribution business to an intelligent and professional integrate service provider. The Enlarged Group will also continue to develop and improve international cooperation platforms and diversify its channels for international cooperation.



The management of the Group will actively explore opportunities for integration and concentration in the Chinese pharmaceutical industry by accelerating its mergers and acquisitions, especially to expand the layout in multiple areas such as blood products, vaccines, and diagnostic reagents. For example, through the acquisition of the controlling interest in the Target Company, the Group will be able to expand its business scale and further penetrate into the blood product industry, which is a business with very stable and long-term growth cash flow. The Group envisages that the transactions contemplated under the Transaction Documents will provide more high-quality resources, growth opportunities and synergies to the Enlarged Group's business in the pharmaceutical and healthcare industry. The Group will also explore further synergies in the Enlarged Group's integrated business, and foster synergies among the pharmaceutical manufacturing, distribution, and retail businesses as well as subsectors of each business segment.

#### **5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**I. TARGET COMPANY ACCOUNTS**

The following is (i) the audited consolidated financial statements of the Target Company for the financial years ended 31 December 2017, 2018 and 2019, prepared in accordance with the CAS and audited by Jiangsu Gongzheng Tianye Certified Public Accountants (江蘇公證天業會計師事務所), and (ii) the unaudited consolidated financial statements of the Target Company for the six months ended 30 June 2020, prepared in accordance with the CAS, both as part of a regulatory report prepared in accordance with PRC regulatory requirements and as published by the Target Company on the Shenzhen Stock Exchange website. These information are originally published in Chinese and the English translated version is provided for information purposes only. In case of discrepancies between the two versions, the Chinese version shall prevail.

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**APPENDIX II                      FINANCIAL INFORMATON OF THE TARGET GROUP**

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- 1. Audited Consolidated Financial Statements For The Year Ended 31 December 2017**

## Section XI Financial Report

### 1. Audit Report

Type of Audit Opinions	Standard and Unreserved Opinions
Name of Audit Firm	Jiangsu Gongzheng Tianye Certified Public Accountants (Special General Partnership)
Audit Report No.	Su Gong W [2018] No. A591
Name of Certified Public Accountant	Teng Fei, Zhang Feiyun

### Text of Audit Report

**To all shareholders of Boya Bio-pharmaceutical Group Co., Ltd:**

#### I. Audit Opinion

The Company has audited the financial statements of Boya Bio-pharmaceutical Group Co., Ltd. ("Boya Bio-Pharmaceutical"), including the consolidated balance sheet as of December 31, 2017 and that of the parent company, the consolidated income statement and that of the parent company, the consolidated cash flow sheet and that of the parent company, the consolidated ownership equity change sheet and related notes to the financial statement and that of the Company for the year 2017.

In our opinion, the annexed financial statements have been prepared in all material respects in accordance with the Accounting Standards for Business Enterprises and fairly present the consolidated financial position of Boya Bio-Pharmaceutical as of December 31, 2017 and the consolidated and that of the parent company's operations and cash flows for the year 2017.

#### II. Basis for Formation of Audit Opinion

We have conducted the audit in accordance with the Auditing Standards for Certified Public Accountants of PRC. Our responsibilities under these standards are further elaborated in the "Responsibility of Certified Public Accountants for Auditing Financial Statements" section of the audit report. In accordance with the Code of Ethics for Certified Public Accountants of PRC, we are independent of Boya Bio-Pharmaceutical and have performed other professional ethical responsibilities. We believe that the audit evidence we obtained is sufficient and appropriate, which provides a basis for issuing the audit opinion.

#### III. Key Audit Item

Key audit Item refer to the Item that we considers most important to audit the financial statements of the current period based on our professional judgment. These Item are handled on the background that we have audited the entire financial statements and formed opinions. We will not issue separate opinions on these Item.

(1) Goodwill impairment test

##### 1. Description of Matters

As stated in Article 14 in Section V of the Financial Statements, the book value of the goodwill formed by Boya Bio-Pharmaceutical's acquisition of equity in Guizhou Tianan Pharmaceutical Co., Ltd. ("Tianan Pharmaceutical") is RMB

126,747,644.00; the book value of the goodwill formed by Boya Bio-Pharmaceutical's acquisition of equity in Nanjing Xinbai Pharmaceutical Co., Ltd. ("Xinbai Pharmaceutical") is RMB 371,026,199.46; the book value of the goodwill formed by Boya Bio-Pharmaceutical's acquisition of equity in Guangdong Fuda Pharmaceutical Co., Ltd. ("Fuda Pharmaceutical") is RMB 166,068,135.32; the balance of corresponding impairment provision is 0 yuan.

The management of Boya Bio-Pharmaceutical (hereinafter referred to as the "Management") shall conduct an impairment test on the goodwill every year. The Management will identify all the assets of Tianan Pharmaceutical, Xinbai Pharmaceutical and Fuda Pharmaceutical into three asset groups, estimate the current value of predicted future cash flow of the entire asset group by adopting the income method respectively, estimate the value of the entire assets, then obtain the total value of shareholders' equity from the value of the entire assets by deducting the value of interest-bearing debts, and thus further arrive at the recoverable amount of the equity interest held by the Company. When making an impairment test on the relevant asset group containing goodwill, the relevant impairment assessment should involve determination of evaluation parameters such as discount rate and assumptions on the operation and financial status of the future years, including sales growth rate and gross margin, etc.

The Company has taken this as a key audit matter because the book value of goodwill has material impact on the financial statements, and whether the reasonableness of the above judgment and assumptions has material impact on the results of the impairment test.

## 2. Audit response

With respect to the Boya Bio-Pharmaceutical's goodwill impairment test, our main audit procedures include:

- (1) Assessed the appropriateness of the valuation method used by the management in making cash flow forecast by referring to industry practices;
- (2) Checked the basic data on which the impairment test of the management was based;
- (3) Analyzed and review the reasonableness of the key assumptions (including sales growth rate, gross margin and discount rate) in the impairment test;
- (4) Tested whether the calculation of the net present value of future cash flow was accurate.

## (II) Recognition of revenue

### (1) Description of events

As mentioned in Notes 3, 24, 5 and 34 to the financial statements, the business revenue of Boya Bio-Pharmaceutical is 1,460,521,856.51 yuan, up 54.29% year-on-year. The Company recognized sales revenue when the products were delivered, the invoice settlement statements were submitted to Purchaser and the relevant revenue and cost could be measured reliably. For the products that are picked up by the Purchaser itself, major risks and rewards in respect of title to the products will be transferred to the Purchaser at the time when the goods are delivered to the Customer, and the consignee will sign on the sales delivery order for confirmation, and Boya Bio-Pharmaceutical will issue value-added tax invoices and confirm sales revenue; for products that are consigned to a third party for carriage, major risks and rewards in respect of title to the products will be assumed by the Buyer after the completion of transportation formalities. After the consignment formalities are completed and the carrier signs on the shipping note and sales delivery order for confirmation, Boya Bio-Pharmaceutical will issue value-added tax invoices and confirm sales revenue, and the delivery order will be carried with the products. Since the revenue amount is huge and is significantly higher than that in the same period last year, whether the revenue is recognized truthfully, measured accurately and entered into the account during the appropriate financial statements may have potentially been misstated. Therefore, we take revenue recognition as a key audit matter.

## 2. Audit response

As to the business revenue of Boya Bio-Pharmaceutical, our main audit procedures include:

(1) Assessed the design and implementation of internal control of sales and collection made by the management, and conducted internal control tests on sales and collection processes;

(2) Selected samples from the accounting records of business revenue, and verify the sales related contracts, delivery orders, sales invoices, transport documents and other supporting documents to confirm the authenticity of the business revenue;

(3) Implemented analysis procedures on revenue and cost, including: monthly comparison and analysis of gross profit margin of the current period and the previous period; comparison and analysis of the current income, cost and gross profit margin of major products with that of the previous period;

(4) Verified through letter the sales amount and the balance of accounts receivable of important customers in light of the procedures for confirmation of accounts receivable;

(5) Conducted the cut-off test on business revenue, selected the detailed accounts for several days around the balance sheet date and check other supporting documents such as delivery orders, transported documents, contracts and invoices, so as to evaluate whether the revenue has been recorded in the appropriate accounting period.

#### **IV. Other Information**

The Management is responsible for other information. Other information includes information in Boya Bio-Pharmaceutical's 2017 annual report, but does not include the financial statements and our audit reports. Our audit opinion on the financial statements does not cover other information, nor do we issue any form of verification on other information.

In conjunction with our audit of the financial statements, it is our responsibility to read other information, and in the process consider whether the other information is materially inconsistent with, or appears to be materially misstated, the financial statements or what we learned during our audit.

Based on the work we have performed, if we determine that other information is materially misstated, we should report that fact. In this regard, we has nothing to report on.

#### **V. Management and Governance's Responsibility for Financial Statements**

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The Management is responsible for preparing the financial statements in accordance with the Accounting Standards for Business Enterprises to realize fair reflection, and shall design, implement and maintain necessary internal control, so that the financial statements are free from material misstatement due to fraud or errors.

In preparing the financial statements, the Management is responsible for evaluating the going-concern ability of Boya Bio-Pharmaceutical, disclosing the issues relating to going-concern (if applicable), and applying the going-concern assumption, unless the management plans to liquidate Boya Bio-Pharmaceutical, terminate operation, or has no other realistic option.

The governance is responsible for supervising the financial reporting process of Boya Bio-Pharmaceutical.

#### **VI. The CPA's responsibility for financial statement audit**

Our goal is to obtain reasonable guarantee for whether the financial statements, on the whole, is free from material misstatement due to fraud or errors, and to issue an audit report containing the audit opinion. Reasonable guarantee is of a high level, but it does not

guarantee that a material misstatement will always be found in an audit conducted in accordance with the Auditing Standards. A misstatement may be caused by fraud or errors. A misstatement is generally considered material if reasonable expectation of a misstatement, individually or in aggregate, may affect the economic decisions made by users of financial statements based on the financial statements.

We exercised professional judgment and maintain professional skepticism in the course of carrying out the audit work in accordance with the Auditing Standards. Meanwhile, we have also implemented the following tasks:

(1) Identified and assess the risks of material misstatement due to fraud or errors, designed and performed audit procedures to deal with these risks, and obtained adequate and appropriate audit evidence as the basis for issuing audit opinions. Since fraud may involve collusion, forgery, intentional omission, misstatement or overriding internal control, the risks of failing to detect material misstatement due to fraud are higher than those of failing to detect material misstatement due to error.

(2) Understood the internal control relating to audit so as to design appropriate audit procedures.

(3) Evaluated the appropriateness of the accounting policies selected by the management and the reasonableness of the accounting estimates and relevant disclosures.

(4) Drew a conclusion on the appropriateness of the use of going concern assumption by the management. Meanwhile, based on the audit evidence obtained, a conclusion can be drawn as to whether there are significant uncertainties in the issues or situations that may cause significant doubt on the going-concern ability of Boya Bio-Pharmaceutical. If we come to a conclusion that there are significant uncertainties, the Auditing Standards require us to remind users of statements to pay attention to the relevant disclosure in the financial statements; if the disclosure is insufficient, we shall issue non-qualified opinions. Our conclusion is based on the information available as of the date of the audit report. However, future events or situations may make Boya Bio-Pharmaceutical unable to go concern.

(5) Evaluate the general presentation, structure and content (including disclosure) of financial statements as well as whether the financial statements fairly reflect relevant transactions and issues.

(6) Obtain sufficient and appropriate audit evidence from financial information regarding Boya Bio-Pharmaceutical's entities or business activities to issue an audit opinion on the financial statements. The Company is responsible for the direction, supervision and execution of the Group's audit, and assume sole responsibility for the opinion of the audit.

The Company communicates with governance on, among other things, the scope, timing and significant audit findings to be planned audit, including on the internal control weaknesses the Company identified during our audit that merit attention.

The Company also provide a statement to and communicate with governance regarding compliance with the professional and ethical requirements relating to independence, all relationships and other matters that could reasonably be deemed to affect our independence and, where applicable, precautions in relation thereto.

From the matters passed through the governance trenches, the Company has determined which matters are most important to the audit of the current financial statements and therefore constitute a key audit matter. In our Auditors' Report, these matters are described in the notice unless public disclosure is prohibited by laws or regulations, and in these rare cases, the Company determines that the matter should not be communicated in an audit report if the adverse consequences outweigh the benefits to the interests of PUICs.

Jiangsu Gongzheng Tianye Certified Public Accountants, China Certified Public Accountant Teng Fei  
(Special General Partnership)

Zhang Feiyun, China Certified Public Accountant

China · Wuxi

April 25, 2018

## II. Financial Statements

Unit of the financial notes: Chinese yuan.

### 1. Consolidated Balance Sheet

Prepared by: Boya Bio-pharmaceutical Group Co., Ltd.  
December 31, 2017

Unit: Chinese yuan

Item	Closing Balance	Opening Balance
<b>Current Assets:</b>		
Monetary Funds	502,473,348.31	422,143,631.34
Settlement Provision		
Lending Money		
Financial Assets Measured at Fair Values and of Changes Recorded into Current Profits and Losses		
Derivative Financial Assets		
Notes Receivable	287,673,609.79	109,849,683.69
Receivables	288,961,700.23	109,733,073.17
Advance Payment	137,302,001.47	2,663,704.92
Premium receivable		
Reinsurance Receivable		
Reinsurance contract reserve receivable		
Interest Receivable		
Dividend Receivable		
Other Receivables	6,512,704.57	3,165,164.70
Purchase of Resale Financial Assets		
Inventories	517,639,742.73	288,713,242.70
Holding of Assets for Sale		
Non-current assets maturing within one year		
Other Current Assets	13,930,473.72	74,413,099.34
<b>Total current assets</b>	<b>1,754,493,580.82</b>	<b>1,010,681,599.86</b>
<b>Non-current assets:</b>		
Advance and Loan		
Financial Assets Available for Sale	500,000.00	
Investments Held until Maturity		
Long-term Receivables		
Long-term Equity Investment	148,483,209.33	84,445,371.87
Investment Property		
Fixed Assets	331,032,842.67	331,693,296.95



Construction-in-Progress	397,282,885.85	247,908,751.99
Works Materials		
Liquidation of Fixed Assets		
Productive Biological Assets		
Oil & Gas Assets		
Intangible Assets	114,164,527.94	93,990,155.71
Development Expenditures	43,008,745.02	18,315,334.58
Goodwill	663,841,978.78	497,773,843.46
Long-Term Deferred Expenses	65,385,296.83	39,664,402.67
Deferred income tax assets	14,720,135.32	2,741,907.55
Other Non-current assets	136,721,878.20	92,267,769.53
Total Non- current assets	1,915,141,499.94	1,408,800,834.31
Total assets	3,669,635,080.76	2,419,482,434.17
Current liabilities:		
Short-term borrowing	55,000,000.00	
Loans borrowed from the Central Bank		
Absorption of Deposits and Interbank Deposits		
Borrowed Monies		
Financial Liabilities measured at fair values through changes included in current profits and losses		
Derivative Financial Indebtedness		
Notes payable	20,918,600.00	2,138,070.80
Accounts payable	157,910,023.18	86,226,642.86
Advances received in advance	27,962,363.15	19,168,627.89
Sale of Repurchased Financial Assets		
Charges and Commission Payable		
Staff remuneration payable	63,612,332.67	42,004,994.94
Taxes and Fees Payable	71,725,545.51	48,025,744.97
Interest Payable		
Dividends payable	94,000,000.00	
Other payables	202,883,653.05	52,182,892.41
Reinsurance Accounts Payable		
Reserve for Insurance Contracts		
Agency payment for securities purchase and sale		
Underwriting monies of Securities		
Indebtedness held for Sale		
Non-current liabilities due within one year	22,145,000.00	
Other current liabilities		
Total current liabilities	716,157,517.56	249,746,973.87
Non-current liabilities:		
Long-Term Borrowing	450,000,000.00	22,145,000.00
Bonds Payable		
Where: Preferred shares		
Perpetual Debt		

Long-term payables		
Long-term remuneration payable		
Special Payables		
Estimated liabilities		
Deferred income	11,369,304.22	6,939,300.22
Deferred income tax liabilities	7,804,373.44	8,465,755.66
Other non-current liabilities		
Total non-current liabilities	469,173,677.66	37,550,055.88
Total liabilities	1,185,331,195.22	287,297,029.75
Ownership interest:		
Share capital	401,077,201.00	267,384,801.00
Other equity instruments		
Where: Preferred shares		
Perpetual Debt		
Capital Reserves	1,058,486,714.27	1,189,679,358.94
Less: Treasury shares		
Other comprehensive income		
Special Reserves		
Surplus Reserves	100,449,353.97	71,288,060.77
Provision for general risks		
Undistributed Profits	865,733,116.11	565,044,421.19
Total ownership interest vested in parent company	2,425,746,385.35	2,093,396,641.90
Minority interest	58,557,500.19	38,788,762.52
Total ownership interest	2,484,303,885.54	2,132,185,404.42
Total indebtedness and ownership interest	3,669,635,080.76	2,419,482,434.17

Legal Representative: Liao Xinxi Person in charge of accounting: Fan Yiqin Head of Accounting: Wei Yuanxin

## 2. Parent company balance sheet

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Unit: Chinese yuan

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	195,434,400.77	210,200,998.86
Financial assets measured at fair values and of which the changes are recorded as current profits and losses		
Derivative financial assets		
Notes receivable	303,840,828.37	78,984,488.40
Receivables	62,427,846.67	46,282,955.17
Advance payment	138,269,003.99	17,531,470.92
Interest receivable		
Dividends receivable		
Other receivables	46,764,227.64	232,276,042.91
Inventories	335,419,457.43	239,457,133.98
Holdings of assets for sale		

Non-current assets maturing within one year		
Other current assets		
Total current assets	1,082,155,764.87	824,733,090.24
Non-current assets:		
Financial assets available for sale		
Investments held until maturity		
Long-term receivables		
Long-term equity investments	1,488,382,567.33	1,156,530,955.15
Investment properties		
Fixed assets	87,421,584.48	86,865,033.35
Construction-in-Progress	118,838,423.44	66,319,013.57
Works Materials		
Liquidation of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	6,608,499.76	7,209,983.86
Development expenditures	27,403,730.73	17,055,120.41
Goodwill		
Long-term deferred expenses	53,250,193.18	34,810,422.39
Deferred income tax assets	8,616,908.59	432,859.29
Other non-current assets	19,200,783.50	9,744,013.40
Total non-current assets	1,809,722,691.01	1,378,967,401.42
Total assets	2,891,878,455.88	2,203,700,491.66
Current liabilities:		
Short-term borrowing	55,000,000.00	
Financial liabilities measured at fair values through current profits and losses		
Derivative financial indebtedness		
Notes payable		
Accounts payable	57,452,440.12	19,491,818.49
Advances received in advance	13,745,028.48	3,306,709.34
Staff remuneration payable	39,653,503.57	22,134,919.98
Taxes payable	41,540,471.45	30,344,860.33
Interest payable		
Dividends payable		
Other payables	119,102,082.88	15,011,461.36
Indebtedness held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	326,493,526.50	90,289,769.50
Non-current liabilities:		
Long-term borrowing	180,000,000.00	
Bonds payable		
Including: Preferred shares		

Perpetual debt		
Long-term payables		
Long-term remuneration payable		
Special payables		
Estimated liabilities		
Deferred income	6,450,000.00	1,850,000.00
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	186,450,000.00	1,850,000.00
Total liabilities	512,943,526.50	92,139,769.50
Ownership interest:		
Share capital	401,077,201.00	267,384,801.00
Other equity instruments		
Including: Preferred shares		
Perpetual debt		
Capital reserves	1,165,707,940.81	1,296,900,585.48
Less: Treasury shares		
Other comprehensive income		
Special reserves		
Surplus reserves	100,449,353.97	71,288,060.77
Undistributed profits	711,700,433.60	475,987,274.91
Total ownership interest	2,378,934,929.38	2,111,560,722.16
Total indebtedness and ownership interest	2,891,878,455.88	2,203,700,491.66

### 3. Consolidated income statement

Unit: Chinese yuan

Item	Current amount incurred		Amount incurred in the previous period
I. Gross operating revenue	1,460,521,856.51		946,596,099.59
Where: operating revenue	1,460,521,856.51	9	946,596,099.59
Interest income			
Premiums Earned			
Handling fees and commission income			
II. Total operating cost	1,047,839,257.71		621,906,831.50
Where: Operating cost	491,235,667.99		349,889,888.91
Interest expense			
Handling fees and commission expenses			
Surrender value			
Net loss expenses			
Net withdrawal of reserve for insurance contracts			
Expense for policy dividends			
Reinsurance expenses			
Taxes and Charges	17,797,558.11		10,720,862.49
Sales expenses	377,596,815.99		113,241,721.83

Management expenses	161,336,208.18	156,281,709.19
Finance expenses	-8,997,773.50	-9,886,048.00
Asset impairment losses	8,870,780.94	1,658,697.08
Plus: Income on changes in fair value (to write loss with sign "-")		
Investment income (loss to be inserted with sign "-")	14,239,877.19	972,957.24
Including: income from investments in associates and joint ventures	-5,959,153.79	102,436.69
Exchange income (loss to be marked with sign "-")		
Income from disposal of assets (loss to be marked with sign "-")	-102,369.14	-92,533.22
Other income	2,535,537.95	
III. Operating profit (loss to be marked with sign "-")	429,355,644.80	325,569,692.11
Plus: Non-operating income	10,325,723.40	4,197,428.28
Less: Non-operating expenses	9,071,299.46	1,614,303.82
IV. Total profits (total losses to be marked with sign "-")	430,610,068.74	328,152,816.57
Less: Income tax expense	65,678,881.92	50,598,091.00
V. Net income (net loss to be marked with sign "-")	364,931,186.82	277,554,725.57
(I) Net profit from continuing operations (net loss to be marked with sign "-")	364,931,186.82	277,554,725.57
(II) Net profit from discontinued operations (net loss to be marked with sign "-")		
Net profit attributable to owners of the parent company	356,588,468.22	272,041,808.98
Minority gains or losses	8,342,718.60	5,512,916.59
VI. Net after-tax of other comprehensive income		
Net after-tax of other comprehensive income attributable to owners of the parent company		
(I) Other comprehensive income that cannot subsequently be reclassified as profit or loss		
1. Change in Net Liabilities or Net Assets of Defined Benefit Plan Movements		
2. Equity method's share of other comprehensive income that the invested unit cannot be reclassified as profit or loss		
(II) Other comprehensive income that is subsequently reclassified as profit or loss		10
1. Equity method share of other comprehensive income that is subsequently reclassified as profit or loss in the invested unit		
2. Gains or Losses from Changes in Fair Value of Financial Assets Available for Sale		
3. Investments held until Maturity Reclassified as Available for Sale		
Profit or Loss		
4. Valid portion of profit or loss from cash flow hedging		
5. Translation Differences of Foreign Currency Financial Statements		
6. Miscellaneous		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	364,931,186.82	277,554,725.57
Total comprehensive income attributable to owners of the parent company	356,588,468.22	272,041,808.98

Total comprehensive income attributable to minority shareholders	8,342,718.60	5,512,916.59
VIII. Earnings per share:		
(I) Basic earnings per share	0.89	1.02
(II) Diluted earnings per share	0.89	1.02

In the case of a merger of enterprises under common control during the period, the net profit of the merged party (parties) before the merger is: RMB0 and the net profit of the merged party (parties) for the prior period is: RMB0.

Legal Representative: Liao Xinxi Person in charge of Accounting: Fan Yiqin Head of Accounting: Wei Yuanxin

#### 4. Income statement of parent company

Unit: Chinese yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Operating revenue	742,452,940.09	528,688,011.14
Less: Operating costs	255,846,632.00	193,421,691.18
Taxes and Charges	4,187,177.66	2,697,078.43
Sales expenses	90,197,426.63	19,446,949.60
Management expenses	81,237,355.86	83,233,398.36
Finance expenses	-12,208,003.77	-5,881,182.76
Losses on impairment of assets	7,478,406.62	1,183,999.06
Plus: Income on changes in fair value (loss to be marked with sign "-")		
Investment income (loss to be marked with sign "-")	24,393,409.70	4,344.30
Including: income on investments in associates and joint ventures		
Proceeds on disposal of assets (loss to be marked with sign "-")	145,912.51	-18,245.58
Other income	1,725,829.13	
II. Operating profit (loss to be marked with sign "-")	341,979,096.43	234,572,175.99
Plus: Non-operating income	5,375,460.00	814,286.26
Less: Non-operating expenses	8,801,483.21	950,600.00
III. Total profits (total losses to be marked with sign "-")	338,553,073.22	234,435,862.25
Less: Income tax expense	46,940,141.23	35,407,990.33
IV. Net profit (net loss to be marked with sign "-")	291,612,931.99	199,027,871.92
(I) Net profit from continuing operations (net loss to be marked with sign "-")	291,612,931.99	199,027,871.92
(II) Net profit from discontinued operations (net loss to be marked with sign "-")		
V. Net after-tax amount of other comprehensive income		
(I) Other comprehensive income which cannot be reclassified into profit and loss later		
1. Changes in the net liabilities or net assets of the remeasured or defined benefit plan		
2. Under the equity method, share of other comprehensive income enjoyed by the investee which cannot be reclassified into profit and loss		
(II) Other comprehensive income which is subsequently reclassified as profit and loss		
1. Under the equity method, share of other comprehensive income enjoyed by the investee which will be subsequently reclassified into profit and loss		

2. Profit and loss on the changes of the fair value of available-for-sale financial assets		
3. Reclassification of held-to-maturity investment into profit and loss from available-for-sale financial assets		
4. Valid part of profit and loss from cash flow hedging		
5. Translation of Foreign Currency Financial Statements		
6. Miscellaneous		
VI. Total comprehensive income	291,612,931.99	199,027,871.92
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

## 5. Consolidated Cash Flow Statement

Unit: Chinese yuan

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Cash flow generated from operating activities:		
Cash received from goods sold or services rendered	1,070,121,270.84	778,449,710.23
Net increase in customer deposits and interbank deposits		
Net increase in borrowing from Central Bank		
Net Increase of Borrowed Funds from Other Financial Institutions (omitted)		
Cash received from premium received on original insurance contracts		
Net cash received from reinsurance		
Net Increase of Policyholder Deposits and Investment Amounts		
Net Increase in Disposal of Financial Assets Measured at Fair Values through Current Profits and Losses		
Cash to collect interests, charges and commissions		
Net increase in funds borrowed		
Net increase in funds of repurchase		
Refunds of taxes and fees received		
Other cash received in relation to operating activities	30,602,367.42	19,168,338.79
Sub-Total of cash inflows from operating activities	1,100,723,638.26	797,618,049.02
Cash for goods purchased or services received	440,152,130.83	198,014,643.33
Net increase in customer's loans and advances		
Net increase in deposits with central bank and interbank deposits		
Cash to pay indemnities under original insurance contracts		
Cash for payments of interests, charges and commissions		
Cash to pay policy dividends		
Cash payments to and for employees	190,546,503.58	147,020,429.76
Various taxes and fees paid	183,464,626.15	99,161,337.01
Cash payments in relation to operating activities	310,376,531.83	154,665,500.38
Sub-Total of cash outflows from operating activities	1,124,539,792.39	598,861,910.48
Net cash flow from operating activities	-23,816,154.13	198,756,138.54
II. Cash flow arising from investing activities:		
Cash received from Cash Return of Investments	53,413,200.00	

Cash received from proceeds of Investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	960,051.40	88,500.00
Net cash received on dispositions of subsidiaries and other business units		
Other cash received in relation to investing activities	274,933,995.06	102,380,520.55
Sub-Total of cash inflows from investing activities	329,307,246.46	102,469,020.55
Cash Paid for Acquisition of Fixed Assets, Intangible Assets and Other Long-term Assets	237,784,487.37	300,085,252.35
Cash Paid for Investments	102,085,400.00	71,582,497.52
Net Pledge Loan Increase		
Net cash payments for acquisition of subsidiaries and other business units	155,670,506.94	
Other cash payments in relation to investing activities	203,660,000.00	130,000,000.00
Sub-Total of Cash Activities	699,200,394.31	501,667,749.87
Net cash flow from investing activities	-369,893,147.85	-399,198,729.32
III. Cash flow arising from financing activities:		
Cash received from Absorbing Investments		
Including: Cash received by subsidiaries from minority investments		
Cash received from borrowings	585,000,000.00	30,000,000.00
Cash received from issue of Bonds		
Cash received in relation to other financing activities	1,234,891.32	1,238,274.58
Sub-Total of Cash Inflow from Financing Activities	586,234,891.32	31,238,274.58
Cash in repayment of Indebtedness	80,000,000.00	53,000,000.00
Cash Payments for Distribution of Dividends, Profits or Interest Payments	39,558,401.57	55,064,242.16
Including: dividends and profits paid to minority shareholders by subsidiaries		
Cash payments in relation to financing activities	1,818,000.00	
Sub-Total of Cash Outflow from Financing Activities	121,376,401.57	108,064,242.16
Net Cash Flow from Financing Activities	464,858,489.75	-76,825,967.58
IV. Effect of Change in Exchange Rate on Cash and Cash Equivalents		
V. Net Increase in Cash and Cash Equivalents	71,149,187.77	-277,268,558.36
Plus: Opening Cash and Cash Equivalents Balance	420,005,560.54	697,274,118.90
VI. Ending Balance of Cash and Cash Equivalents	491,154,748.31	420,005,560.54

## 6. Cash Flow Statement of the Parent Company

Unit: Chinese yuan

Item	Amount Incurred in the Current Period	Amount Incurred in the Previous Period
I、Cash Flow generated from Operating Activities:		
Cash Received from Goods Sold and Services Rendered	393,068,146.55	428,552,519.11
Refunds of Taxes and Fees Received		
Other Cash Received in relation to Operating Activities	261,849,410.61	9,478,729.72
Sub-Total Cash Inflows from Operating Activities	654,917,557.16	438,031,248.83
Cash for Goods Purchased or Services Received	347,603,970.32	225,043,536.85
Cash Payments to and for Employees	67,349,763.53	47,051,551.80
Taxes and Fees paid	71,272,595.44	32,795,944.43



Other Cash Payments in Relation to Operating Activities	84,467,519.29	213,554,136.54
Sub-Total of Cash Outflows from Operating Activities	570,693,848.58	518,445,169.62
Net Cash Flow Generated from Operating Activities	84,223,708.58	-80,413,920.79
II. Cash Flow Activities:		
Cash Received from Cash Return of Investments		
Cash Received from Proceeds of Investments	29,999,700.00	
Net Cash Received on Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	899,873.74	1,320.00
Net Cash Received on Disposition of Subsidiaries and Other Business Units		
Other Cash Received in Relation to Investing Activities	38,124,472.23	
Sub-Total of Cash Inflows from Activities	69,024,045.97	1,320.00
Cash Payments for Construction of Fixed Assets, Intangible Assets and Other Long-term Assets	76,643,133.23	97,964,071.08
Cash Payments for Investments	296,275,959.16	89,967,932.37
Net Cash Payments for Acquisition of Subsidiaries and Other Business Units		
Other Cash Payments in Relation to Investing Activities		
Sub-Total of Cash Outflows from Investing Activities	372,919,092.39	187,932,003.45
Net Cash Flow from Investing Activities	-303,895,046.42	-187,930,683.45
III. Cash Flow arising from Financing Activities:		
Cash Received from Absorbing Investments		
Cash Receipts from Borrowings	315,000,000.00	30,000,000.00
Cash Received from Issue of Bonds		
Cash Receipts in Relation to Other Financing Activities		
Sub-Total of Cash Inflow from Financing Activities	315,000,000.00	30,000,000.00
Cash Payments for Repayment of Indebtedness	80,000,000.00	53,000,000.00
Cash Payments for Distribution of Dividends, Profits or Interest Payments	28,277,260.25	53,825,967.58
Cash Payments in Relation to Financing Activities	1,818,000.00	
Sub-Total of Cash Outflow from Financing Activities	110,095,260.25	106,825,967.58
Net Cash Flow from Financing Activities	204,904,739.75	-76,825,967.58
IV. Effect of Change in Exchange Rate on Cash and Cash Equivalents	14	
V. Net Increase in Cash and Cash Equivalents	-14,766,598.09	-345,170,571.82
Plus: Opening Cash and Cash Equivalents Balance	210,200,998.86	555,371,570.68
VI. Ending Balance of Cash and Cash Equivalents	195,434,400.77	210,200,998.86

## 7. Consolidated Statement of Changes in Ownership Equity

Full Text of 2017 Annual Report of Boya Bio-pharmaceutical Group Co., Ltd

Current Amount

Unit: Chinese yuan

Item	Current Issue											Minority Interest	Total Ownership Interest
	Ownership Interest vested in Parent												
	Share Capital	Other Equity Instruments		Capital Reserves	Less: Inventory Shares	Other Comprehensive Income	Special Reserves	Surplus Reserves	Provision for General Risks	Undistributed Profits			
Preferred Shares		Perpetual Debt	Miscellaneous										
I. Balance at End of Previous Year	267,384,801.00			1,189,679,358.94			71,288,060.77		565,044,421.19	38,788,762.52	2,132,185,404.42		
Plus: Change in Accounting Policy													
Previous Period Error Correction													
Enterprises under Common Control													
Merger													
Miscellaneous													
II. Balance at the Beginning of the Year	267,384,801.00			1,189,679,358.94			71,288,060.77		565,044,421.19	38,788,762.52	2,132,185,404.42		
III. Current Increase or Decrease Amount (Decrease to be marked with sign "-")	133,692,400.00			-131,192,644.67			29,161,293.20		300,688,694.92	19,768,737.67	352,118,481.12		
(I) Total comprehensive income									356,588,468.22	8,342,718.60	364,931,186.82		
(II) Input and Reduction of Capital by Owner										11,426,019.07	11,426,019.07		
1. Common Shares to be Contributed by Shareholders													
2. Capital Contributed by Other Equity Instrument Holder													



	Share Capital	Preferred Shares	Perpetual Debt	Miscellaneous	Capital Reserves	Shares	Income	Special Reserves	Surplus Reserves	for Risks	Undistributed Profits	Interest	Interest
I. Balance at the End of Previous Year	267,384,801.00				1,189,679,358.94				51,385,273.58		366,382,359.60	33,275,845.93	1,908,107,639.05
Plus: Change in Accounting Policy													
Previous Period Error Correction													
Enterprise Merger under Common Control													
Miscellaneous													
II. Balance at Beginning of Year	267,384,801.00				1,189,679,358.94				51,385,273.58		366,382,359.60	33,275,845.93	1,908,107,639.05
III. Current Increase or Decrease Amount (Decrease to be marked with the sign "-")									19,902,787.19		198,662,061.59	5,512,916.59	224,077,765.37
(I) Total Comprehensive Income											272,041,808.98	5,512,916.59	277,554,725.57
(II) Contribution and Reduction of Capital by Owner													
1. Common Shares to be Contributed by Shareholders													
2. Capital Contributed by Other Equity Instrument Holder													
3. Amount Credited in Ownership Interest													
4. Miscellaneous													
(III) Profit distribution									19,902,787.19		-73,379,747.39		-53,476,960.20
1. Withdrawal of Surplus Reserve									19,902,787.19		-19,902,787.19		
2. Withdrawal of General Risks													



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II. Balance at Beginning of Year	267,384,801.00						71,288,060.77	475,987,274.91	2,111,560,722.16
III. Amount of Change/Increase/Decrease in Current Period (Decrease to be marked with sign "-")	133,692,400.00			-131,192,644.67			29,161,293.20	235,713,158.69	267,374,207.22
(I) Total comprehensive income								291,612,931.99	291,612,931.99
(II) Capitals Input and Reduced by Owner									
1. Common Shares Input by Shareholders									
2. Capital Contributed by Other Equity Instrument Holder									
3. Amount Credited in Ownership Interest									
4. Miscellaneous									
(III) Distribution of Profit							29,161,293.20	-55,899,773.30	-26,738,480.10
1. Withdrawal of Surplus Reserves							29,161,293.20	-29,161,293.20	
2. Distributions to Owner (or Shareholders)								-26,738,480.10	-26,738,480.10
3. Miscellaneous									
(IV) Carry-Forward of Ownership Interest	133,692,400.00			-131,192,644.67					2,499,755.33
1. Conversion of Capital Reserves to Capital (or Share Capital)	133,692,400.00			-133,692,400.00					
2. Conversion of Surplus Reserves to Capital (or Share Capital)									
3. Making up of Losses by Surplus Reserves									
4. Miscellaneous				2,499,755.33					2,499,755.33
(V) Special Reserves									
I. Current Withdrawal									



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(III) Profit Distribution									19,902,787.19	-73,379,747.39	-53,476,960.20
1. Withdrawal of Surplus Reserves									19,902,787.19	-19,902,787.19	
2. Distributions to Owner (or Shareholders)										-53,476,960.20	-53,476,960.20
3. Miscellaneous											
(IV) Internal Carry-Forward of Ownership Interest											
1. Conversion of Capital Reserves to Capital (or Share Capital)											
2. Conversion of Surplus Reserves to Increase Capital (Share Capital)											
3. Making up of Losses by Surplus Reserves											
4. Miscellaneous											
(V) Special Reserves											
1. Current Withdrawal											
2. Current Use											
(VI) Miscellaneous											
IV. Balance at End of Current Period	267,384,801.00				1,296,900,585.48				71,288,060.77	475,987,274.91	2,111,560,722.16



### III. Basic Information of the Company

#### 1. History

Boya Biologic Pharmaceutical Group Limited Corporation. was renamed from Jiangxi Boya Biologic Pharmaceutical Limited Corporation which was converted from Jiangxi Boya Bio-Pharmaceutical Co., Ltd. (hereinafter referred to as the "Company" or "the Company") as a whole. The Company was established on November 6, 1993 jointly by Jiangxi Provincial Health Department, Fuzhou Local Health Bureau and the Health Bureau of Fuzhou City (now Linchuan City).

The registered capital was RMB 10 million, in which Jiangxi Provincial Health Department should contribute RMB 10 million, accounting for 10.00% of the registered capital; Fuzhou Local Health Bureau should contribute RMB 2 million, accounting for 20.00% of the registered capital; and the Health Bureau of Fuzhou City should contribute RMB 7 million, accounting for 70.00% of the registered capital. In accordance with the Notice on Transfer of the Shares of Boya Company Held by the Health Bureau of Fuzhou City to State-owned Assets Supervision and Administration (Lin Fu Zi [2000] No.12) issued by Linchuan Municipal People's Government dated January 19, 2000, the entire 70.00% of the equity interest in the Company held by the Health Bureau of Fuzhou City was transferred to Linchuan State-owned Assets Supervision and Administration.

On April 2, 2000, the Company's shareholders' meeting deliberated and approved that Jiangxi Provincial Health Department and Fuzhou Regional Health Bureau transferred all of their equity interest in the Company, in which Jiangxi Provincial Health Department transferred 6.65%, 1.35% and 2.00% of the registered capital respectively to Jiangxi Industrial Investment Company, Linchuan State-owned Assets Administration Bureau, and Linchuan Chuangxin Technology Development Co., Ltd., and Fuzhou Regional Health Bureau transferred all of its equity interest in the Company to Linchuan Chuangxin Technology Development Co., Ltd.

On April 26, 2000, the Company's shareholders' meeting approved that Linchuan State-owned Assets Supervision and Administration Bureau transferred part of its equity interest, including: the equity interest accounting for 7.98% of the registered capital was transferred to Jiangxi Linchuan Liquor Co., Ltd., 6.65% of the registered capital was transferred to Linchuan Xingxin Medical Apparatus Co., Ltd., and 2.66% of the registered capital was transferred to the Biophysical Institute of the CAS Academy of Sciences.

On September 18, 2000, the Company's shareholders' meeting approved that Linchuan State-owned Assets Supervision and Administration Bureau, Linchuan Chuangxin Technology Development Co., Ltd., Jiangxi Linchuan Liquor Co., Ltd., Jiangxi Industrial Investment Co., Ltd., and Linchuan Xingxin Medical Apparatus Co., Ltd. respectively transferred all of their equity interest in the Company. Specifically, Linchuan Municipal State-owned Assets Administration Bureau transferred 50.01% of the registered capital to Beijing Ruize Network Sales Co., Ltd., and 4.05% of the registered capital to CITIC Hainan Pharmaceutical Industry Co., Ltd.; Linchuan Chuangxin Technology Development Co., Ltd. transferred 20.00% of the registered capital to Beijing Yatai Technology Development Co., Ltd. and 2.00% of the registered capital to Shenzhen Tsinghua Technology Development Co., Ltd.

Jiangxi Linchuan Liquor Co., Ltd. transferred its 7.98% of the registered capital of the Company it held to Shenzhen Tsinghua Technology Development Co., Ltd., Jiangxi Industrial Investment Co., Ltd. transferred its 6.65% of the registered capital to Shanghai Jujiao Enterprise Development Co., Ltd., and Linchuan Xingxin Medical Apparatus Co., Ltd. transferred its 6.65% of the registered capital to Shanghai Jujiao Enterprise Development Co., Ltd.,

In accordance with the Decision of the Jiangxi Joint Stock Reform and Stock Issuance Joint Examination Panel of Jiangxi Province on the Official Reply on Approving the Change of Jiangxi Boya Bio-Pharmaceutical Co., Ltd. to Jiangxi Boya Bio-Pharmaceutical Limited Corporation (Gan Gu [2001] No.5) dated as on January 19, 2001, the Company converted its net assets into 44.3591 million shares at the rate of 1: 1 as audited net assets on November 30, 2000 with a par value of RMB 1 per share.

The Company was converted into a company limited by shares in its entirety with the registered capital of RMB 44.3591 million. On February 15, 2001, the business license for a company limited by shares was obtained from the Jiangxi Provincial Administration for Industry and Commerce.

On March 31, 2004, Beijing Ruize Network Sales Co., Ltd. and Beijing Yatai Shiji Technology Development Co., Ltd. transferred all of the shares in the Company (respectively, 22,183,997 shares, representing 50.01% of the total share capital; 8,871,824 shares, representing 20.00% of the total share capital) to Kerui Tiancheng Investment Holding Co., Ltd. On April 10, 2004, Shanghai Jujiao Enterprise Development Co., Ltd. transferred all of the shares held by it (5,899,763 shares, representing 13.30% of the total share capital) to Qingdao Jiante Biological Investment Co., Ltd.

On December 27, 2006, Qingdao Jiante Biological Investment Co., Ltd. transferred all of its shares (5,899,763 shares, representing 13.30% of the total share capital) to Beijing Keruicheng Mining Investment Co., Ltd.

On May 21, 2007, Kerui Tiancheng Investment Holding Co., Ltd. transferred all of the Company (31,055,821 shares, representing 70.01% of the total share capital) to Nanchang Herui Industry Co., Ltd.

On June 15, July 8, August 26 and September 17, 2007, Beijing Keruicheng Mining Investment Co., Ltd., CITIC Pharmaceutical Industry Co., Ltd., Institute of Biophysics of China Academy of Sciences and Shenzhen Tsinghua Lihe Venture Capital Co., Ltd. respectively transferred all the shares of the Company held by them, namely, 5,899,763 shares, 1,796,544 shares, 1,179,953 shares and 4,427,041 shares (representing 13.30%, 4.05%, 2.66% and 9.98% of the total share capital) to Jiangxi Xinxing Biotechnology Development Co., Ltd.

On December 9, 2007, Nanchang Herui Industry Co., Ltd. transferred all of its shares of the Company (31,055,821 shares, representing 70.01% of the total share capital) to Shenzhen GTJA Investment Group Co., Ltd.; Jiangxi Xinxing Biotechnology Development Co., Ltd. transferred some of its shares (6,649,432 shares, representing 14.99% of the total share capital) of the Company to Shenzhen GTJA Group Co., Ltd.

On May 12, 2008, Shenzhen GTJA Investment Co., Ltd. transferred some of its shares of the Company to Xu Jianxin, Zhang Xiang and Zhang Jianhui respectively, in which:  
4,435,912 shares (representing 10.00% of the total share capital) to Xu Jianxin; 4,435,912 shares (representing 10.00% of the total share capital) to Zhang Xiang; and 2,217,956 shares (representing 5.00% of the total share capital) to Zhang Jianhui.

On July 11, 2009, the Shareholders' Meeting of the Company considered and approved the capital and share increase plan, pursuant to which the share capital of the Company was increased to 56,779,689 shares and 12,420,567 additional shares are issued, with a par value of RMB 1, with a per share issuance price of RMB 5.6358.

Xiamen Haixia Venture Capital Co., Ltd., Nanchang Dazheng Chuyuan Investment Co., Ltd. and Shenzhen GTJA Investment Partnership (L.P.), respectively, invested RMB 50 million to subscribe for 8,871,834 shares, RMB 10 million to subscribe for 1,774,366 shares, and RMB 10 million to subscribe for 1,774,367 shares.

After such increase, the registered capital of the Company was increased to RMB 56,779,689. On August 13, 2009, the Company completed registration of amendments with the administrative authority for industry and commerce and obtained a new business license.

On September 1, 2010, Zhang Xiang entered into an equity transfer agreement with Shenzhen Ronghua Investment Co., Ltd., pursuant to which he transferred the entire 4,435,912 shares of all of his equity interest to Shenzhen Ronghua Investment Co., Ltd., at a transfer price of RMB 25.55 million.

On September 2, 2010, Xu Jianxin and Shenzhen Ronghua Investment Co., Ltd. entered into an Equity Transfer Agreement, pursuant to which Xu Jianxin transferred 2,210,000 shares to Shenzhen Ronghua Investment Co., Ltd., at a transfer price of RMB 12.73 million.

On September 15 and September 19, 2010, Xiamen Haixia Venture Capital Co., Ltd. transferred the entire 8,871,834 shares held by it to Xiamen Shunjia Investment Partnership (L.P.), and 3,548,734 shares at the price of RMB 20 million, and 5,323,100 shares to Xiamen Shengyang Investment Partnership (L.P.) at the price of RMB 30 million.

On February 29, 2012, as approved by the CSRC in the document (Zheng Jian Xu Ke [2012] No. 178), the Company issued to the public 1,902,031 ordinary shares (A share) with an issue price of RMB 25.00 per share.

On March 5, 2012, the Company raised funds in total RMB 432,736,273.00 after deducting the issuance costs, in which RMB 19,020,311.00 was included in the registered capital, while the premium of RMB 413,715,962.00 was included in capital reserves.

The above raised funds were verified by Jiangsu Gongzheng Tianye Certified Public Accountants, and the Capital Verification Report (Su Gong W [2012] No. B013) was issued on March 5, 2012.

After the public offering, the registered capital of the Company changed to RMB 75.8 million with a total of 75.8 million shares (par value of RMB 1 per share), and the Company was listed on ChiNext of Shenzhen Stock Exchange on March 8, 2012.

On April 6, 2012, the Company completed the procedures for change of registration with the administration for industry and commerce and obtained the Business License for Enterprise as a Legal Person issued by Fuzhou Administration for Industry and Commerce examined and approved at the 2014 Annual Shareholders' Meeting held on March 3, 2015: on the basis of totally 75,800,000 shares at the end of 2014, the Company paid cash dividends of RMB 6.00 (tax-inclusive) for every 10 shares, in total amount of RMB 45,480,000.00; on the basis of 75,800,000 shares at the end of 2014, the Company converted into 5 new shares for every 10 shares for all the shareholders in the aggregate of 37,900,000 shares using the capital reserves, and the total share capital of the Company changed into 113,700,000 shares after such conversion.

The plan for distribution of interests considered and approved at the third extraordinary shareholders' meeting of 2015 held on September 8, 2015 is as follows: on the basis of 113,700,000 of total shares, the Company converted 10 new shares for every 10 shares of all the shareholders using the capital reserves,

The total share capital of the Company after such conversion increased from 113,700,000 shares to 227,400,000 shares.

According to the resolution of the third extraordinary shareholders' meeting of the Company for 2015 and the Official Reply on Official Reply on Approving Jiangxi Boya Biopharmaceutical Limited Corporation to Issue Shares to Shanghai GTJA Yikang Investment Partnership (L.P.) for Purchase of Assets and Raising Supporting Funds (Zheng Jian Xu Ke [2015] No.2634) issued by the CSRC, the Company issued 22,127,659 shares to Shanghai GTJA Yikang Investment Partnership (Limited Partnership) for purchase of 83.87% of its equity in Nanjing Xinbai Pharmaceutical Co., Ltd., and at the same time, the Company issued 17,857,142 shares in a non-public manner for purchase of Assets and Raising Supporting Funds. The share capital of the Company after the issuance was 267,384,801 shares.

Profit Distribution Plan for 2016 examined and approved at the 2016 annual Shareholders' Meeting held on April 14, 2017 is as follows: the Company shall, on the basis of 267,384,801 total shares at the end of 2016, converted into 5 new shares for every 10 shares using the public reserves, totally converting 133,692,400 shares.

Total shares of the Company changed to 401,077,201 shares after such conversion.

## 2. Information on Registration of Enterprise Legal Person with the Administration for Industry and Commerce

Unified Social Credit Code for Enterprise Legal Person: 913610007277556904, Domicile: No. 333 Huiquan Road, Hi-tech Industrial Development Zone, Fuzhou City, Jiangxi Province, Legal Representative: Liao Xinxi, Registered Capital: RMB 401,077,201. Type of Enterprise: other company limited by shares (listed).

Business scope: manufacture of blood products (Valid term of the Permit shall expire on December 31, 2020), export of self-manufactured products and relevant technologies by the Company and the member enterprises of the Company (except for products whose operation is restricted to companies or export is prohibited), import of raw and auxiliary materials, machinery and devices, instruments and meters, spare parts and relevant technologies needed for production and scientific research by the Company and the member enterprises of the Company (except for products whose operation is restricted to companies or whose import is prohibited), processing with imported materials and "processing with supplied materials and parts and compensation trade", technology development, technology consultation, technology transfer and technology services (except for those specifically provided for in State laws and regulations).

### 3. Organizational Structure of the Company

Under the Company, there are: Legal Audit Department, Administrative Department, Quality Management Department, Production and Engineering Department, Procurement and Supply Department, Storage and Transportation Department, Research and Development Department, Plasma Management Center, Engineering Management Department, Marketing Management Center, Human Resources Department, Securities Investment Department, Planning and Finance Department and other functional departments as well as 15 subsidiaries including Nancheng Jinshan Apheresis Plasma Co., Ltd., Chongren Boya Apheresis Plasma Co., Ltd., Jinxi Boya Apheresis Plasma Co., Ltd., Ganzhou Nankang Boya Apheresis Plasma Co., Ltd., Yuechi Boya Apheresis Plasma Co., Ltd., Yuechi Boya Apheresis Plasma Co., Ltd., Linshui Boya Apheresis Plasma Co., Ltd., Xinfeng Boya Apheresis Plasma Co., Ltd., Fengcheng Boya Apheresis Plasma Co., Ltd., Yudu Boya Apheresis Plasma Co., Ltd., Duchang Boya Apheresis Plasma Co., Ltd., Beijing Boya Biotechnology Co., Ltd., Jiangxi Boya Pharmaceutical Co., Ltd., Nanjing Xinbai Pharmaceutical Co., Ltd., Guangdong Fuda Pharmaceutical Co., Ltd., Nanjing Boya Pharmaceutical Co., Ltd., and 3 tertiary subsidiaries including Jiangxi Boya Seehot Pharmaceutical Co., Ltd., Guizhou Tianan Co., Ltd., Nanjing Xinrui Pharmaceutical Technology Development Co., Ltd.

### 4. Approver and Date of Submission of Financial Reports

The financial reports of the Company were issued on April 26, 2018 subject to approval by the board of directors of the Company.

### 5. Scope of Consolidated Financial Statements and Changes Thereto

Name of Controlled Subsidiaries	Registered Capital	Share-holding Percentage	Consolidated or not		Remark
			Year 2017	Year 2016	
Nancheng Jinshan Apheresis Plasma Co., Ltd.	RMB 7 million	100%	Yes	Yes	
Chongren Boya Apheresis Plasma Co., Ltd.	RMB 500,000	100%	Yes	Yes	
Jinxi Boya Apheresis Plasma Co., Ltd.	RMB 4.45 million	100%	Yes	Yes	
Ganzhou Nankang Apheresis Plasma Co., Ltd.	RMB 3.83 million	100%	Yes	Yes	
Yuechi Boya Apheresis Plasma Co., Ltd.	RMB 5 million	100%	Yes	Yes	
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	RMB 250 million	100%	Yes	Yes	
Linshui Boya Apheresis Plasma Co., Ltd.	RMB 10 million	80%	Yes	Yes	
Beijing Boya Xinnuo Biotechnology Co., Ltd.	RMB 10 million	100%	Yes	Yes	

Guizhou Tianan Pharmaceutical Co., Ltd.	RMB 36.7 million	83.356%	Yes	Yes	
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	RMB 50 million	100%	Yes	Yes	
Xinfeng Boya Apheresis Plasma Co., Ltd.	RMB 10 million	80%	Yes	Yes	
Fengcheng Boya Apheresis Plasma Co., Ltd.	RMB 10 million	80%	Yes	Yes	
Yudu Boya Apheresis Plasma Co., Ltd.	RMB 10 million	80%	Yes	Yes	
Duchang Boya Apheresis Plasma Co., Ltd.	RMB 10 million	80%	Yes	Yes	
Nanjing Xinbai Pharmaceutical Co., Ltd.	RMB 147.85 million	100%	Yes	Yes	
Nanjing Boya Pharmaceutical Co., Ltd.	RMB 5 million	100%	Yes	Yes	
Nanjing Xinrui Pharmaceutical Technology Development Co., Ltd.	RMB 9 million	100%	Yes	Yes	
Guangdong Fuda Pharmaceutical Co., Ltd.	RMB 30 million	82%	Yes	No	Current period not under the same control, 11-12
Name of Holding Subsidiary	Registered Capital	Shareholding Percentage	Consolidated or not		Remark
			Year 2017	Year 2016	
					Monthly results included in the scope of consolidation

## IV. Basis for Preparing the Financial Statements

### 1. Basis for Preparation

The financial statements of the Company is prepared on the basis of going concern assumptions, and based on actual transactions and events. According to the Accounting Standard for Business Enterprises – Basic Standard issued by the Ministry of Finance, 42 specific accounting standards, application guidelines for accounting standards for business enterprises, interpretation for accounting standards for business enterprises, and other relevant regulations issued and amended on February 15, 2006 and thereafter (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises"), as well as the disclosure provisions set forth in the Rules for the Preparation of Information Disclosure by Companies Offering Securities to the Public No. 15-General Provisions on Financial Statements (Revised in 2014) issued by the CSRC.

In accordance with the relevant provisions of the Accounting Standards for Business Enterprises, our accounting shall be based on the accrual basis. Except for some financial instruments, the measurement in this financial statement shall be based on the historical cost. Where an asset is impaired, the corresponding impairment provision shall be made in accordance with the relevant provisions.

### 2. Going concern

Within 12 months after the end of the reporting period, there shall be no factor that obviously affects the going concern ability of the Company based on the comprehensive assessment of the Company.

## V. Important accounting policies and accounting estimates

The Company and its subsidiaries have formulated several specific accounting policies and accounting estimates in respect of transactions and matters such as income recognition in accordance with the actual characteristics of production and operation and in accordance with the relevant provisions of the Accounting Standards for Business Enterprises. Please refer to the descriptions in Article 24 in Section III "Income". Please refer to Article 29 "Material Accounting Judgments and Estimates" in Section III for the explanation on the significant accounting judgments and estimates

made by the management.

#### 1. Declaration on compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises, and truthfully and completely reflect the Company's financial status on December 31, 2017, its operating results and cash flow in 2017 and other relevant information.

#### 2. Accounting period

The accounting period of the Company is divided into a full accounting year and an interim period. An interim accounting period refers to a reporting period shorter than a full accounting year. The accounting year of the Company shall adopt the Gregorian calendar year, commencing on January 1 and ending on December 31 of the Gregorian calendar.

#### 3. Business cycle

The normal operating cycle is the period during which the Company commences from the purchase of the assets for processing to the realization of cash or cash equivalents. The Company regards 12 months as a operating cycle. The operating cycle of the Company is used as the standard for classifying assets and liabilities.

#### 4. Functional currency

The Company shall adopt Chinese yuan as its bookkeeping currency.

#### 5. Accounting Methods for Merger of Enterprises under Same Control and Enterprises Not under Common Control

The term "business combination" means the transaction or event that consolidates two or more separate enterprises into one reporting entity. Business combinations are divided into the business combination under common control and business combination not under common control.

##### (1) Business Merger under Common Control

A business merger under common control means that the undertakings to the merger are ultimately controlled by the same party or parties before and after the merger and such control is not transitory. All assets and liabilities acquired by the merging party in a business merger shall be measured at their carrying amounts in the merged party (parties) on the date of merger. The difference between the carrying amount of the net assets acquired by the merging party and the carrying amount of the merger consideration paid by the merging party (or the total face value of the shares issued) shall be adjusted to adjust the capital reserves (share premium). If the capital reserves (share premium) are insufficient for such reductions, the retained earnings shall be adjusted. All direct expenses incurred by the merging party for the business merger shall be recorded in the profit and loss account for the current period when they are incurred. The merger date shall be the date on which the merging party acquires actual control of the merged party (s).

##### (2) Business Merger Not under Common Control

A business combination not under common control occurs when the undertakings to the merger are not ultimately controlled by the same party or parties before and after the business combination. If this Company, as the acquirer, the sum of the fair value on the acquisition date of the assets acquired from the acquiree (including the acquiree's equity held by it before the acquisition date) and the liabilities incurred or assumed by it in order to obtain the control of the acquiree minus the fair value of the identifiable net assets acquired from the acquiree, if positive, shall be considered as goodwill. If the sum is negative, the Company shall first review the fair value of all the assets, liabilities and contingent liabilities it acquires from the acquiree as well as the measurement of the combination costs. If the combined costs are still less than the fair value of the identifiable net assets it acquires from the acquiree, it shall be recorded in the profit and loss account for the current period. All other direct expenses incurred for the business combination shall be recorded in the profit and loss account for the current period. The difference between the fair value of the assets acquired and their carrying amount shall be recorded in the profit and loss account for the current period. This Company shall, on the acquisition date, recognize at fair value all the identifiable assets, liabilities and contingent liabilities that are acquired from the acquiree and meet the conditions for recognition. "Purchase Date" refers to the date that the acquirer acquires actual control of the Acquiree.

#### 6. Methodology of Preparing Consolidated Financial Statements

##### (1) Determination of Scope of Merger

The parent company shall prepare consolidated financial statements based on the financial statements of itself and its subsidiaries and other relevant materials. The scope of consolidation for consolidated financial statements shall be determined on a control basis. This Company will

subject to reassessment once any change in relevant facts and circumstances have led to the change of relevant elements relevant to the above definitions of control.

## (2) Basis of Control

If the Investor has power to the Investee, enjoys variable returns by participating in relevant activities of the Investee, and has the ability to exercise its power to the Investee to affect the amount of returns, it shall be deemed as controlling the Investee by the Investor. "Relevant Activities" means activities that have a material impact on the returns of the Investee.

## (3) Merger Procedure

The Company begins to merge a subsidiary from the date when it acquires actual control of such subsidiary and ceases to exist from the date when it loses actual control. All material current balances, investments, transactions and unrealized profits between the Company and its subsidiaries, and between subsidiaries will be offset in the preparation of consolidated financial statements. For disposed subsidiaries, the operating results and cash flows of such subsidiary prior to the disposal date have been appropriately included in the consolidated income statement and consolidated cash flow statement, and it does not adjust the opening balance in the consolidated balance sheet. The operating results and cash flows of subsidiaries increased by merger of undertakings which are not under common control have been properly included in the consolidated income statement and consolidated cash flow statement after the Purchase Date, and there is no adjustment to the opening balance and comparison balance in the consolidated financial statements. The operating results and cash flows of subsidiaries increased by merger of undertakings which are under common control from the beginning of the period in which such merger occurs to the merger date have been properly included in the consolidated income statement and consolidated cash flow statement, and the comparative figures of the consolidated financial statements will be adjusted simultaneously.

If a subsidiary does not adopt the accounting policies or accounting periods different from those adopted by the Company, the financial statements of the subsidiary shall be consolidated after an adjustment is made to the subsidiary according to the accounting policies or accounting periods adopted by the Company when the consolidated financial statements are prepared.

For subsidiaries acquired by merger of undertakings which are not under common control, when preparing consolidated financial statements, it will adjust their individual financial statements on the basis of the fair value of identifiable net assets on the purchase date; for subsidiaries acquired by merger of undertakings which are under common control, when preparing consolidated financial statements, the parties to the merger are deemed to have existed in the current status when the ultimate controlling party starts to control.

The "net profits attributable to the owners of the parent company" is fully offset by the unrealized insider transaction profits or losses arising from the sale of assets by the Company to a subsidiary. The unrealized internal transaction profits or losses arising from the sale of assets by a subsidiary to the Company shall be distributed and offset against the "net profits attributable to the owners of the parent company" and "minority profits or losses" based on the distribution proportion of the Company to the subsidiary. The unrealized internal transaction profits or losses arising from the sale of assets between subsidiaries shall be distributed and offset against the "net profits attributable to the owners of the parent company" and "minority profits or losses" based on the distribution proportion of the Company to the selling subsidiary.

The share of the owner's equity of a subsidiary that does not belong to the Company shall be listed as "minority shareholders' equity" under the owner's equity in the consolidated balance sheet. The share of the current net profits or losses of the subsidiary that belongs to minority shareholders' equity shall be listed as "minority shareholders' profit or loss" under the net profit item in the consolidated income statement. The subsidiary's share of comprehensive income attributable to minority shareholders' equity in the current period shall be listed as "total comprehensive income attributable to minority shareholders" in the consolidated income statement. If there are minority shareholders, the column of "minority shareholders' equity" shall be added to the consolidated statement of changes in ownership equity to reflect changes in minority shareholders' equity. If the current losses shared by the minority shareholders of a subsidiary exceed their share in the ownership interest of the subsidiary at the beginning of the period, the balance will still be offset against minority shareholders' equity.

If control of the subsidiary is lost as a result of disposal of a portion of the equity investment or otherwise, the remaining equity interest shall be revalued at its fair value on the date of loss of control. The sum of the consideration received for the disposal of the equity interest and the remaining fair value of the equity interest, minus the continuous status of the original subsidiary calculated on the basis of its original shareholding percentage.

The difference between the shares of the net assets calculated shall be included as investment income in the period when control is lost. Other comprehensive income relating to the equity investment in the original subsidiary shall be accounted for on the same basis as the acquiree directly disposes of relevant assets or liabilities in the event of loss of control of the original subsidiary (that is, except for changes arising from the net liabilities or net assets in the defined benefit plan by the original subsidiary, the remaining income shall be converted into investment income for the current period). Thereafter, the remaining equity interest shall be audited pursuant to the Accounting Standard for Business Enterprises No. 2-Long-term Equity Investment or Accounting Standard for Business Enterprises No. 2-Recognition and Measurement of Financial Instruments. Please refer to Article 14 "Long-term Equity Investment" in Section III or Article 10 "Financial Instruments" in Section III.

If the Company disposes of the equity investment in the subsidiary step by step through multiple transactions, until it loses control of the subsidiary, it shall distinguish whether the transactions involved in the disposal of the equity investment in the subsidiary until it loses control of the subsidiary belong to a package transaction. If the terms, conditions and economic effects of various transactions involving the disposal of the equity investment in the subsidiary meet one or more of the following circumstances, it usually indicates that the multiple transaction events shall be accounted as a package transaction: ① These transactions are concluded simultaneously or with mutual effects taken into account; ② These transactions can only achieve a complete commercial result as a whole; ③ The occurrence of one transaction depends on the occurrence of at least one other transaction; ④ One transaction is uneconomical if viewed individually, but economical when considered together with other transactions. If it does not belong to a package transaction, accounting for each of the transactions shall be conducted in accordance with the applicable principles of "partial disposal of the long-term equity investment in the subsidiary without losing control of the subsidiary" (see Article 14 (2) ④ in Section III and "Loss of control of the subsidiary originally owned due to disposal of a partial equity investment or for any other reason" (see the preceding paragraph for details). If the various transactions involving the disposal of the equity investment in the subsidiary until the loss of control are package transactions, the various transactions shall be accounted as one transaction involving the disposal of the subsidiary and the loss of control. However, before the loss of control, the balance between the proceeds from the disposal of each transaction and the corresponding share of the subsidiary's net assets that the subsidiary is entitled to shall be recognized as other comprehensive income in the consolidated financial statements, and shall, when the control is lost, be transferred into the profits and losses for the current period when the control is lost.

#### 7. Classification of arrangements for cooperative operation and accounting treatment for joint operation

The company shall classify the arrangements for cooperative operation into joint operation and joint venture in accordance with its rights and obligations in the arrangements for cooperative operation.

The company shall recognize the following Item related to its share of interests in the joint operation, and conduct accounting treatment in accordance with relevant accounting standards for business enterprises:

- (1) Recognize the assets it holds separately and jointly held based on its share;
- (2) Recognize the liabilities it bears and the liabilities it jointly bears based on its share;
- (3) Recognize the revenue generated from sale of its share of the output arising from the joint operation;
- (4) Recognize the revenue generated from the sale of output in the joint operation according to its share;
- (5) Recognize expenses incurred separately and expenses incurred in the joint operation according to its share.

#### 8. Criteria for the Determination of Cash and Cash Equivalents

Cash equivalents are investments held by an enterprise for a short term (generally, the maturity within three months from the date of purchase), highly liquid and readily convertible to known amount of cash, and which are subject to little risk of change in value.

#### 9. Foreign currency transactions and foreign currency statement translation

Transactions conducted in foreign currency shall be converted into the bookkeeping base currency at the middle rate of the market rate published by the People's Bank of China on the day of such transaction. In the case of conversion of foreign currency or transactions involving foreign currency exchange, conversion shall be made at the exchange rate actually adopted.

On the balance sheet date, the balance of the foreign currency monetary assets and liabilities account shall be converted into the reporting currency at the middle rate of the market rate published by the People's Bank of China on the balance sheet date. The differences between the amounts restated into the reporting currency at the exchange rate prevailing on the balance sheet date and the amounts stated in the reporting currency of the original book amount shall be dealt with as foreign exchange gains or losses. In which, foreign exchange gains or losses arising from foreign currency loans relating to the acquisition or construction of fixed assets shall be treated in accordance with the principle of capitalization of borrowing costs, and the remaining amount shall be recorded as financial expenses for the current period.

On the balance sheet date, foreign currency non-monetary Item measured at historical cost shall be converted at the middle rate of the market rate published by the People's Bank of China on the day of transaction, without changing the original reporting currency amount. Foreign currency non-monetary Item measured at fair value shall be converted at the middle rate of the market rate published by the People's Bank of China on the day of fair value determination, and the foreign exchange gains or losses arising therefrom shall be recorded in the profits and losses of the current period as foreign exchange gains or losses on changes in fair value.

With respect to overseas business, the Company shall translate the functional currency into Renminbi when preparing the financial statements; the asset and liability Item in the balance sheet shall be translated at the spot exchange rate on the balance sheet date; the shareholder equity Item other than "undistributed profit" shall be translated at the spot exchange rate when it is incurred; the income and expense Item in the income statement shall be

translated at the average exchange rate of the current period when the transaction occurs. Any difference arising from the translation of foreign currency financial statements in accordance with the above translation shall be recognized as other comprehensive income and listed in other comprehensive income under the shareholder's equity item in the balance sheet. When disposing of an overseas business, other comprehensive income relating to the overseas business shall be transferred into the profits and losses of the current period of disposal, and in case of partial disposal, the disposal ratio shall be adopted in the calculation.

Foreign currency cash flows and cash flows of overseas subsidiaries shall be translated at the average exchange rate of the period in which the cash flows occur. Effect of exchange rate changes on cash as an adjustment item

Item: to be presented separately in the cash flow statement.

## 10. Financial instruments

Financial instruments refer to the contracts under which the financial assets of an enterprise are formed and the financial liability or right instruments of any other entity are formed.

### (1) Classification and measurement of financial assets and financial liabilities

The Corporation shall, based on investment purpose and economic substance, classify the financial assets owned into four categories, namely, financial assets measured at fair value and of which the changes are recorded into the profits and losses of the current period, financial assets available for sale, receivables and held-to-maturity investments. In which, financial assets measured at fair value and of which the changes are recorded into the profits and losses of the current period shall be measured at fair value and the changes in fair value shall be recorded into the profits and losses of the current period; financial assets available for sale shall be measured at fair value and the changes in fair value shall be recorded into the shareholders' equity; and accounts receivables and held-to-maturity investments shall be measured at the amortized cost.

The Company shall, based on its economic substance, classify the financial liabilities borne by it into two categories: financial liabilities measured at fair value and of which the changes are recorded into the profits and losses of the current period and other financial liabilities measured at amortized cost.

### (2) Determination of fair value of financial assets and financial liabilities

Fair value refers to the price that can be received for the sale of an asset or shall be paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. Where there is an active market for a financial instrument, the Corporation adopts the quoted prices in the active market to determine its fair value. The quoted prices in the active market refer to the prices, which are readily available from the stock exchanges, brokers, industry associations, pricing service institutions, etc. at a fixed term and represent the prices at which actually occur market transactions are made under arm's length transactions. Where there is no active market for a financial instrument, the Company adopts value appraisal techniques to determine its fair value. Value appraisal techniques include the prices adopted in the latest market transactions between the parties who are familiar with the conditions and who are willing to make transactions, the current fair value by reference to other financial instruments of the same nature, the capitalization cash flow method and the option pricing model, etc.

Equity investments held by the Company, which it does not have control, joint control or significant influence over the investee entities, in respect of which there is no quoted price in the active market and whose fair value cannot be reliably measured, are classified as sellable financial assets, which shall be measured at their costs.

### (3) Recognition and measurement of transfer of financial assets

The transfer or delivery of a financial asset by the Company to another party other than the issuer of the financial asset is the transfer of the financial asset, which may be all or part of the financial asset. The transfer of a financial asset may take two forms:

- 1) Transfer of the right to receive the cash flow of a financial asset to another party;
- 2) Transfer of a financial asset to another party, but retains the right to receive the cash flow of the financial asset, and undertakes the obligation to pay the cash flow received to the final recipient.

When the Company has transferred substantially all the risks and rewards in respect of the ownership of all or part of the financial asset to the transferee, it shall terminate recognition of all or part of such financial asset, and shall recognize the difference between the consideration received and the book value of the transferred financial asset as profit or loss, and simultaneously transfer the accumulated profit or loss of the financial asset originally recognized in the ownership equity into profit or loss; and when it retains substantially all the risks and rewards in respect of ownership, it shall continue to recognize such financial assets, and any consideration received shall be recognized as financial liabilities.

If the Company neither transfers nor retains substantially all the risks and rewards in respect of the ownership of a financial asset, but does not give up the control over the financial asset, the relevant financial asset shall be recognized on the basis of its continuous involvement in the financial asset transferred, and the relevant liabilities shall be recognized accordingly.

### (4) Acknowledgement of the Termination of Financial Assets and Financial Liabilities

The recognition of the financial assets of the Company shall be terminated if either of the following conditions is satisfied:



- 1) The contractual right to receive the cash flow of the said financial asset is terminated;
- 2) Such financial asset has been transferred and meets the conditions for recognition of the termination of financial assets as provided for in the Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets. The recognition of the Financial Indebtedness or part of it shall be terminated only when all or part of the outstanding obligations of the Company have been discharged.

(5) Impairment of Financial Assets

The Company shall inspect the carrying value of financial assets other than trading financial assets on the balance sheet date. If there is objective evidence showing that there has been impairment of financial assets, the company shall make an impairment provision. A separate impairment test shall be made for an important financial asset of a single item. If it is proved that the impairment has occurred, the impairment loss shall be recognized and recorded in the profit and loss sheet of the current period.

For financial assets that individually are not significant in amount and those which have not been impaired individually, the Company shall conduct an impairment test on the basis of the credit portfolio on the basis of the customer's creditworthiness and the actual status of bad debts occurred during the previous years to recognize the impairment loss.

The expression "objective evidence proving the impairment of a financial asset" refers to the actual events which, after the financial asset is initially recognized, have impact on the expected future cash flow of the said financial asset that can be measured reliably by the enterprise.

The objective evidence that can prove the impairment of financial assets includes:

- 1) Serious financial difficulty of the Issuer or its obligors;
- 2) The obligor breaches any of the terms under the contract, for instance, default in paying or the principal of the contract;
- 3) A obligee makes any concession to the obligor which is in financial difficulties due to economic or legal factors, etc.;
- 4) It is likely that its obligors will become bankrupt or enter into other financial reorganization;
- 5) The financial asset cannot continue to be traded in the active market due to significant financial difficulties of the issuer;
- 6) It is unable to identify whether the cash flow of a certain asset within a certain combination of financial assets has decreased or not. But after making an overall appraisal according to the public data available, it is found that the predicted future cash flow of the said financial asset has indeed decreased since it was initially recognized and such decrease can be measured, for instance, the ability of the obligor of the said combination of financial assets worsens gradually, the unemployment rate of the country or region where the obligor is situated increases, the prices of the region where the guaranty is situated are obviously dropping, or the industrial sector concerned is in slump, etc.;
- 7) Any seriously unfavorable change has occurred to the technical, market, economic or legal environment, etc. wherein the obligor operates its business, which makes the investor of an equity instrument unable to take back its investment;
- 8) Where the fair value of the equity instrument investment drops significantly or not contemporarily;
- 9) Other objective evidences showing the impairment of the financial asset.

Where a financial asset measured on the basis of post-amortization costs is impaired, the impairment losses shall be calculated on the basis of the difference between the book value and the current value of the expected future cash flow discounted at the originally effective interest rate.

Where a financial asset measured on the basis of post-amortization costs is recognized as having suffered from any impairment losses, if there is any objective evidence showing that the value of the said financial asset has been restored, and it is objectively related to the events that occur after the said loss is recognized, the impairment losses as originally recognized shall be reversed and be recorded into the profits and losses of the current period. However, the book value of the reversed shall not exceed the post-amortization costs of the said financial asset on the day of reversing under the assumption that no impairment provision is made.

The term "impairment of a sellable financial asset": when it is determined by comprehensively considering relevant factors whether the decline of the fair value of the sellable equity instrument investment drops significantly or not contemporarily, it shows that the investment in the sellable equity instrument has undergone impairment. In particular, the term "serious drop" means that the extent of decline of the fair value accumulatively exceeds 50%; and the term "non-temporary drop" means that the fair value drops continuously exceeds 12 months.

Where a sellable financial asset is impaired, the accumulative losses arising from the decline of the fair value that was originally recorded into other comprehensive incomes shall be transferred out and recorded into the profits and losses of the current period. The said accumulative losses transferred out shall be the balance of the initial cost of the asset minus the principal as taken back, the amortized amount, the current fair value and

the impairment losses that were originally recorded into the profits and losses. After any impairment losses are recognized, if, after the current period, any objective evidence showing that the value of the said financial asset has been restored, and it is objectively related to the events that occur after the said loss is recognized, the impairment losses as originally recognized shall be reversed, and the impairment losses of the sellable equity instrument investment shall be recognized as other comprehensive incomes. The reversed impairment losses of the sellable debt instrument shall be recorded into the profits and losses of the current period.

The impairment losses of the derivative financial assets which are connected with the said equity instrument investments for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or which are connected with the said equity instrument and shall be settled by delivering the said equity instrument shall not be reversed.

## 11. Receivables

### (1) Standards for confirming and methods for accruing bad debt provisions for receivables of significant single amount

The standards for confirming the provision for bad debts of significant single amount is as follows: the amount of receivables is more than RMB 1 million (inclusive) and the amount of other receivables is more than RMB 500,000 (inclusive).

The method for accruing the provision for bad debts of significant single amount is as follows: an impairment test shall be made separately. A provision for bad debts shall be accrued in accordance with the difference between the present value of the future cash flow and the book value.

### (2) Receivables for which the provision for bad debts is accrued in accordance with the risk combination

For receivables that are not material individually and those receivables in material amount and those receivables that individually tested without impairment shall be divided into combinations based on their credit risk characteristics and the provision for bad debts shall be determined in the light of current circumstances on the basis of the actual loss rates of portfolios of the same or similar receivables and with similar credit risk characteristics in previous years.

#### 1) Standards for confirming and methods of provision for bad debts of receivables aged in credit risk portfolios

Aging	Percentage of provision for receivables (%)	Percentage of other receivables (%)
Within 1 year (including 1 year, the same below)	5	5
1 - 2 years	10	10
2 - 3 years	40	40
Over 3 years	100	100

#### 2) Receivables between parent company and subsidiary within the scope of merger

No provision for bad debts shall be made for the receivables between the parent company and subsidiary within the scope of merger which have been tested individually and have not been impaired.

#### (3) Receivables that are not material individually but for which a provision for bad debts is made

Although not material individually, the basis on which a provision for bad debts is made: there is significant difference between the present value of future cash flow of the receivables and the present value of future cash flow of the portfolio of receivables.

Method of provision for bad debts: a separate impairment test is made. A provision for bad debts is made according to the difference between the present value of the future cash flow of the receivables and their book value.

## 12. Inventories

### (1) Classification of Inventories

The inventories of the Company shall be divided into raw materials, low-value consumables, work-in-progress, inventory goods, etc.

### (2) Valuation Method of Outgoing Inventory

The weighted average method shall be adopted for the materials sent out, and weighted average method shall be adopted for the goods sent out.

### (3) Basis for the determination of the net realizable value of inventories and the method of provision for decline in value of inventories

Ending inventories are valued at the lower of cost or net realizable value. At the end of the period, a provision for decline in value of

inventories is made on the basis of a complete inventory count, for those parts of the inventories that are expected to be irrecoverable because of damage, all or part of the obsolescence or selling prices lower than cost. The provision for decline in value of inventories for finished goods and main raw materials is made according to the difference between the cost of each item and the net realizable value of the inventories, and for other raw and auxiliary materials with large quantities and low unit price, the provision for decline in value of inventories is made according to the category.

The net realizable value of such inventories as finished goods, merchandise and materials used for sale, etc. directly available for sale is determined on the basis of the estimated sale price of such inventories less the estimated selling costs and related taxes and expenses. The net realizable value of such inventories held for production is determined on the basis of the estimated selling price of the finished goods produced less the estimated costs of completion, estimated selling costs and related taxes and expenses. The net realizable value of inventories held for the execution of sales contracts or labor contracts shall be calculated on the basis of the contract price. Where the quantity of inventories held is more than that ordered in the sales contracts, the net realizable value of such excess shall be calculated on the basis of the general selling price.

#### (4) System of Inventories

The perpetual inventory system shall be adopted for the inventory taking of the Company, and physical inventory shall be taken on a regular basis.

#### (5) Method of Amortization of Low Value Consumables

Low-value consumables received by the Company shall be amortized through the one-time inventory method.

### 13. Holding of Assets for Sale

The Company shall recognize a non-current asset or disposal group as held for sale if (i) the first, an immediate sale under the present conditions only on customary terms for the sale of such asset or disposal group; and (ii) a sale is likely to occur if the Company has resolved on a sale plan and made firm purchase commitments for it that it is expected that the sale will be consummated within one year. If the proposed sale plan is required to be approved by the shareholders or regulatory authorities, such approval should have been obtained.

#### (1) Measurement of Non-current Assets or Disposal Groups Classified as Held for Sale on the Acquisition Date

For the non-current assets or disposal groups classified as held for sale on the Acquisition Date, the Company measured for initial measurement as an amount equal to the lower of initial measurement amount and fair value if it were not classified as held for sale. Except for the non-current assets or disposal groups acquired in a business combination, the difference between the fair value of the non-current assets or disposal groups less expenses to sell shall be recorded in the profits and losses of the current period.

#### (2) Initial and Subsequent Measurement of the Held for Sale

Before the Company classifies a non-current asset or disposal group as held for sale for the first time, the Company shall measure the book value of each asset and liability in the non-current assets or disposal group according to relevant accounting standards.

When the Company re-measures a non-current asset or disposal group held for sale on the Initial Measurement or on the Balance Sheet Date, if its book value is higher than the net amount of expenses to sell, the book value shall be written down to the net amount of expenses to sell, and the amount written down shall be recognized as the loss from asset impairment and shall be recorded in the profits and losses of the current period. At the same time, the provision for impairment of the assets held for sale shall be made. With regard to the amount of asset impairment losses recognized by a disposal group held for sale, if the disposal group contains goodwill, it shall first write down the book value of goodwill in the disposal group, and then write down the book value of each non-current asset in proportion to the weight of the book value of each asset in the disposal group. If the net amount of the fair value of the non-current assets held for sale on the Subsequent Balance Sheet Date minus the expenses to sell increases, the amount written down previously shall be recovered and shall be reversed within the amount of asset impairment losses recognized after the classification as held for sale, and the reversed amount shall be recorded in the profits and losses of the current period. The asset impairment losses recognized before the classification as held for sale shall not be reversed. If the net amount of the fair value of the disposal group held for sale increases after deducting the expenses to sell on the Subsequent Balance Sheet Date, the amount written down previously shall be reversed within the amount of asset impairment losses recognized after the classification as held for sale, and the reversed amount shall be recorded in the profits and losses of the current period. The book value of goodwill that has been offset and the asset impairment losses recognized before the classification as held for sale shall not be reversed.

When a non-current asset or disposal group ceases to be classified as held for sale because it no longer meets the conditions for classification as the category of held for sale or when a non-current asset is removed from a disposal group held for sale, it shall be measured at the lower of:

① The book value before the classification as held for sale, adjusted for the depreciation, amortization or impairment that would have been recognized if it had not been classified as held for sale;

② Recoverable amount.

### 14. Long-term equity investment

For the purpose of this Section, the term "long-term equity investment" refers to the long-term equity investment that the Company has control, joint control or significant influence over the investee entity. The long-term equity investment of which the Company has no control,

joint control or significant influence over the investee entity shall be accounted as a financial asset available for sale or as a financial asset measured at fair value and of which the change is recorded in the profits and losses of the current period. The accounting policies are detailed in Notes 3 and 10 to "Financial Instruments".

#### (1) Determination of initial investment cost

The investment cost of the Company's long-term equity investment shall be recognized in the following methods depending on the method of acquisition:

1) For the long-term equity investment obtained by merger of enterprises under common control, on the date of merger, the share of the book value of the owner's equity of the merged party in the consolidated financial statements of the final controlling party shall be recognized as the initial investment cost of the long-term equity investment. The balance between the initial investment cost of the long-term equity investment and the book value of the paid cash, transferred non-cash assets as well as the assumed debts shall be adjusted against the capital reserve; if the capital reserve is insufficient for the offset, the retained earnings shall be adjusted. If equity securities are issued as the merger consideration, on the date of merger, the share of the book value of the shareholders' equity of the merged party in the consolidated financial statements of the final controlling party shall be recognized as the initial investment cost of the long-term equity investment, and the total par value of the shares issued shall be recognized as the capital reserve, and the balance between the initial investment cost of the long-term equity investment and the total par value of the shares issued shall be adjusted against the capital reserve; if the capital reserve is insufficient for the offset, the retained earnings shall be adjusted. Where the equity of the merged party under the same control is obtained step by step through multiple transactions, which ultimately forms a business combination under the same control, whether it is classified as a "package transaction" shall be handled differently: where it is classified as a "package transaction", all transactions shall be accounted for as one transaction with the right to control. If it is not classified as a "package transaction", on the date of merger, the share of the book value of the shareholders' equity of the merged party in the consolidated financial statements of the final controlling party shall be recognized as the initial investment cost of the long-term equity investment, and the balance between the initial investment cost of the long-term equity investment and the book value of the long-term equity investment reaching the merger plus the book value of the new consideration paid for the further shares obtained on the date of merger shall be adjusted against the capital reserve; if the capital reserve is insufficient for the offset, the retained earnings shall be adjusted. For the equity investment held before the date of merger, other comprehensive income recognized due to the adoption of equity method for accounting or financial assets available for sale shall temporarily not be subject to accounting.

2) For the long-term equity investment obtained from merger of enterprises not under common control, the initial investment cost of the long-term equity investment shall be recognized as the merger cost calculated from the fair value of the assets involved in the transaction date, the equity instruments issued and the liabilities incurred or assumed plus the costs directly related to the acquisition. On the date of merger, the identifiable assets of the merged party (parties) and the liabilities (including contingent liabilities) assumed by them shall all be measured at their fair values, regardless of the amount of minority shareholders' equity. The amount of the merger cost exceeding the fair value of the identifiable net assets of the merged party acquired by this company shall be recorded as goodwill, while the amount lower than the fair value of the identifiable net assets of the merging party shall be directly recognized in the profit and loss statement of the merger. In the case of acquiring the equity of the acquiree in steps through multiple transactions, which ultimately results in a business merger not under common control, whether it is a "package transaction" shall be treated differently: in the case of a "package transaction", all the transactions shall be accounted as one transaction obtaining control. In the case of a "package transaction", the initial investment cost of the long-term equity investment accounted for using the cost method is the sum of the book value of the equity investment originally held by the acquiree plus the newly increased investment cost. If the originally held equity is accounted for using the equity method, accounting treatment shall not be carried out for relevant other comprehensive income for the time being. If the originally held equity investment is a sellable financial asset, the balance between the fair value and the book value thereof and the accumulative changes in the fair value originally recorded into other comprehensive income shall be transferred into the profit and loss of the current period.

#### 3) Long-term investment acquired by other means

A. For the long-term equity investment acquired by paying cash, the purchase price actually paid is recognized as the investment cost.

B. For the long-term equity investment acquired by issuing equity securities, the investment cost is recognized as the fair value of the equity securities issued.

C. For the long-term equity investment acquired by exchange of non-monetary assets, if it is commercial in nature, the fair value of the assets surrendered is recognized as the investment cost of the long-term equity investment received; if it is not commercial in nature, the book value of the assets surrendered is recognized as the investment cost of the long-term equity investment received.

D. For the long-term equity investment acquired by debt restructuring, the investment cost is recognized according to the fair value of the long-term equity investment.

#### (2) Subsequent measurement of long-term equity investment

1) The investment that can control the investee shall be accounted for using the cost method.

2) For the long-term equity investment in the investee with joint control (except constituting a joint undertaking) or significant influence, the equity method shall be adopted.

If the equity method is adopted, if the initial cost of the long-term equity investment is higher than the attributable share of the fair value of the

investee's identifiable net assets on the investment, the initial cost of the long-term equity investment shall not be adjusted; if the initial cost of the investment is lower than the attributable share of the fair value of the investee's identifiable net assets on the investment, the difference is recorded into the profit and loss of the current period, and the cost of the long-term equity investment shall be adjusted at the same time.

If the equity method is adopted, the investment income and other comprehensive income shall be recognized respectively according to the attributable share of the investee's net profit and loss and other comprehensive income, and the book value of the long-term equity investment shall be adjusted at the same time; the entitled part shall be calculated according to the investee's profit or cash dividend declared to be distributed by the investee, and the book value of the long-term equity investment shall be reduced accordingly; for other changes in the owner's equity of the investee other than the net profit and loss, other comprehensive income and profit distribution, the book value of the long-term equity investment shall be adjusted and recorded into the capital reserve. The net profit of the investee shall be recognized after adjustment on the basis of the investee's fair value of all identifiable assets on the investee's when the investment is obtained. If the investee's accounting policy and accounting period are inconsistent with those of this company, the investee's financial statements shall be adjusted in accordance with this company's accounting policy and accounting period, based on which investment income and other comprehensive income shall be recognized. For transactions between the Company and its associated enterprises or between a joint venture, if the invested or sold assets do not constitute business, the portion of the unrealized internal transaction profit and loss that is calculated according to the proportion enjoyed by this company shall be offset, and the investment profit and loss shall be recognized on this basis. However, the unrealized internal transaction losses incurred by the Company and the investee belong to the impairment losses of the transferred assets, and shall not be offset. If the assets invested by the Company to a joint venture or associated enterprise constitute business, and the investor therefore obtains the long-term equity investment but does not obtain the control right, the fair value of the invested business shall be deemed as the initial investment cost of the new long-term equity investment, and the difference between the initial investment cost and the book value of the invested business shall be recorded in the current profit and loss in full. If the assets sold by the Company to a joint venture or associated enterprise constitute business, the difference between the consideration obtained and the book value of the business shall be recorded in the current profit and loss in full. For the assets purchased by the Company from its associated enterprises and joint ventures constitute business, accounting treatment shall be made in accordance with the Accounting Standards for Business Enterprises No. 20- Business Merger and the gains or losses relating to the transaction shall be recognized in full.

In recognizing the investee's net loss that shall be assumed, the book value of the long-term equity investment and other long-term rights and interests that actually constitute the net investment in the investee are reduced to zero. In addition, if this company is obliged to bear additional losses to the investee, this company shall recognize the estimated liabilities based on the obligation it is expected to bear, and record them in the current investment loss. If the investee realizes net profits in subsequent periods, this company shall resume recognizing its share of profits after the share of profits makes up the share of the unrecognized loss.

### 3) Acquisition of minority shares

When preparing the consolidated financial statements, the capital reserve shall be adjusted for the difference between the newly increased long-term equity investment due to the purchase of minority shares and the share of net assets continuously calculated since the purchase date (or merger date) of the subsidiary calculated in accordance with the newly increased shareholding proportion. If the capital reserve is insufficient for the offset, the retained earnings shall be adjusted.

### 4) Disposal of long-term equity investment

In the consolidated financial statements, if the parent company disposes of part of its long-term equity investment in a subsidiary without losing its control right, the difference between the disposal proceeds and the net assets of the subsidiary that the parent company is entitled to in relation to the disposal of the long-term equity investment shall be accounted for as shareholders' equity; if the parent company partially disposes of the long-term equity investment in a subsidiary, which results in the loss of control right over the subsidiary, the relevant accounting policies as described in Article 6 "Methods for Preparing Consolidated Financial Statements" in Section III shall apply.

In the case of disposal of long-term equity investment in other cases, the difference between the book value of the disposed equity and the actual purchase price shall be recorded in the profits and losses of the current period.

If the equity method is adopted for the long-term equity investment, if the equity method is still adopted for the remaining equity after disposal, the other comprehensive income originally included in the shareholders' equity shall be accounted for on the same proportion as the investee directly disposes of relevant assets or liabilities. The owner's equity recognized as a result of changes in the owner's equity other than the net profit and loss, other comprehensive income and profit distribution of the investee shall be recorded in the profits and losses of the current period on a pro rata basis.

If the cost method is adopted for the long-term equity investment, if the cost method is still adopted for the remaining equity after disposal, other comprehensive income recognized as a result of using the equity method or the standards for recognition and measurement of financial instruments prior to obtaining control over the investee shall be recorded on the same basis as the investee directly disposes of relevant assets or liabilities, and shall be recorded in the profits and losses of the current period on a pro rata basis. Other changes in the owner's equity recognized as a result of the equity method, other comprehensive income and profit distribution of the investee shall be recorded in the profits and losses of the current period on a pro rata basis.

If the Company loses control over the investee due to disposal of part of its equity investment, and the remaining equity after disposal can exert joint control over or significant influence on the investee, the equity method shall be adopted for accounting and adjustment shall be made as if the equity method has been adopted for the remaining equity since acquisition; if the remaining equity after disposal can not exert joint control over or significant influence on the investee, accounting shall be recorded in accordance with the standards for recognition and measurement of financial instruments, and the balance between the fair value and the book value on the date of loss of control shall be recorded in the profits and losses of the current period. For other comprehensive income recognized as a result of adopting equity method or the standards for recognition and measurement of financial instruments before the Company obtains control over the investee, accounting treatment shall be adopted on the same basis on which the investee directly disposes of relevant assets or liabilities when the investee is lost control over the investee. In the net assets recognized as a result of adopting equity method, other changes in owner's equity, other than net profit and loss, other comprehensive

income and profit distribution, shall be carried forward to the profits and losses of the current period when control over the investee is lost. Among them, if the remaining equity after disposal adopts equity method, other comprehensive income and other owner's equity shall be carried forward in proportion; if the remaining equity after disposal adopts the standards for recognition and measurement of financial instruments, other comprehensive income and other owner's equity shall be carried forward in full.

If the Corporation loses its joint control over or significant impact on the investee due to disposal of part of its equity investment, the remaining equity after disposal adopts the standards for recognition and measurement of financial instruments, and the difference between the fair value and the book value on the date of loss of joint control or significant impact shall be included in the profits and losses of the current period. Other comprehensive income recognized as a result of adopting equity method for the original equity investment shall be accounted on the same basis on which the investee directly disposes of relevant assets or liabilities when the equity method is terminated. Owner's equity recognized as a result of changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution of the investee shall be all transferred into the investment income of the current period when the equity method is terminated.

The Company disposes of its equity investment in the subsidiary step by step through multiple transactions until it loses its control. If the aforesaid transactions are a package transaction, the Corporation shall conduct accounting treatment for all the transactions as one transaction in which the equity investment of the subsidiary is disposed of and the control right is lost. The balance between the disposal proceeds in each transaction and the book value of the long-term equity investment corresponding to the disposed equity before losing the control right shall be recognized as other comprehensive income, and when the control right is lost, it shall be included in the profits and losses of the current period when the control right is lost.

### (3) Methods for testing and accruing depreciation reserves of long-term investment

See Article 20 "Impairment of Long-term Assets" in Section III for methods of testing and withdrawing depreciation reserves for long-term investments.

### (4) Criteria for determining joint control and material impact

Joint control refers to the common control over an arrangement under relevant agreement, and the relevant activities of the arrangement cannot be decided until the participants sharing the control right reach a unanimous consent. When judging whether there is joint control, first judge whether all participants or participants association controls the arrangement collectively, and then judge whether the decision on the relevant activities of the arrangement must be made with the unanimous consent of the participants collectively controlling the arrangement.

Material impact refers to the power of the investor to participate in making decisions on the financial and operating policies of the investee, but not to control or jointly with other parties the formulation of such policies. When determining whether the investor can exert significant impact on the investee, take into account potential factors of voting rights such as the current convertible corporate bonds and current executable warrants of the investee held by the investor and other parties.

## 15. Accounting methods for investment properties

Depreciation and amortization shall be computed using the straight-line method based on the estimated useful life of the asset, where depreciation shall be accrued for real estate based on (the legal service life or the estimated service life, whichever is lower), and the legal service life of real estate shall be amortized. The entry value of investment real estate is determined based on its cost. In which, the cost of investment real estate purchased from external parties includes the purchase price, relevant taxes and other expenses directly attributable to the asset; the cost of self-constructed investment real estate consists of the necessary expenses incurred for preparing the asset for its intended use; the investment real estate invested by an investor shall be recorded at the value agreed upon in the investment contract or agreement; however, if the agreed value is unfair in the contract or agreement, it shall be recorded at the fair value.

See Article 20 "Impairment of Long-term Assets" in Section III for the methods for testing and accruing depreciation reserves for investment properties.

## 16. Accounting methods for fixed assets

Fixed assets refer to tangible assets held for the production of commodities, provision of labor services, lease or business management, which have a useful life of more than one year and a relatively high unit value.

### (1) Depreciation methods for various fixed assets

Fixed assets will be depreciated once they reach the expected usable condition. The average life, net salvage value rate and annual depreciation rates of various kinds of fixed assets are as follows:

Classification of Fixed Assets	Expected service life (year)	Expected net salvage value rate	Annual depreciation rate
Premises and Buildings	20-30	5%	4.75%-3.17%
Machinery devices	10	5%	9.50%

Transport devices	4-9	5%	23.75%-10.56%
Electronic devices	3	5%	31.67%
Other devices	5	5%	19.00%

The depreciation amount of the fixed assets for which an impairment provision has been made shall be calculated after deducting the accumulated amount of fixed assets impairment provision that has been made. See Article 20 "Impairment of Long-term Assets" in Section III for details of test methods and provision for impairment of fixed assets.

#### 17. Method of Accounting for Construction-in-Progress

The fixed assets constructed by the Company shall, when they reach the expected usable condition, be carried forward to the estimated value based on the budget, price or actual cost of the construction, and provision for depreciation shall begin from the next month. The difference of the original value of fixed assets may be adjusted after the completion and final account procedures have been fulfilled.

Please refer to Article 20 "Impairment of Long-term Assets" in Section III for methods of impairment of construction in progress.

#### 18. Method of accounting of borrowing costs

##### (1) Principle of Capitalization of Borrowing Costs

Borrowing costs include interest accrued on the borrowings, amortization of discounts or premiums, ancillary expenses, and exchange differences arising from foreign currency borrowings. The borrowing costs incurred to this Company from the fixed assets or development investment real estate which need one year (inclusive) to build, or from special borrowings or general borrowings used for inventory shall be capitalized and recorded into the relevant cost of assets; other borrowing costs shall be recognized as expenses when incurred and recorded into the profits and losses of the current period. The relevant borrowing costs shall be capitalized when all of the following conditions are met: the expenditures of the assets have been incurred; the borrowing costs have been incurred; and the acquisition or construction activities that are necessary to prepare the assets for their intended use have begun.

##### (2) Period of capitalization of borrowing costs

The borrowing costs incurred for the acquisition or construction of fixed assets, investment real estate or inventory that meet the aforesaid conditions for capitalization and that are incurred before the assets are ready for its intended use or sale shall be recorded into the cost of assets. If the acquisition or construction activities for fixed assets, investment real estate or inventory are interrupted abnormally and the interruption lasts for more than three consecutive months, the capitalization of the borrowing costs shall be suspended and recognized as an expense of the current period until the acquisition or construction activities for the asset are restarted; when the assets are ready for its intended use or sale, the capitalization of the borrowing costs shall cease. The borrowing costs incurred thereafter shall be directly recorded into the financial expenses of the current period in which they are incurred.

##### (3) Method for calculating the amount of capitalization of borrowing costs

As for the special borrowings borrowed for the acquisition and construction or production and development of assets eligible for capitalization, the actual amount of interest expenses incurred for the current period of the special borrowings minus the interest income derived from depositing the unused borrowing funds in the bank or from investment.

If the general borrowings are used for the acquisition and construction or production and development of assets eligible for capitalization, the amount of interests to be capitalized on the general borrowings shall be calculated and determined by multiplying the weighted average asset disbursements by the capitalization rate of the general borrowings used. The capitalization rate shall be calculated and determined according to the weighted average interest rate of general borrowings.

#### 19. Intangible assets

##### (1) Valuation method of intangible assets:

The intangible assets of the company include land use right, patented technologies and non-patented technologies, etc.

For intangible assets acquired, the actual cost is the consideration actually paid and other related expenses.

The actual cost of intangible assets invested by investors shall be determined according to the value as stipulated in the investment contract or agreement; if the value as stipulated in the contract or agreement is unfair, the actual cost shall be determined according to the fair value.

The intangible assets acquired through non-monetary assets exchange shall be recorded at the fair value of the assets surrendered if they are commercial in nature or at the book value of the assets surrendered if they are not commercial in nature.

The intangible assets acquired through debt restructuring shall be determined according to their fair value.

For intangible assets developed by the company itself, the research disbursements shall be recorded in the profits and losses of the current period when they are incurred; the development disbursements simultaneously meeting the following conditions shall be determined as intangible assets (patented technologies and non-patented technologies):

- ① It is technically feasible to complete the intangible assets so that they can be used or sold;
- ② It is intended to complete and use or sell the intangible assets;
- ③ There is a market for the products manufactured by applying the intangible assets or there is a market for the intangible assets itself;
- ④ It is supported by sufficient technologies, financial resources and other resources so that it can complete the development of the intangible assets, and it is able to use or sell the intangible assets; and
- ⑤ The development disbursements of the intangible assets can be reliably measured.

The development disbursements that do not meet the above conditions shall be recorded in the profits and losses of the current period when they are incurred. Development expenditures which have been recorded as profits and losses in the previous period shall not be recognized as assets in the subsequent period. The development disbursements that have been capitalized shall be listed as development disbursements on the balance sheet, and shall be converted into intangible assets upon reaching the expected conditions for use.

(2) Methods and time limit for the amortization of intangible assets:

The land use right of the Company shall be amortized averagely over the years of transfer from the initial date of transfer or the date of obtaining the land use right, and the patented technologies, non-patented technologies and other intangible assets of this Company shall be amortized by equal installments over the shortest of the three periods: the estimated years of use, the period of benefit stipulated by the contract, and the Valid period stipulated by law. The amount of amortization shall be recorded in the relevant asset costs and current profits and losses according to the beneficiaries.

Please refer to notes 3 and 20 "Impairment of Long-term Assets" for the methods of testing and withdrawing the provision for intangible assets.

## 20. Impairment of Long-term Assets

For non-current non-financial assets such as fixed assets, projects under construction, intangible assets with limited useful life, investment real estate measured in the mode of cost, and long-term equity investments in subsidiaries, joint ventures and associates, this Company shall judge whether there is any sign of impairment on the balance sheet date. If there is any sign of impairment, the recoverable amount thereof shall be estimated for impairment test. No matter whether there is any sign of impairment, intangible assets with uncertain service life and intangible assets that have not reached the usable conditions, an impairment test shall be conducted annually.

If the result of an impairment test shows that the recoverable amount of assets is lower than its book value, a provision for impairment shall be made on the basis of the difference between them and recorded in the impairment loss. The recoverable amount shall be the higher one between the net amount of the fair value of the asset minus the disposal expenses and the current value of the expected future cash flow of the asset. The fair value of an asset shall be determined according to the price as agreed in the sales agreement in the arm's length transaction. If there is no sales agreement but there is an active market for the asset, the fair value shall be determined according to the price as offered by the buyer of the asset. If there is no sales agreement and there is no active market for the asset, the fair value of the asset shall be estimated on the basis of the best information available. The disposal expenses shall include the relevant legal expenses, relevant taxes, truckage as well as the direct expenses for bringing the asset into a marketable condition. The current value of the expected future cash flow of an asset shall be determined by the discounted cash amount with an appropriate discount rate, on the basis of the expected future cash flow generated during the continuous use or final disposal of the asset. The reserve for asset impairment shall be calculated and confirmed on the basis of single item assets. Where it is difficult to estimate the recoverable amount of a single item asset, it shall be determined on the basis of the group assets to which the asset belongs. An asset group is the minimum combination of assets that can generate cash inflows independently.

The business reputation separately presented in the financial statements. When making an impairment test, it apportions the carrying value of the business reputation to the asset group or combination of asset groups that are expected to benefit from the synergy effect of enterprise merger. Where the test results show that the recoverable amount of the asset group or combination of asset groups containing the apportioned business reputation is lower than the carrying value thereof, it shall be recognized as the corresponding impairment loss. The amount of the impairment loss shall first charge against the carrying value of the business reputation which are apportioned to the asset group or combination of asset groups, then charge it against the carrying value of other assets in proportion to the weight of other assets in the asset group or combination of asset groups with the business reputation excluded.

Once any of the above-mentioned loss of asset impairment is recognized, the part which may not be reversed in the future period.

## 21. Long-term prepaid expenses



The long-term prepaid expenses incurred by the Company shall be priced at the actual cost and evenly amortized in the expected beneficial period. As for an item of long-term prepaid expenses that cannot benefit any future accounting period, the amortized value of this item shall, when being determined, be entirely recorded into the profits and losses of the current period.

## 22. Employee's remuneration

The term "employee's remuneration" refers to the various forms of remunerations or compensations given by a company in exchange for the services offered by its employees or for the termination of labor relationship. The employee's remuneration includes short-term remuneration, post-demission benefits, welfare for dismissal, etc.

### (1) Accounting treatments of short-term remunerations

During the accounting period in which its employees provide services to it, the Company shall recognize the short-term remuneration actually incurred as a liability and record it into the profits and losses of the current period, unless it is required or allowed by other accounting standards to be recorded into the assets costs; the employee's welfare expenses incurred shall be recorded into the profits and losses of the current period or the relevant assets costs at the actual amount when they are actually incurred. The employee's welfare expenses in the form of non-monetary benefits shall be measured according to the fair value; for the medical insurance premiums, work-related injury insurance premiums, maternity insurance premiums and other social insurance premiums and public accumulation funds for housing construction paid by an enterprise for its employees, as well as the labor union expenditures and employee education expenditures accrued in accordance with the provisions, the corresponding amount of employee's remuneration shall be calculated and determined based on the accrual basis and proportion, recognized as a liability, and recorded into the profits and losses of the current period or the relevant assets costs.

### (2) Accounting treatments of post-demission benefits

The post-demission benefits refer to the remunerations and welfare in various forms provided by the Company after the employees retire or terminate the labor relationship with the enterprise in return for services provided by the Company to its employees, other than the short-term remuneration and dismiss welfare. All the post-demission benefits of the Company is defined contribution plan, that is, the Company shall calculate and pay to the local government handling organ the old-age insurance premiums based on the specified contribution base and proportion during the period in which its employees provide services to the Company as required by relevant laws and regulations. During the accounting period in which its employees provide services to it, the Company shall recognize the post-demission benefits actually incurred as a liability, and record them into the costs of fixed assets, intangible assets, products and labor or into the profits and losses of the current period according to the beneficiaries of services provided by the employees.

### (3) Accounting treatments of dismiss welfare

Where a company makes compensations for terminating the labor relationship with an employee before the expiration of the labor contract or for encouraging the employees to accept the layoff voluntarily, it shall recognize the liabilities arising from the compensation for terminating the labor relationship and record them into the profits and losses of the current period, whichever occurs earlier when the Company cannot unilaterally withdraw the termination plan or the layoff proposal or the layoff proposal and when it recognizes the payment of the reorganization-related costs and expenses relating to the restructuring involving dismiss welfare. The internal retirement plans of employees shall follow the principles the same as above for dismiss welfare. When the conditions for the recognition of expected liabilities are met, the salaries and social insurance premiums to be paid by the Company for the employees who have retired from the date when the employees cease to provide services to their normal retirement date shall be recorded into the profits and losses of the current period (dismiss welfare).

## 23. Estimated liabilities

### (1) Principles of recognition

When the business related to external guarantee, pending litigation or arbitration, product quality assurance, redundancy plan, loss-making contract, restructuring obligation, disposal obligation of fixed assets and other contingencies meets the following conditions simultaneously, the Company shall recognize it as a liability:

Such obligation is a present obligation of the Company;

The performance of the obligation is likely to cause an

outflow of economic benefits from the undertaking;

the amount of the obligation can be measured in a

reliable way.

(2) Measurement method: the best estimate of the expenses required to discharge the contingency;

## 24. Incomes

### (1) Specific Standards for Judgment on the Time for Recognizing Commodity Revenue

The Company has transferred the major risks and rewards of ownership of the products to the purchasers; the Company has neither retained the continuous management rights relating to the ownership nor conducted Valid control over the products sold; the amount of income can be measured in a reliable way; the relevant economic benefits are likely to flow to the enterprise; the realization of sales revenue is recognized when the relevant costs incurred or to be incurred can be measured in a reliable way.

The Company's standards for recognizing the revenue from the sale of goods and the specific standards for judging the time for recognizing the revenue are as follows:

Product sales revenue: the sales revenue is recognized when the products are delivered, the invoice settlement bills are submitted to the buyer and the relevant revenue and costs can be measured in a reliable way.

## (2) Basis for Recognizing the Revenue from Transfer of the Right to Use Assets

If the economic benefits associated with the transaction are likely to flow to the enterprise, and if the amount of income can be measured in a reliable way, the amount of revenue from transfer of the right to use assets shall be determined respectively according to the following circumstances:

1) The amount of interest income shall be calculated and determined according to the time and the actual interest rate of the monetary capital of the enterprise used by others.

2) The amount of usage fee income shall be calculated and determined according to the

fee collection time and method agreed upon in the relevant contract or agreement. The

Company's basis for recognizing the revenue from transfer of the right to use assets

Rental income: the revenue shall be recognized after the rental is collected on the date agreed upon in the lease contract (or agreement). If the rental is not received on the date agreed upon in the contract or agreement, but the rental can be recovered and the amount of income can be measured in a reliable way, the revenue shall also be recognized as revenue.

(3) The basis and method for determining the progress of the project when recognizing the revenue from providing services and the contract revenue from construction according to the percentage of completion method.

If the outcome of a transaction involving the rendering of services can be estimated in a reliable way on the balance sheet date, the revenue from the rendering of services shall be recognized according to the percentage of completion method. The progress of completion for a transaction involving the rendering of services shall be determined according to the measurement of work completed.

The total revenue from the rendering of services shall be determined according to the consideration received or receivable as stipulated in the contract or agreement, unless the consideration received or receivable as stipulated in the contract or agreement is unfair. On the balance sheet date, the revenue from the rendering of services in the current period shall be recognized according to the balance sheet date when the total revenue from the rendering of services is multiplied by the progress of completion minus the accumulated revenue from the rendering of services recognized in previous accounting periods. At the same time, the balance of the estimated total cost for the rendering of services multiplied by the progress of completion minus the cumulative costs recognized in previous accounting periods shall be carried forward to the current period.

If the outcome of a labor service rendering transaction cannot be estimated reliably on the balance sheet date, it shall be dealt with as follows, respectively:

1) If the costs already incurred can be recovered under estimation, the revenue from the rendering of services shall be recognized according to the amount of costs already incurred and the costs of services shall be carried forward at the same amount.

2) If the costs already incurred cannot be recovered under estimation, the costs already incurred shall be recorded in the profits and losses of the current period and the revenue from the rendering of services shall not be recognized.

## 25. Government subsidies

### (1) Types of government subsidies

Government subsidies refer to the monetary assets and non- monetary assets (excluding the capital invested by the government as the owner) obtained by the Company free of charge from the government. Government subsidies are classified into government subsidies relating to assets and government subsidies relating to income based on the nature of recipients of such grants as specified in the relevant government documents.

If the recipients of the subsidies are not specified in the government documents, the Company shall classify such government subsidies as assets-related or income-related to income based on whether such government subsidies are to be used for purchase or construction or to form long-term assets otherwise.

### (2) Recognition of government subsidies

A government subsidy shall be recognized when the conditions attached to the government subsidy can be received.

Government subsidies in the form of monetary assets shall be measured based on the amount received or receivable. Government subsidies in the form of non-monetary assets shall be measured at their fair values. If the fair value cannot be reliably obtained, it shall be measured at its nominal amount.

(3) Accounting treatment of government subsidies

Government subsidies relating to assets shall be offset against the book value of relevant assets or recognized as deferred income. Where government grants related to assets are recognized as deferred income, such grants shall be included in the profit and loss account by reasonable and systematic stages within the useful life of the relevant assets. Government subsidies measured at their nominal amount shall be recorded directly into the profit and loss account for the current period. Government subsidies relating to income shall be treated as follows respectively: those to be used as compensation for relevant costs, expenses and losses in subsequent periods shall be recognized as deferred income and shall be recorded into the profit and loss account for the current period or used to offset relevant costs in the period in which relevant costs, expenses and losses are recognized; those to be used as compensation for relevant costs already incurred shall be recorded directly into the profit and loss account for the current period or used to offset relevant costs.

Government subsidies relating to daily activities of a company shall be recorded into other income or used to offset relevant costs and expenses based on the nature of business activities. Government subsidies irrelevant to daily activities of a company shall be recorded into non-operating receivers.

26. Deferred income tax assets and liabilities

(1) The deferred income tax assets or deferred income tax liabilities shall be calculated and recognized in accordance with the balance between the book value of assets and liabilities and the tax base thereof (if the tax base of Item not recognized as assets and liabilities may be determined in accordance with the tax law, the balance between the tax base and the book value thereof shall be calculated and recognized in accordance with the applicable tax rate during the period in which the assets are expected to be recovered or the liabilities are settled).

(2) Deferred income tax assets shall be recognized to the extent of the taxable income which is likely to be obtained from the deductible temporary differences. If, at the balance sheet date, there is any exact evidence showing that enough taxable income is likely to be obtained in future periods to offset the deductible temporary differences, the deferred income tax assets unrecognized in previous accounting periods shall be recognized.

(3) On the balance sheet date, the book value of the deferred income tax assets shall be reviewed and if enough taxable income is likely to be obtained in future periods to offset the benefits of the deferred income tax assets, the book value of the deferred income tax assets shall be written down. When enough taxable income is likely to be obtained, the written-down amount shall be reversed.

(4) The income tax of the current period and deferred income tax of the Company shall be recorded in the current profits and losses as income tax expenses or incomes, but excluding the income tax arising under the following circumstances: merger of enterprises or transactions or events directly recognized in owners' equity.

27. Leasing

(1) Accounting treatment methods for operating leases

The rentals paid by the Company for renting assets shall be amortized by the straight-line method and recorded in the expenses of the current period without deducting the rent-free period. The initial direct expenses related to leasing transactions paid by the Company shall be recorded in the expenses of the current period.

When the lessor bears the expenses related to leasing which shall be borne by the Company, the Company shall deduct such expenses from the total rentals, amortize the rentals after the deduction within the lease period and record them in the expenses of the current period.

The rentals collected by the Company for leasing assets shall be amortized by the straight-line method during the entire lease period without deducting the rent-free period. The initial direct expenses related to leasing transactions paid by the Company shall be recorded in the expenses of the current period; if the amount is large, they shall be capitalized and recorded in the proceeds of the current period by stages on the same basis as the lease income during the entire lease period.

When the Company bears the expenses related to leasing which shall be borne by the lessee, the Company shall deduct such expenses from the total rentals and distribute them in the lease period according to the rentals after the deduction.

(2) Accounting treatment methods for finance leases

Assets under finance leases: the Company shall record the lower of the fair value of the leased assets and the present value of the minimum lease payments in an account on the commencement date of the lease, record the minimum lease payments in an account as the long-term payables in an account, and record the balance between the fair value of the leased assets and the current value of the minimum lease payments in an account as unrecognized finance charges. The Company adopts the effective interest rate method to amortize the unrecognized financing charges during the lease period and record them in the financial charges. The initial direct expenses incurred by the Company shall be recorded in the value of the leased

assets.

Assets under finance leases: The Company shall, on the commencement date of the lease, recognize the balance between the sum of the unsecured residual value of the accounts receivable and the current value of the accounts receivable as unrealized finance gains and recognize them in each period in which the rentals are received in the future as lease income. The initial direct expenses incurred by the Company in relation to leasing transactions shall be recorded in the initial measurement of the finance lease accounts receivable and the amount of proceeds recognized in the lease period shall be reduced.

## 28. Changes in important accounting policies and accounting estimates

### (1) Changes in important accounting policies

On May 10, 2017, the Ministry of Finance promulgated the revised Accounting Standards for Business Enterprises No.16 - Government Grants (hereinafter referred to as the "New Standards") for implementation as of June 12, 2017. The government grants existing as of January 1, 2017 shall be handled by applying the prospective application method, and the government grants newly added between January 1, 2017 and June 12, 2017 shall be adjusted according to the New Standards. Under the New Standards, the government grants related to the daily activities of the enterprises shall be recorded in other income or used to offset the relevant costs and expenses according to the essence of the business activities. The enterprises shall present the item of "other income" separately above the item of "operating profit" in the income statement, and present the government grants included in other income. The government grants unrelated to the daily activities of the enterprises shall be recorded in the non-operating income. The change in the policy shall have no impact on the financial status, operating results and cash flows in 2016 as at December 31, 2016.

On April 28, 2017, the Ministry of Finance promulgated the Notice on Issuing the Accounting Standards for Business Enterprises No.42 – Non- current Assets and Disposal Groups Held for Sale and Discontinued Operations (Cai Kuai [2017] No.13). The Accounting Standards for Business Enterprises No.42 – Non- current Assets and Disposal Groups Held for Sale and Discontinued Operations, effective as of May 28, 2017. The prospective application method shall be adopted for the non- current assets and disposal groups held for sale and discontinued operations existing on the effective date of these Standards. The change in the financial status, operating results and cash flows of 2016 as at December 31, 2016.

According to the Notice of the Ministry of Finance on Revising and Issuing the Formats of General Enterprise Financial Statements (Cai Kuai [2017] No.30), the original presentation under the item of "Non-Operating Revenue and Non-Operating Expenditures" shall be made. The gains and losses on the disposal of non- current assets and the gains and losses on the exchange of non- monetary assets shall be changed to be presented in the gains on the disposal of assets. This change in accounting policy should be adjusted retrospectively.

The impact of a change in accounting policy on the Item and amounts of the financial statements for the comparative period was as follows:

Name	A statement of the content of changes in accounting policies and its impact on the Company	Amount affected by the related financial statements	
		Item of the year 2016, dated as December 31, 2016	
		Project name:	Affect Amount Increase+/Decrease-
Notice of the Ministry of Finance on Issuing Forms of General Enterprise Financial Statements	Change the non- current asset gains and losses on disposal of non- current assets and non-monetary asset exchange gains and losses previously reported as "Non- Operating Revenue and Non- Operating Expenses to the Gain on Disposal of Assets.	Proceeds from Disposal of Assets	-92,533.22
		Non-operating income	-69,504.21
		Non-operating expenses	-162,037.43

### (2) Change in significant

accounting estimates None

## 29. Material accounting judgments and estimates

In the course of applying accounting policies, the Company needs to make judgments, estimates and assumptions about the book value of Item that cannot be measured accurately due to the uncertainties inherent in operating activities. These judgments, estimates and assumptions are made on the basis of the past experience of the Company's management and on the basis of other relevant factors. These judgments, estimates and assumptions affect the reported amount of income, expenses, assets and liabilities, and the disclosure of contingent liabilities on the balance sheet date. However, these uncertainties may result in actual results that differ from those currently estimated by the Company's management, resulting in significant

adjustments to the carrying amount of assets or liabilities that may be affected in the future.

The Company will regularly review the foregoing judgments, estimates and assumptions on an on-going basis. If a change in an accounting estimate affects only the period of the change, the effect of the change is recognized in the period of the change. If a change in an accounting estimate affects both the period of the change and future periods, the effect of the change is recognized in the period of the change and future periods.

The key areas in which the Company is required to make judgments, estimates and assumptions about the amounts of Item in its financial statements at the balance sheet date are as follows:

(1) Provision for bad debts

The Company adopts the allowance method for bad debts losses in accordance with the accounting policy on receivables. Impairment of receivables is based on assessing the collectability of receivables. Identifying impairment of receivables requires management's judgment and estimates. Differences between the actual results and the original estimate will affect the carrying amount of receivables and the provision for bad debts of receivables during the period in which the estimate is changed.

(2) Provision for decline in value of inventories

The Company shall, in accordance with the inventory accounting policies, measure the inventory at the cost or net realizable value, whichever is lower, and make provision for loss on decline in value of inventories whose cost is higher than the net realizable value, or for obsolete and unmarketable inventories. Impairment of inventories to net realizable value is based on an assessment of the salability of inventories and their net realizable value. To identify impairment of inventories, the management is required to make a judgment and estimate on the basis of obtaining unambiguous evidence and taking into consideration the purpose for holding inventories and the impact of events occurring after the balance sheet date. Any difference between the actual results and the previously estimated results will affect the inventories and the provision for decline in value of inventories and the period in which the estimate is changed.

(3) Held-To-Maturity investment

The Company classifies the qualified non- derivative financial assets with fixed or determinable repayment amount and a fixed maturity date and which are held by the Company for specific purpose and are able to hold until maturity as a held-to-maturity investment. Much judgment is required in carrying out this classification. During the judgment, the Company will assess the willingness and capability of holding such investments until maturity date. Except for special circumstances (for example, an investment with a small amount is sold near the maturity date), if the Company is unable to hold these investments until maturity date, all such investments must be reclassified as a sellable financial asset which shall not be classified as a held-to-maturity investment within the current accounting year as well as the following two complete accounting years. If such circumstance occurs, it may have a significant impact on the values of relevant financial assets listed in the financial statements, and may also affect the risk management strategies of the Company for financial instruments.

(4) Impairment of held-to-maturity investment

The Company's determination on whether the held-to-maturity investment is impaired relies on the judgment of the management to a large extent. The objective evidences proving the impairment include that the issuer has serious financial difficulties, making the financial asset unable to continue trading in the active market or unable to perform the contractual terms (for example, breach of contract on payment of interest or principal), etc. In making this judgment, the Company needs to assess the impact of objective evidences of impairment on the expected future cash flow of the investment.

(5) Impairment of sellable financial assets

The Company's determination on whether the sellable financial assets are impaired relies on the judgment and assumption of management to determine whether the impairment losses need to be recognized in the income statement. In making this judgment and assumption, the Company needs to assess the extent and duration of the fair value of the investment below cost, as well as the financial position and short-term business outlook of the investee, including industry conditions, technological change, credit rating, default rate and counterparty risk.

(6) Provision for impairment of non-financial non-current assets

The Company's determination on the balance sheet date of non- current assets other than financial assets is likely to occur in the event of impairment. For intangible assets with uncertain service life, in addition to the annual impairment test, the impairment test shall also be conducted when there is any sign of impairment. For other non-current assets other than financial assets, the impairment test shall be conducted when there is any sign that the carrying amount of the assets is irrecoverable.

When the carrying value of an asset or group is higher than the recoverable amount, that is, the net amount of the fair value minus the disposal expenses or the current value of the expected future cash flow, it shows that impairment has occurred.

The net amount of the fair value minus the disposal expenses shall be determined by reference to the price agreed in an arm's length transaction for similar assets or the observed market price, less the incremental costs directly attributable to the disposal of the asset.

When making an estimate of the current value of the future cash flow, important judgments shall be made on the output, selling price, the relevant operating costs of the asset (or group) as well as the discount rate used in the calculation of the current value. In making an estimate of recoverable amount, the Company uses all relevant information available, including projections of output, selling price and related operating

costs based on reasonable and substantiable assumptions.

The Company tests the goodwill for impairment at least annually. This requires making an estimate of the current value of the future cash flow of the asset group or combination of asset groups that have distributed business reputation. When making an estimate of the current value of future cash flows, the Company needs to make an estimate of the future cash flows generated by the asset group or combination of asset groups, and simultaneously choose an appropriate discount rate to determine the current value of the future cash flows.

#### (7) Depreciation and amortization

The Company shall withdraw depreciation and amortization of investment real estate, fixed assets and intangible assets by the straight-line method within their useful lives after taking into account their residual values. The Company periodically reviews its useful life to determine the amount to be included in the depreciation and amortization expense for each reporting period. Useful life is determined by the Company based on its previous experience of similar assets and in the light of expected technology innovation. Depreciation and amortization expense will be adjusted in future periods if previous estimates change materially.

#### (8) Income Tax

In normal course of business activities, in some transactions of the Company, the final tax treatment and calculation may be uncertain. Whether some Item can be disbursed before tax shall require the approval of the competent taxation authority. If the final determination of these tax matters differs from their initially estimated amount, the difference will affect the current income tax and deferred income tax for the period when they are finally determined.

## VI. Tax

### 1. Main tax categories and tax rates

Tax categories	Tax basis	Tax Rate
Value added tax	Taxable income	3%/17%
Urban maintenance and construction tax	Turnover tax payable in the current period	5%/7%
Education tax surcharge	Turnover tax payable in the current period	3%
Local education surcharge	Turnover tax payable in the current period	2%
Enterprise income tax	Taxable income for the current period	15%/25%

#### (1) Value-added tax rate

Unit	Year 2017	Year 2016
Boya Bio-pharmaceutical Group Co., Ltd.	3%	3%
Nancheng Jinshan Apheresis Plasma Co., Ltd.	3%	3%
Chongren Boya Apheresis Plasma Co., Ltd.	3%	3%
Jinxi Boya Apheresis Plasma Co., Ltd.	3%	3%
Ganzhou Nankang Apheresis Plasma Co., Ltd.	3%	3%
Yuechi Boya Apheresis Plasma Co., Ltd.	3%	3%
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	3%	3%
Linshui Boya Apheresis Plasma Co., Ltd.	3%	3%
Beijing Boya Xinnuo Biotechnology Co., Ltd.	3%	3%
Guizhou Tianan Pharmaceutical Co., Ltd.	17%	17%
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	17%	17%
Xinfeng Boya Apheresis Plasma Co., Ltd.	3%	3%
Fengcheng Apheresis Plasma Co., Ltd.	3%	3%
Yudu Boya Apheresis Plasma Co., Ltd.	3%	3%
Duchang Boya Apheresis Plasma Co., Ltd.	3%	3%
Nanjing Xinbai Pharmaceutical Co., Ltd.	17%	17%
Nanjing Boya Pharmaceutical Co., Ltd.	17%	17%

Nanjing Xinrui Pharmaceutical Technology Development Co., Ltd.	17%	17%
Guangdong Fuda Pharmaceutical Co., Ltd.	3%/17%	-

On January 19, 2009, the Ministry of Finance and the State Administration of Taxation promulgated the Circular on the Application of Low Value-added Tax Rate and Simplified Collection Method to Certain Goods (Cai Shui [2009] No. 9). Paragraph 3 of Article 2 of the Circular stipulates that general taxpayers who sell "biological products made from microorganisms, microbial metabolites, animal toxins, human or animal blood or tissues" may choose to calculate and pay the value-added tax at a rate of 6% under the simplified method, but the input tax may not be deducted. After general taxpayers choose the simplified method to calculate and pay the value-added tax, such method shall not be changed within 36 months. Based on the document, the Company calculates and pays the value-added tax at a rate of 6% under the simplified method since January 1, 2010, and no input tax may be deducted.

On August 24, 2009, the State Administration of Taxation promulgated the Official Reply on Issues Concerning the Value-added Tax Policies for the Supply of Blood for Non-clinical Use (Guo Shui Han [2009] No. 456). Article 2 of the Circular stipulates that if a plasma collection station, as a general taxpayer of value-added tax, sells human blood for non-clinical use, the taxable amount may be calculated at a rate of 6% under the simplified method, but no special value-added tax invoice may be issued to any other party; it may also be calculated at a rate of value-added tax according to the method for offsetting the input tax against the output tax and the applicable value-added tax rate. After taxpayers choose the method for calculating and paying the value-added tax, such method shall not be changed within 36 months.

On June 13, 2014, the Ministry of Finance and the State Administration of Taxation promulgated the Circular on Simplifying and Consolidating the Value-added Tax Rate Policies (Cai Shui [2014] No. 57). In order to further regulate the tax system and make tax burdens fair, upon the approval of the Department of State, it is decided to simplify and unify the value-added tax rate, and adjust the value-added tax rate from 6% and 4% to 3%. Since July 2014, Boya Bio-Pharmaceutical and its subordinate apheresis companies began to adopt the simple value-added tax rate of 3%.

#### (2) Enterprise income tax rate

Unit	Year 2017	Year 2016
Boya Bio-Pharmaceuticals Group Limited Corporation	15%	15%
Nancheng Jinshan Apheresis Plasma Co., Ltd.	25%	25%
Chongren Boya Apheresis Plasma Co., Ltd.	25%	25%
Jinxi Boya Apheresis Plasma Co., Ltd.	25%	25%
Ganzhou Nankang Apheresis Plasma Co., Ltd.	25%	25%
Yuechi Boya Apheresis Plasma Co., Ltd.	25%	25%
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	25%	25%
Linshui Boya Apheresis Plasma Co., Ltd.	25%	25%
Beijing Boya Xinnuo Biotechnology Co., Ltd.	25%	25%
Guizhou Tianan Pharmaceutical Co., Ltd.	15%	15%
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	25%	25%
Xinfeng Boya Apheresis Plasma Co., Ltd.	25%	25%
Fengcheng Boya Apheresis Plasma Co., Ltd.	25%	25%
Yudu Boya Apheresis Plasma Co., Ltd.	25%	25%
Duchang Boya Apheresis Plasma Co., Ltd.	25%	25%
Nanjing Xinbai Pharmaceutical Co., Ltd.	15%	15%
Nanjing Boya Pharmaceutical Co., Ltd.	25%	25%
Nanjing Xinrui Pharmaceutical Technology Development Co., Ltd.	25%	25%
Guangdong Fuda Pharmaceutical Co., Ltd.	25%	-

## 2. Tax Preferences

Boya Bio-Pharmaceutical is a hi-tech enterprise, determined by Gan Gao Qi Zhu Fa [2011] No.1, Jiangxi Provincial Hi-tech Enterprise Certification and Administration Leading Group, Valid Term is from November 12, 2010 to November 11, 2013.

In accordance with the Notice of the State Administration of Taxation on Issues Concerning the Implementation of Income Tax Preferences for Hi-tech Enterprises (Guo Shui Han [2009] No.203), certified hi-tech enterprises may apply for preferential corporate income tax from the year in which the valid term is approved.

The Company has been subject to 15% preferential income tax rate since the year of 2010.

The Company passed the review on July 8, 2013, and the valid term is from July 8, 2013 to July 7, 2016.

Afterwards, the Company actively reviewed its hi-tech enterprise, passed the review again on November 15, 2016 and obtained the certificate of hi-tech enterprise No. GF 201636000480. Valid term is three years.

Tianan Pharmaceutical is a hi-tech enterprise, which has been jointly determined by Guizhou Provincial Department of Science & Technology, Guizhou Provincial Department of Finance, Guizhou Provincial Office, SAT and Guizhou Provincial Local Taxation Bureau. Valid term is from September 28, 2011 to September 27, 2014.

In accordance with the Notice of the State Administration of Taxation on Issues Concerning the Implementation of Preferential Corporate Income Tax Policies for Hi-tech Enterprises (Guo Shui Han [2009] No.203), certified hi-tech enterprises may apply for preferential corporate income tax policies from the year in which the valid term is approved.

Tianan Pharmaceutical Co., Ltd. has been subject to the preferential income tax rate of 15% from the year of 2011.

Tianan Pharmaceutical passed the review on September 11, 2014, and the Valid term is from September 11, 2014 to September 11, 2017. It passed the review again on November 13, 2017, and obtained the certificate of high-tech enterprise No. GR 201752000216. Valid term is three years.

In accordance with the Measures for the Administration on Certification of Hi-tech Enterprises promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation, Xinbai Pharmaceutical was jointly recognized as a hi-tech enterprise by Jiangsu Provincial Science and Technology Administration, Jiangsu Provincial Finance Administration, Jiangsu State Taxation Administration and Jiangsu Local Taxation Bureau on May 21, 2012 and obtained the GR 201232000012 Certificate. The valid term is until May 20, 2015. The Hi-tech Enterprise Certificate obtained by Xinbai Pharmaceutical passed the review prior to its expiration and Xinbai Pharmaceutical has obtained Hi-tech Enterprise Certificate No. GR 201532000766. Valid term is three years.

## VII. Notes to the Main Item in the Consolidated Financial Statements

(Unless otherwise specified, the amounts shall be denominated in Chinese yuan)

### 1. Monetary funds

Item	2017-12-31	2016-12-31
Cash	903,710.73	813,283.67
Cash at bank	490,251,037.58	419,192,276.87
Other currency funds	11,318,600.00	2,138,070.80
Including: Security deposits	11,318,600.00	2,138,070.80
<b>Total</b>	<b>502,473,348.31</b>	<b>422,143,631.34</b>
Including: Aggregate amounts deposited overseas	—	—

All other currency funds included in the closing balance of monetary funds are deposits of bank acceptance margin funds. Except for margin deposits, there is no amount subject to mortgage, freezing or other restrictions on use of the closing balance of monetary funds and no amount deposited overseas or with potential recovery risk.

### 2. Notes receivable

1) Notes receivable listed as follows:

Item	2017-12-31	2016-12-31
Bankers' acceptances	131,246,238.36	74,964,683.69
Trade acceptance bills	156,427,371.43	34,885,000.00
<b>Total</b>	<b>287,673,609.79</b>	<b>109,849,683.69</b>



- 2) Notes receivable that are unpledged notes receivable at the end of period.
- 3) Notes receivable that have been endorsed or discounted by the Company at the Balance Sheet Date and are not due at the Balance Sheet Date:

Item	Ending Confirmation Amount	Ending Confirmation Amount
Bankers' acceptance notes	98,545,983.38	—
Trade acceptance bills	—	—
<b>Total</b>	<b>98,545,983.38</b>	<b>—</b>

- 4) There are no notes receivable transferred to the notes receivable as a result of the default of the drawer at the end of period.

### 3. Receivables

- 1) Disclosure by Classification of Accounts Receivable:

Item	2017-12-31				Book Value
	Book Balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Accrual Percentage (%)	
Accounts receivable that are material individually and that are separately provided for bad debts	38,933,619.30	12.57	5,253,069.15	13.49	33,680,550.15
Accounts receivable that are provided for bad debts by portfolio of credit risk characteristics	269,247,340.24	86.92	13,966,190.16	5.19	255,281,150.08
Accounts receivable that are not material individually but that are separately provided for bad debts	1,570,346.03	0.51	1,570,346.03	100.00	—
<b>Total</b>	<b>309,751,305.57</b>	<b>100.00</b>	<b>20,789,605.34</b>	<b>6.71</b>	<b>288,961,700.23</b>

Item	2016-12-31				Book Value
	Book Balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Accrual Percentage (%)	
Accounts receivable that are material in amount and that are separately for bad debts	18,651,344.02	16.22	8,862.08	0.05	18,642,481.94
Standard for Bad Debts Portfolio by Credit Risk Characteristics	96,313,486.01	83.78	5,222,894.78	5.42	91,090,591.23
Provided for Receivables					
Accounts receivable that are not material in amount but that are separately provided for	—	—	—	—	—
<b>Total</b>	<b>114,964,830.03</b>	<b>100.00</b>	<b>5,231,756.86</b>	<b>4.55</b>	<b>109,733,073.17</b>

- ① Provision of accounts receivable that are material individually and that are separately provided for bad debts:

Accounts Receivable Unit	Book Balance	Bad debts amount	Accrual Percentage	Reasons
Hebei Provincial Center of	1,089,214.81	1,089,214.81	100.00%	Anticipated

Health and Biological Products Supply				Irrecoverable
Minsheng Group Henan Pharmaceutical Co., Ltd.	1,108,555.00	1,108,555.00	100.00%	Anticipated Irrecoverable
Hunan Jinzhilu Pharmaceutical Co., Ltd.	1,941,580.00	1,941,580.00	100.00%	Anticipated Irrecoverable
Chengdu Luyan Guangfu Pharmaceutical Co., Ltd.	1,097,140.00	1,097,140.00	100.00%	Anticipated Irrecoverable
Jiangsu Wanbang Biochemical Pharmaceutical Group Co., Ltd.	21,030,672.59	10,732.61	0.05%	Based on the balance of the creditor's rights after deducting the payment of the raw materials to be paid by the relevant company
NCPC International Corporation	5,809,111.00	2,559.78	0.04%	Based on the balance of the creditor's rights after deducting the payment of the raw materials to be paid by the relevant company
Nanjing Nanda Pharmaceutical Co., Ltd.	4,334,999.90	1,781.19	0.04%	Based on the balance of the creditor's rights after deducting the payment of the raw materials to be paid by the relevant company
Shandong Wanbang Sainuokang Biochemical Pharmaceutical Co., Ltd.	2,522,346.00	1,505.76	0.06%	Based on the balance of the creditor's rights after deducting the payment of the raw materials to be paid by the relevant company
<b>Total</b>	<b>38,933,619.30</b>	<b>5,253,069.15</b>	<b>13.49%</b>	

Shandong Wanbang Sainuokang Biochemical Pharmaceutical Co., Ltd. (formerly Zaozhuang Sainuokang Biochemical Co., Ltd.) ("Sainuokang") and Xinbai Pharmaceutical have entered into the agreement regarding the cooperation in the production of Heparina. The agreement provides that Sainuokang is responsible for the supply of qualified crude Heparina products while Xinbai Pharmaceutical shall be responsible for the production of Heparina APIs in compliance with the standards and responsible for the quality of such APIs. Sainuokang is responsible for the sale of Heparina APIs. As the above units are Sainuokang's designated units for the sale of Heparina APIs, Sainuokang is responsible for the payment receipt. The Company is provided for bad debt in the ratio of 5% of the balance of the creditor's rights of the Company after deducting the payment for the relevant lot of the Raw Materials.

Among portfolios, accounts receivable to which a provision for bad debts is made based on the aging analysis:

Aging	2017-12-31		
	Receivables	Provision for bad debts	Percentage
Less than 1 year	266,358,655.16	13,317,932.76	5.00%
1 to 2 years	1,702,122.11	170,212.21	10.00%
2 to 3 years	1,180,862.97	472,345.19	40.00%
Over 3 years	5,700.00	5,700.00	100.00%
<b>Total</b>	<b>269,247,340.24</b>	<b>13,966,190.16</b>	—

Aging	2016-12-31		
	Receivables	Provision for bad debts	Accrual Percentage
Less than 1 year	90,015,080.42	4,500,754.02	5.00%
1 to 2 years	6,035,448.24	603,544.82	10.00%
2 to 3 years	240,602.35	96,240.94	40.00%
Over 3 years	22,355.00	22,355.00	100.00%

<b>Total</b>	<b>96,313,486.01</b>	<b>5,222,894.78</b>	—
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③ Among portfolios, accounts receivable that are not subject to the balance percentage method for making provision for bad debts.

④ Among portfolios, the receivables which do not use other methods to make provision for bad debts.

2) Provision for bad debts made, recovered or reversed in the current period

The amount of provision for bad debts increased due to the merger of enterprises not under common control in the current period is RMB 6,924,231.39; the amount of provision for bad debts made in the current period is RMB 8,633,617.09; recovered in the current period or

The amount of provision for bad debts transferred back is RMB 0.

3) Provision for the top five receivables in terms of ending balance which are collected on the basis of parties in arrears;

The total amount of receivables in terms of ending balance which are collected on the basis of parties in arrears in the current reporting period is RMB 63,846,910.82, which accounts for the proportion of the total ending balance of accounts receivables 20.61%, and the total amount of the provision for bad debts made correspondingly is RMB 2,151,544.52.

#### 4. Advance payment

1) The advance payment goes by aging:

Item	2017-12-31		2016-12-31	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	136,211,566.61	99.20	2,284,420.73	85.76
1 to 2 years	900,629.30	0.66	266,046.00	9.99
2 to 3 years	54,851.12	0.04	93,200.00	3.50
Over 3 years	134,954.44	0.10	20,038.19	0.75
<b>Total</b>	<b>137,302,001.47</b>	<b>100.00</b>	<b>2,663,704.92</b>	<b>100.00</b>

2) The total amount of the top five prepayments collected on the basis of those to whom prepayments are made at the end of period is RMB 132,910,979.57, which accounts for 96.80% of the total prepayments at the end of period.

#### 5. Other receivables

1) Disclosure of other receivables by classification:

Category	2017-12-31				Book Value
	Book Balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion to be accrued (%)	
Other receivables that are material individually and that are provided for separately for bad debts	—	—	—	—	
Other receivables that are provided for bad debts by credit risk portfolio	7,641,166.04	100.00	1,128,461.47	14.77	6,512,704.57
Other receivables that are not material in amount but that are provided for separately	—	—	—	—	—
<b>Total</b>	<b>7,641,166.04</b>	<b>100.00</b>	<b>1,128,461.47</b>	<b>14.77</b>	<b>6,512,704.57</b>

Category	2016-12-31				Book Value
	Book Balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Accrual Percentage (%)	
Material individually and that are provided for separately for bad debts	—	—	—	—	
Other receivables					
Other receivables that are provided for in accordance with credit risk characteristics	3,516,780.03	100.00	351,615.33	10.00	3,165,164.70
Other receivables that are not individually but that are separately provided for bad debts	—	—	—	—	—
<b>Total</b>	<b>3,516,780.03</b>	<b>100.00</b>	<b>351,615.33</b>	<b>10.00</b>	<b>3,165,164.70</b>

① Other receivables that are not material in amount individually and that are provided for individually for bad debts.

② Other receivables in portfolios: Provision for bad debts based on aging analysis

Aging	2017-12-31		
	Other receivables	Provision for bad debts	Accrual Percentage
Less than 1 year	5,882,390.66	294,119.52	5.00%
1 to 2 years	861,307.13	86,130.71	10.00%
2 to 3 years	248,761.68	99,504.67	40.00%
Over 3 years	648,706.57	648,706.57	100.00%
<b>Total</b>	<b>7,641,166.04</b>	<b>1,128,461.47</b>	—

Aging	2016-12-31		
	Other receivables	Provision for bad debts	Accrual Percentage
Less than 1 year	3,114,207.78	155,710.39	5.00%
1 to 2 years	168,185.68	16,818.57	10.00%
2 to 3 years	92,167.00	36,866.80	40.00%
Over 3 years	142,219.57	142,219.57	100.00%
<b>Total</b>	<b>3,516,780.03</b>	<b>351,615.33</b>	—

③ Among portfolios, with no other receivables to be provided for bad debts through the balance percentage method.

④ In other receivables in the portfolio, there is no other methods to provide provision for bad debts.

⑤ No other receivables that are insignificant individually but for which bad debts are separately provided for at the end of the period.

2) Provision for bad debts made, recovered or reversed in the current period

Current bad debts provision increased due to any amalgamation of enterprises which are not under common control is RMB 539,682.29; current bad debts provision amount to be made is RMB 237,163.85; current recovered or reversed amount of provision for bad debts is RMB 0.

3) Other receivables by nature of payments

Item	2017-12-31	2016-12-31

Deposit	235,803.00	241,804.13
Security	2,566,071.36	1,160,718.00
Private Placement Expenses	1,818,000.00	—
Imprest Fund	1,379,210.08	476,627.57
Borrowing	—	665,159.40
Miscellaneous	1,642,081.60	972,470.93
<b>Total</b>	<b>7,641,166.04</b>	<b>3,516,780.03</b>

4) Other receivables that rank top five in the ending balance if collected based on payees;

Company name	Nature of payment	Ending balance	Aging	Proportion (%) of total other receivables ending balance	Bad debts provision ending balance
Great Wall Securities Corporation	Private Placement Expenses	1,500,000.00	Less than 1 year	19.63	75,000.00
Hangzhou Junlan Pharmaceutical Trading Co., Ltd.	Security	1,000,000.00	Less than 1 year	13.09	50,000.00
Wudang Power Supply Bureau	Security	405,000.00	1-2 years	5.30	40,500.00
Liang Xiao	Imprest Fund	400,000.00	Less than 1 year	5.23	20,000.00
China CYTS Tours Holding Co., Ltd.	Miscellaneous	386,100.00	Less than 1 year	5.05	19,305.00
<b>Total</b>		<b>3,691,100.00</b>		<b>48.30</b>	<b>204,805.00</b>

## 6. Inventories

1) Disclosure of Inventories by Classification:

Item	2017-12-31			2016-12-31		
	Book Balance	Provision for Decline in Price	Book Value	Book Balance	Provision for Decline in Price	Book Value
Raw Materials	197,697,456.42	—	197,697,456.42	121,851,509.63	—	121,851,509.63
Products in Process	125,279,525.42	—	125,279,525.42	104,748,404.59	—	104,748,404.59
Inventory Goods	192,498,802.09	—	192,498,802.09	61,279,949.76	—	61,279,949.76
Working Materials	2,163,958.80	—	2,163,958.80	833,378.72	—	833,378.72
<b>Total</b>	<b>517,639,742.73</b>	—	<b>517,639,742.73</b>	<b>288,713,242.70</b>	—	<b>288,713,242.70</b>

2) If there is no net realizable value lower than the book cost of the inventories at the end of the period, it is not necessary to make provision for decline in value of inventories.

3) There is no amount of capitalization of borrowing costs in the inventories of the Company and no mortgage or other inventories in the closing inventories.

## 7. Other current assets

Item	2017-12-31	2016-12-31
Entrusted Loan	—	15,000,000.00
Wealth Management Products	—	50,000,000.00
To be Credited VAT	13,930,473.72	9,413,099.34
<b>Total</b>	<b>13,930,473.72</b>	<b>74,413,099.34</b>

## 8. Financial Assets Available for Sale

## 1) Status of Financial Assets Available for Sale:

Item	2017-12-31		
	Book Balance	Provision For Impairment	Book Value
Debt Instruments Available for Sale:	—	—	—
Equity Instruments Available for Sale:	500,000.00	—	500,000.00
Measured at Fair Value	—	—	—
Measured at Cost	500,000.00	—	500,000.00
<b>Total</b>	<b>500,000.00</b>	<b>—</b>	<b>500,000.00</b>

Item	2016-12-31		
	Book Balance	Provision For Impairment	Book Value
Debt Instruments Available for Sale:	—	—	—
Equity Instruments Available for Sale:	—	—	—
Measured at Fair Value	—	—	—
Measured at Cost	—	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>

## 2) Financial Assets Available for Sale measured at Cost at End of Period:

Invested Units	Book Balance				Provision For Impairment				Percentage of Shareholding in Invested Units (%)	Current Cash Dividend
	Beginning	Current Increase	Current Reduction	Ending	Beginning	Current Increase	Current Reduction	End of Period		
Jiangxi Renfeng Pharmaceutical Co., Ltd.	—	500,000.00	—	500,000.00	—	—	—	—	4.35%	—
<b>Total</b>	<b>—</b>	<b>500,000.00</b>	<b>—</b>	<b>500,000.00</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

## 9. Long-term Equity Investment

## 1) Investment in Associates:

		Current Increase Or Decrease Change	Impairment

Invested Units	2016-12-31	Additional Investment	Reduction of Investment	Gains or Losses on Investments Recognized under the Equity Method	Miscellaneous	2017-12-31	Provision Ending Balance
Jiangxi Boya Pharmaceutical Management Co., Ltd.	34,441,027.57	—	34,088,164.08	-352,863.49	—	—	—
Zhuji GTJA Ruian Investment Partnership (L.P.)	50,004,344.30	—	—	-3,401,640.99	2,499,755.33	49,102,458.64	—
Shenzhen GTJA Qianhai Youxiang Investment Partnership (L.P.)	—	50,000,000.00	—	-2,190,055.94	—	47,809,944.06	—
Shenzhen GTJA Ruibao Investment Partnership (L.P.)	—	51,585,400.00	—	-14,593.37	—	51,570,806.63	—
<b>Total</b>	<b>84,445,371.87</b>	<b>101,585,400.00</b>	<b>34,088,164.08</b>	<b>-5,959,153.79</b>	<b>2,499,755.33</b>	<b>148,483,209.33</b>	<b>—</b>

Note: Other changes in Zhuji GTJA Ruian Investment Partnership (L.P.), are due to the Company's failure to participate in the capital increase of Zhuji GTJA Ruian Investment Partnership (L.P.), resulting in a decrease in its shareholding percentage and increase in its corresponding interest.

## 10. Fixed Assets

Item	Premises and Buildings	Machinery Devices	Means of Transport	Electronics Devices	Other Devices	Total
<b>I. Original Book Value</b>						
1. Opening Balance	245,251,874.68	238,366,808.25	22,981,823.23	15,452,118.49	28,457,038.89	550,509,663.54
2. Current Increase Amount	2,986,547.91	21,665,461.02	5,483,534.03	3,557,814.34	8,196,360.78	41,889,718.08
(1) Outsourcing	2,469,526.51	10,611,829.11	4,458,176.21	3,155,368.23	8,124,150.60	28,819,050.66
(2) Transfer-in of Construction-in-Progress	—	11,053,631.91	—	—	47,179.47	11,100,811.38
(3) Increase in Business Combination	—	—	1,025,357.82	402,446.11	25,030.71	1,452,834.64
(4) Other Additions	517,021.40	—	—	—	—	517,021.40
3. Current Reduction Amount	—	3,665,673.00	803,645.73	74,888.11	1,124,080.28	5,668,287.12
(1) Disposal or Abandonment	—	3,665,673.00	803,645.73	74,888.11	607,058.88	5,151,265.72
(2) Other Transfer out	—	—	—	—	517,021.40	517,021.40
4. Ending Balance	248,238,422.59	256,366,596.27	27,661,711.53	18,935,044.72	35,529,319.39	586,731,094.50
<b>II. Accumulated Depreciation</b>						
1. Opening Balance	53,096,810.78	128,569,390.13	13,374,671.01	9,569,263.05	14,206,231.62	218,816,366.59
2. Current Increase	11,193,803.47	19,258,208.82	4,270,851.61	2,627,877.75	4,080,009.82	41,430,751.47

Amount						
(1) Withdrawal	10,702,633.14	19,258,208.82	4,270,851.61	2,627,877.75	4,080,009.82	40,939,581.14
(2) Other Additions	491,170.33	—	—	—	—	491,170.33
3. Current Reduction Amount	—	2,809,462.30	601,710.61	71,143.72	1,066,549.60	4,548,866.23
(1) Disposal	—	2,809,462.30	601,710.61	71,143.72	575,379.27	4,057,695.90
(2) Other Transfer out	—	—	—	—	491,170.33	491,170.33
4. Ending Balance	64,290,614.25	145,018,136.65	17,043,812.01	12,125,997.08	17,219,691.84	255,698,251.83
III. Provision for Impairment						
1. Opening Balance	—	—	—	—	—	—
2. Current Increase Amount	—	—	—	—	—	—
3. Current Reduction Amount	—	—	—	—	—	—
4. Ending Balance	—	—	—	—	—	—
IV. Book Value						
<b>1. Ending Book Value</b>	<b>183,947,808.34</b>	<b>111,348,459.62</b>	<b>10,617,899.52</b>	<b>6,809,047.64</b>	<b>18,309,627.55</b>	<b>331,032,842.67</b>
<b>2. Opening Value</b>	<b>192,155,063.90</b>	<b>109,797,418.12</b>	<b>9,607,152.22</b>	<b>5,882,855.44</b>	<b>14,250,807.27</b>	<b>331,693,296.95</b>

- 1) No evidence of impairment is found for the fixed assets at the end of the period, and it is not necessary to make an impairment provision. The fixed assets are not idled temporarily at the end of the period, leased by finance lease, leased by operation lease, or pledged or mortgaged;
- 2) Fixed Assets without Title Certificates

Item	Reason for Failure in Possession of Title Certificate	Original Book Value (10,000 yuan)	Expected Completion of Title Certificate
Phase III Comprehensive Preparation Building (Xinbai Pharmaceutical)	In Process	5,610.00	End of 2018
R&D Building (Tianan Pharmaceutical)	In Process	833.72	End of 2018
<b>Total</b>		<b>6,443.72</b>	

## 11. Construction-in-Progress

### 1) Balance of Construction-in-Progress Projects:

Item	2017-12-31			2016-12-31		
	Book Balance	Provision for Impairment	Net Book Value	Book Balance	Provision for Impairment	Net Book Value
Ceftriaxone Project	14,000,000.00	—	14,000,000.00	14,000,000.00	—	14,000,000.00
Boya Seehot Pharmaceutical Industry Project	238,068,764.71	—	238,068,764.71	176,817,724.71	—	176,817,724.71
Coagulation Factor Production R&D Building	94,311,984.16	—	94,311,984.16	52,319,013.57	—	52,319,013.57
1000-Ton Blood Product Intelligent Factory Construction Project	4,676,251.19	—	4,676,251.19	—	—	—
Management Platform of Apheresis Plasma Station	4,600,000.00	—	4,600,000.00	—	—	—



Xinfeng Plasma Station Construction Project	8,446,000.00	—	8,446,000.00	—	—	—
Duchang Plasma Station Construction Project	51,168.00	—	51,168.00	—	—	—
Renovation of Nankang Plasma Station	5,594,229.37	—	5,594,229.37	2,724,421.39	—	2,724,421.39
Renovation and Expansion of Xinbai Workshop	21,775,642.39	—	21,775,642.39	1,221,582.39	—	1,221,582.39
Miscellaneous Works	5,758,846.03	—	5,758,846.03	826,009.93	—	826,009.93
<b>Total</b>	<b>397,282,885.85</b>	<b>—</b>	<b>397,282,885.85</b>	<b>247,908,751.99</b>	<b>—</b>	<b>247,908,751.99</b>

## 2) Changes in Major Construction-in-Progress at Current Period Unit: 10,000 yuan

Project name:	Budget	2016-12-31	Current Increase Amount	Fixed Assets Transfer Amount in Current Period	Current Other Reduction Amount	2017-12-31	Proportion of Cumulative Investment to Budget	Construction Schedule	Cumulative Amount to Capitalization of Interest Capitalized	Of which: Amount to Be Capitalized	Current Interest Capitalization Rate	Source of Funds
Ceftriaxone Project	3,500.00	1,400.00	—	—	—	1,400.00	40.00%	40.00%	—	—	—	Proceeds Raised
Boya Seehot Pharmaceutical Industry Project	20,000.00	17,681.77	6,125.11	—	—	23,806.88	119.03%	—	1,180.56	1,004.63	16.40%	Self-Financing and Raised Funds
Coagulation Factor Production R&D Building Project	9,640.00	5,231.90	5,304.66	1,105.36	—	9,431.20	97.83%	97.83%	—	—	—	Proceeds Raised
1000-Ton Blood Product Intelligent Factory Construction Project	136,011.50	—	467.63	—	—	467.63	0.34%	0.34%	—	—	—	Self-Financing and Raised Funds
<b>Total</b>	<b>169,151.50</b>	<b>24,313.67</b>	<b>11,897.40</b>	<b>1,105.36</b>	<b>—</b>	<b>35,105.71</b>	<b>—</b>	<b>—</b>	<b>1,180.56</b>	<b>1,004.63</b>	<b>—</b>	

3) Ceftriaxone Project is the Proposal on Using Overraised Funds to Purchase Technology of Ceftriaxone Tablets and Raw Materials Project reviewed and adopted at the 25th meeting of the fourth board of directors of the Company, in which the board of directors of the Company approves that the Company may use RMB 35,000,000 to purchase the Project of "Ceftriaxone Tablets, Raw Materials Project Technology and New Drug Certificate and Relevant Intellectual Property" and the remaining amount is the progress payment of technology transfer made in accordance with the Agreement.

4) Boya Seehot Pharmaceutical Industry Project is the Proposal on Using Raised Funds to Set up a Wholly-owned Tertiary Subsidiary and Build a Pharmaceutical Industry Project reviewed and adopted at the 9th meeting of the fifth board of directors of the Company. The raised funds RMB 50 million are used to increase the capital of its wholly-owned subsidiary Jiangxi Boya Seehot Pharmaceutical Investment Co., Ltd. The additional funds are to be used to set up a wholly-owned tertiary subsidiary, Jiangxi Boya Seehot Pharmaceutical Co., Ltd., in Fuzhou. Boya Seehot Pharmaceutical Co., Ltd. plans to invest RMB 200 million to build a pharmaceutical industry project in Fuzhou so as to undertake the production of ceftriaxone and other pharmaceutical products. Currently, that company is still in the construction stage.

- 5) The project of R&D Building for the Production of Coagulation Factor Products is the Proposal on Building up a R&D Building for the Production of Coagulation Factor Products with the Surplus Raised Funds and Self-owned Funds deliberated and adopted at the 15th meeting of the fifth board of directors of the Company. The Company used the surplus balanced after IPO and self-owned fund in 2012 to construct the coagulation factor products R&D building.

The total budget of the project is RMB 96.4 million, of which RMB 46.0763 million is the surplus from raising and RMB 50.3237 is self-owned.

In December 2015, the Company raised supporting funds by way of private placement, and used the supporting funds of RMB 50 million to build up a R&D Building for the Production of Coagulation Factor Products instead of its self-owned funds. In December 2017, the human fibrinogen production workshop involved in the R&D Building for the Production of Coagulation Factor Products may be officially put into operation after passing the GMP certification. For the human fibrinogen production workshop, the value is RMB 11.0536 million, which is transferred into fixed assets.

- 6) The Proposal on the Plan for the Private Placement of Stocks of the Company has been considered and adopted by the sixth board of directors of the Company at the fifth meeting and the second extraordinary general meeting of 2017. The aggregate proceeds raised from the private placement of A shares to specific investors shall not exceed the amount of proceeds raised from the private placement of stocks shall not exceed the amount of RMB 1 billion, after deducting distribution costs, shall be used for the 1,000 ton blood product smart factory construction project.

It is estimated that the total investment of the RMB 1,360,115,000 was used for the 1000-ton blood product smart factory construction project. The net difference between raised funds and planned amount for the project was undertaken by the Company using its self-owned funds or other financing methods..

As of the date of the audit report, the Company has issued 32,247,662 shares by way of private placement, raising net amount of RMB 989,256,000.

## 12. Intangible assets

Item	Land-use Right	Software	Patented technology	Non-patented technology	Total
I. Original Book Value					
1. Opening Balance	85,478,868.29	4,124,576.17	14,342,990.00	4,668,940.00	108,615,374.46
2. Current Increase Amount	493,084.00	1,162,371.67	24,361,845.00	—	26,017,300.67
(1) Outsourcing	493,084.00	1,099,689.43	24,361,845.00	—	25,954,618.43
(2) Internal research and development	—	—	—	—	—
(3) Increase in Business Combination	—	62,682.24	—	—	62,682.24
(4) Transfer of Construction-in-Progress	—	—	—	—	—
3. Current Reduction Amount	—	—	—	—	—
(1) Disposal or Abandonment	—	—	—	—	—
4. Ending Balance	85,971,952.29	5,286,947.84	38,704,835.00	4,668,940.00	134,632,675.13
II. Accumulated Amortization					
1. Opening Balance	7,589,737.51	2,348,364.96	1,971,547.36	2,715,568.92	14,625,218.75
2. Current Increase Amount	1,966,935.72	782,751.67	2,188,051.41	905,189.64	5,842,928.44
(1) Withdrawal	1,966,935.72	782,751.67	2,188,051.41	905,189.64	5,842,928.44
3. Current Reduction Amount	—	—	—	—	—
(1) Disposal	—	—	—	—	—

4. Ending Balance	9,556,673.23	3,131,116.63	4,159,598.77	3,620,758.56	20,468,147.19
III. Provision for Impairment					
1. Opening Balance	—	—	—	—	—
2. Current Increase Amount	—	—	—	—	—
(1) Withdrawal	—	—	—	—	—
3. Current Reduction Amount	—	—	—	—	—
(1) Disposal	—	—	—	—	—
4. Ending Balance	—	—	—	—	—
IV. Book Value					
<b>1. Ending Book Value</b>	<b>76,415,279.06</b>	<b>2,155,831.21</b>	<b>34,545,236.23</b>	<b>1,048,181.44</b>	<b>114,164,527.94</b>
<b>2. Opening Book Value</b>	<b>77,889,130.78</b>	<b>1,776,211.21</b>	<b>12,371,442.64</b>	<b>1,953,371.08</b>	<b>93,990,155.71</b>

Note: The proportion of the intangible assets formed through internal research and development of the Company at the end of the year in the balance of the intangible assets is 0. It is not required to make provision for impairment if there is no net realizable value of the intangible assets at the end of period.

### 13. Development Expenditure

Item	2016-12-31	Current Increase Amount		Current Reduction Amount			2017-12-31
		Internal Development Expenditure	Miscellaneous	Confirmed as intangible assets	Transfer-in Current Profit and Loss	Miscellaneous	
Human Coagulation Factor VIII	13,481,619.19	6,333,908.69	—	—	—	—	19,815,527.88
Human Prothrombin Complex	3,573,501.22	4,014,701.63	—	—	—	—	7,588,202.85
Boya Seehot Diabetes Medications	1,260,214.17	1,179,390.98	—	—	—	—	2,439,605.15
Workmanship							
Boya Seehot Strain Intermediates Industrialization Technology	—	5,601,022.35	—	—	—	—	5,601,022.35
Consistency Evaluation of Diabetic Medicines	—	7,564,386.79	—	—	—	—	7,564,386.79
<b>Total</b>	<b>18,315,334.58</b>	<b>24,693,410.44</b>	—	—	—	—	<b>43,008,745.02</b>

### 14. Goodwill

1) Original Book Value of Goodwill:

Investee Name or	2016-12-31	Current Increase Amount	Current Reduction Amount	2017-12-31
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Matters Forming Goodwill		Formed by Business Combination	Miscellaneous	Disposal	Miscellaneous	
Tianan Pharmaceutical	126,747,644.00	—	—	—	—	126,747,644.00
Xinbai Pharmaceutical	371,026,199.46	—	—	—	—	371,026,199.46
Fuda Pharmaceutical	—	166,068,135.32	—	—	—	166,068,135.32
<b>Total</b>	<b>497,773,843.46</b>	<b>166,068,135.32</b>	—	—	—	<b>663,841,978.78</b>

The goodwill of Tianan Pharmaceutical was formed by Tianan Pharmaceutical which is not a merged subsidiary under common control. Goodwill is calculated as follows:

As of the Merger Date, the identifiable net assets of Tianan Pharmaceutical were appraised by Jiangsu Zhongtian Assets Appraisal Co., Ltd., and the identifiable net assets were RMB 109,334,645.41. The amount of identifiable net assets corresponding to 55.586% of the equity interest in Tianan Pharmaceutical purchased by the Company is RMB 60,774,756.00, the actual investment cost of which is RMB 187,522,400.00. The goodwill formed by an acquisition of 55.586% of the equity interest in Tianan Pharmaceutical which is not under common control is RMB 126,747,644.00.

The goodwill of Xinbai Pharmaceutical was formed by Xinbai Pharmaceutical which is not a merged subsidiary under common control. Goodwill is calculated as follows:

In 2015, Beijing Pan-China Appraisal Co., Ltd. conducted an appraisal of all shareholders' interest in Xinbai and issued the appraisal report with the document number of Tian Xing Ping Bao Zi (2015) No. 0559 with the appraisal reference date being May 31, 2015.

The identifiable net assets of Xinbai as of the appraisal reference date is RMB 242,591,731.80. The Merger Date is November 30, 2015. Based on the appraisal report, as of the Merger Date, the identifiable net assets of Xinbai Pharmaceutical were RMB 248,980,000.54, actual investment cost of Xinbai Pharmaceutical was RMB 620,006,200.00.

The goodwill formed by the merger of equity interest in Xinbai Pharmaceutical which is not under common control is RMB 371,026,199.46.

The goodwill of Fuda Pharmaceutical is formed by a merger subsidiary of Fuda which is not under common control. Goodwill is calculated as follows:

The merger date for the acquisition of Fuda Pharmaceutical by the Company by controlling shares is October 30, 2017, with the identifiable net assets of Fuda as of the merger date being RMB 63,477,883.75.

The amount of identifiable net assets corresponding to the 82% equity interest in Fuda Pharmaceutical purchased by the Company is RMB 52,051,864.68, and the actual investment cost of RMB 218,120,000.00.

The goodwill formed by the merger of equity interest in Xinbai Pharmaceutical not under common control is RMB 166,068,135.32.

## 2) Provision for goodwill impairment:

Name of Investee or matters forming goodwill	2016-12-31	Current Increase Amount		Current Reduction Amount		2017-12-31
		Withdrawal	Miscellaneous	Disposal	Miscellaneous	
Tianan Pharmaceutical	—	—	—	—	—	—
Xinbai Pharmaceutical	—	—	—	—	—	—
Fuda Pharmaceutical	—	—	—	—	—	—
<b>Total</b>	—	—	—	—	—	—

The Testing Procedures of Goodwill Impairment Preparation Process of Tianan Pharmaceutical are as follows:

All the assets of Tianan Pharmaceutical as of December 31, 2017 are recognized as an asset group to judge whether there is any sign of impairment of the asset group relating to goodwill. The income method is adopted to estimate the current value of the predicted future cash flow of the entire asset group of Tianan Pharmaceutical, and the cash flow standard is the enterprise Liberty cash flow, and the discount rate is determined based on weighted average cost of capital (WACC), which estimates the total asset value of Tianan Pharmaceutical as of December 31, 2017, and then calculates the total equity value of shareholders.

Total equity value of shareholders = total asset value - interest-bearing debt. It is estimated that there is no impairment of goodwill of Tianan Pharmaceutical.

Xinbai Pharmaceutical's Goodwill Impairment Preparation Process:

Xinbai Pharmaceutical as of December 31, 2017 is recognized as an asset group to judge whether there is any sign of impairment of the asset group relating to goodwill. The present value of the predicted future cash flow of Xinbai Pharmaceutical's entire asset group is estimated by using the income method. The cash flow caliber selected is the enterprise's free cash flow. The weighted average cost of capital (WACC) is selected as the discount rate. The total asset value of New Pharmaceutical as of December 31, 2017 is estimated, and then the total equity value of shareholders is calculated. Total equity value of shareholders = total asset value-interest-bearing debt. After calculation, there is no impairment of goodwill of Xinbai Pharmaceutical.

The Testing Procedures of Impairment of Fuda Pharmaceutical's Goodwill Preparation are as follows:

All the assets of Fuda Pharmaceutical as of December 31, 2017 are considered as an asset group to judge if there is any impairment of goodwill of related asset groups. The present value of the predicted future cash flow of Fuda Pharmaceutical's entire asset group is estimated by using the income method. The cash flow caliber selected is the free cash flow of the enterprise. The weighted average cost of capital (WACC) is selected as the discount rate. The total asset value of Fuda Pharmaceutical as of December 31, 2017 is estimated, and then the total equity value of shareholders is calculated. Total equity value of shareholders = total asset value-interest-bearing debt. Based on this method, there is no impairment of goodwill of Xinbai Pharmaceutical.

## 15. Long-term prepaid expenses

Item	2016-12-31	Current Increase Amount	Current Amortization Amount	Other Reduction Amount	2017-12-31
Decoration Works	3,053,313.61	10,593,695.80	1,221,626.46	—	12,425,382.95
Plasma Station Expansion	35,599,999.92	20,000,000.00	5,300,000.04	—	50,299,999.88
Rent Fee	411,127.10	10,000.00	213,148.96	—	207,978.14
Training Fee	—	2,520,000.00	840,000.00	—	1,680,000.00
Consultancy Fee	—	504,000.00	210,000.00	—	294,000.00
Car Rental Fee	599,962.04	—	122,026.18	—	477,935.86
<b>Total</b>	<b>39,664,402.67</b>	<b>33,627,695.80</b>	<b>7,906,801.64</b>	<b>—</b>	<b>65,385,296.83</b>

Plasma station expansion projects will be equally amortized over 10 years over the expected benefit periods.

## 16. Deferred income tax assets

### 1) Deferred income tax assets not subject to offset

Item	2017-12-31		2016-12-31	
	Deductible Temporary Variation	Deferred income tax assets	Deductible Temporary Variation	Deferred income tax assets
Provision for Impairment of Assets	21,918,066.81	4,010,679.09	5,583,372.19	849,961.74
Unrealized profits from internal transactions	20,902,840.49	3,647,167.93	12,612,972.05	1,891,945.81
Accrued expenses	35,500,000.00	5,325,000.00	—	—
Unpaid remuneration	11,581,922.03	1,737,288.30	—	—
<b>Total</b>	<b>89,902,829.33</b>	<b>14,720,135.32</b>	<b>18,196,344.24</b>	<b>2,741,907.55</b>

### 2) Deferred income tax assets that are not presented net after offset.

### 3) Breakdown of unrecognized deferred income tax assets:

Item	2017-12-31	2016-12-31
Deductible Loss	29,170,061.63	24,727,515.77
<b>Total</b>	<b>29,170,061.63</b>	<b>24,727,515.77</b>

No deductible loss is recognized as a deferred income tax asset due to uncertainty that adequate taxable income will be available in the

future.

4) The deductible loss of unrecognized deferred income tax assets will fall due in the following years:

Year	Ending balance
Year 2018	451,513.65
2019 Year	2,085,852.79
Year 2020	6,919,755.84
Year 2021	11,813,140.19
Year 2022	7,899,799.16
<b>Total</b>	<b>29,170,061.63</b>

## 17. Other non-current assets

Item	2017-12-31	2016-12-31
Advance Payment for Construction	48,627,540.84	37,799,277.49
Advance Payment for Technology Transfer	35,844,337.36	49,512,492.04
Advance Payment for the Premises and Land	52,250,000.00	4,956,000.00
<b>Total</b>	<b>136,721,878.20</b>	<b>92,267,769.53</b>

## 18. Short-term Loan

1) Classification of Short-term Loan

Item	2017-12-31	2016-12-31
Credit Borrowing	55,000,000.00	—
<b>Total</b>	<b>55,000,000.00</b>	<b>—</b>

2) None of the short-term loans have been due, outstanding or extended at the end of term.

## 19. Notes Payable

1) The notes payable show:

Item	2017-12-31	2016-12-31
Bankers' acceptances	20,918,600.00	2,138,070.80
Commercial Acceptance Bills	—	—
<b>Total</b>	<b>20,918,600.00</b>	<b>2,138,070.80</b>

## 20. Accounts Payable

1) The listing of payments:

Item	2017-12-31	2016-12-31
Less than 1 year	150,560,200.05	80,798,901.18
1 to 2 years	4,743,210.78	3,316,080.03

2 to 3 years	828,386.25	748,379.29
Over 3 years	1,778,226.10	1,363,282.36
<b>Total</b>	<b>157,910,023.18</b>	<b>86,226,642.86</b>

## 2) Information on important accounts payable with an account age of more than one year:

Item	Ending Balance	Reason for outstanding or carry forward
Jiangxi Chuanze Construction Co., Ltd.	962,000.00	Last payment for quality assurance
Zhejiang Jianan Technology Limited	561,000.00	Last payment for quality assurance
Chongqing Sanda Weiye Pharmaceutical Co., Ltd.	540,007.50	Last payment for quality assurance
Jindie Software (China) Co., Ltd.	411,910.00	Last payment for quality assurance
Beijing Huada Jibiai Biotechnology Co., Ltd.	354,951.40	Last payment for quality assurance
<b>Total</b>	<b>2,829,868.90</b>	

## 21. Advance payment

## 1) The list of amounts received in advance:

Item	2017-12-31	2016-12-31
Within 1 year	26,594,093.87	18,797,254.42
1 to 2 years	1,020,181.95	320,096.81
2 to 3 years	258,752.67	11,036.66
Over 3 years	89,334.66	40,240.00
<b>Total</b>	<b>27,962,363.15</b>	<b>19,168,627.89</b>

## 2) Important advance payments with an age of more than one year:

Item	Ending balance	Reason for outstanding payment or carry forward
Guangzhou Fuda Medical Co., Ltd. Fuda Oncology Hospital	958,392.24	Delayed delivery by customers
<b>Total</b>	<b>958,392.24</b>	

## 22. Staff remuneration payable

## 1) Listed staff remuneration payable is:

Item	2016-12-31	Current increase	Current decrease	2017-12-31
I. Short-term remuneration	41,693,241.74	212,906,301.88	191,383,480.71	63,216,062.91
II. Post-employment Benefits – Defined Contribution Plan	311,753.20	12,147,877.54	12,063,360.98	396,269.76
III. Termination Benefits	—	—	—	—
IV. Other benefits due within one year	—	—	—	—
<b>Total</b>	<b>42,004,994.94</b>	<b>225,054,179.42</b>	<b>203,446,841.69</b>	<b>63,612,332.67</b>



## 2) Listing of short-term remuneration:

Item	2016-12-31	Current increase	Current decrease	2017-12-31
I. Wages, Bonuses, Allowances and Subsidies	36,862,253.30	184,762,353.29	162,854,004.48	58,770,602.11
II. Employee Welfare		12,760,947.30	12,760,947.30	
III. Social Security Contribution	144,878.87	6,435,721.90	6,504,309.67	76,291.10
Medical Insurance Premium	130,390.05	5,515,343.82	5,577,293.66	68,440.21
Work-related Injury Insurance Premium	7,222.39	542,174.25	547,105.75	2,290.89
Maternity Insurance Premium	7,266.43	378,203.83	379,910.26	5,560.00
IV. Housing Public Reserve Fund	173,455.00	5,670,218.37	5,701,473.25	142,200.12
V. Labor Union Funds and Employee Educational Fund	3,950,782.57	3,277,061.02	3,492,791.01	3,735,052.58
VI. Non-monetary Benefits	—	—	—	—
VII. Short-term Paid Absence from Work	—	—	—	—
VIII. Short-term Profit Sharing Plan	—	—	—	—
VII. Miscellaneous	561,872.00	—	69,955.00	491,917.00
<b>Total</b>	<b>41,693,241.74</b>	<b>212,906,301.88</b>	<b>191,383,480.71</b>	<b>63,216,062.91</b>

Salary, bonus, allowances and subsidies at the end of the period are mainly accrued staff bonuses but not paid.

## 3) Dismiss welfare—Defined Contribution Plan:

Item	2016-12-31	Current Increase	Current Decrease	2017-12-31
I. Pension Insurance	290,142.88	11,724,256.09	11,641,007.04	373,391.93
II. Unemployment Insurance	21,610.32	423,621.45	422,353.94	22,877.83
<b>Total</b>	<b>311,753.20</b>	<b>12,147,877.54</b>	<b>12,063,360.98</b>	<b>396,269.76</b>

## 23. Taxes Payable

Item	2017-12-31	2016-12-31
VAT	22,771,004.21	10,146,685.78
Enterprise Income Tax	44,117,586.61	34,966,280.65
Urban Maintenance and Construction Tax	1,543,527.19	652,001.32
Property Tax	603,475.81	557,260.88
Land Use Tax	432,545.35	416,144.91
Education Surcharge	1,200,556.88	530,131.60
Stamp Duties	476,075.37	267,121.86
Individual Income Tax	577,695.17	490,117.97
Integrated Fund	3,078.92	—
<b>Total</b>	<b>71,725,545.51</b>	<b>48,025,744.97</b>

## 24. Dividends Payable

Item	2017-12-31	2016-12-31

Outstanding payment from Guangdong Fuda to the acquired	94,000,000.00	—
Dividend of Former Shareholders		
<b>Total</b>	<b>94,000,000.00</b>	<b>—</b>

## 25. Other Payables

### 1) Other payables by Nature of Payables

Item	2017-12-31	2016-12-31
Marketing Service Fee	129,768,176.57	31,076,209.27
Security	23,784,881.13	15,991,416.35
Oar Station Expansion Payment Payable	2,000,000.00	—
Equity Acquisition Price Payable	38,682,187.99	—
Miscellaneous	8,648,407.36	5,115,266.79
<b>Total</b>	<b>202,883,653.05</b>	<b>52,182,892.41</b>

### 2) Important other accounts payables with an account age of more than one year

Item	Ending Balance	Reason for Outstanding or Carry Forward
Jiangxi Anrong Consulting Co., Ltd.	954,170.00	Security Temporarily Not Refundable
Zaozhuang Sainuokang Biochemistry Co., Ltd.	500,000.00	Security Temporarily Not Refundable
Jiangxi Dingshun Construction Engineering Co., Ltd.	397,536.26	Security Temporarily Not Refundable
Liu Zhongmin	380,000.00	Security Temporarily Not Refundable
Dachang Hui Autonomous County Tongan Pharmaceutical Materials Co., Ltd.	340,000.00	Security Temporarily Not Refundable
<b>Total</b>	<b>2,571,706.26</b>	

## 26. Non-current liabilities maturing within one year

### 1) Classification of non-current liabilities maturing within one year:

Item	2017-12-31	2016-12-31
Long-term loans maturing within one year	22,145,000.00	—
<b>Total</b>	<b>22,145,000.00</b>	<b>—</b>

### 2) Details of long-term loans maturing within one year

Unit of Borrowing	Commencement Date of Borrowing	Termination Date of Borrowing	Interest Rate (%)	2017-12-31
Gaoxin Sub-branch of Fuzhou Rural Commercial Bank	2015-7-20	2018-7-19	5.5%	22,145,000.00
<b>Total</b>	—	—	—	<b>22,145,000.00</b>

## 27. Long-term Loan

## 1) Classification of long-term loans:

Item	2017-12-31	2016-12-31
Credit Loan	50,000,000.00	22,145,000.00
Guaranteed Loan	270,000,000.00	—
Mortgage Loan	—	—
Pledge Loan	130,000,000.00	—
<b>Total</b>	<b>450,000,000.00</b>	<b>22,145,000.00</b>

## 2) Details of long-term loans

Unit of Loan	Type of Loan	Commencement Date of Loan	Termination Date of Loan	Interest Rate	2017/12/31
Jiangxi Provincial Branch of Industrial and Commercial Bank of China	Credit Loan	2017/10/25	2022/10/25	5.30%	50,000,000.00
Fuzhou Branch of Industrial and Commercial Bank of China	Pledge Loan	2017/12/11	2022/11/20	4.75%	40,000,000.00
Fuzhou Branch of Industrial and Commercial Bank of China	Pledge Loan	2017/11/23	2022/11/20	4.75%	90,000,000.00
Industrial and Commercial Bank of China Co., Ltd.	Guarantee	2017/3/14	2022/3/12	4.75%	270,000,000.00
<b>Total</b>	—	—	—	—	<b>450,000,000.00</b>

In November 2017, the Company entered into a merger loan contract with Fuzhou Branch of Industrial and Commercial Bank of China Co., Ltd., the target of the merger was Guangdong Fuda Pharmaceutical Co., Ltd.

The total amount of the loan is 130 million with a term of five years commencing from the date of the first drawdown. The Company provides security for the equity interest in Guangdong Fuda Pharmaceutical Co., Ltd. as the target of the merger, so as after the transfer of the equity interest, the target enterprise shall promptly complete security registration formalities in accordance with applicable laws and the requirements of the banks.

As of December 31, 2017, the Company failed to complete security registration formalities.

In March 2017, the Company's tertiary subsidiary company, Jiangxi Boya Seehot Pharmaceutical Co., Ltd. entered into a fixed asset loan agreement with Fuzhou Branch of Industrial and Commercial Bank of China Co., Ltd.

The loan shall be used for project construction. The total loan is RMB 270 million. The term of the loan shall be five years commencing from the date of actual drawdown. The Company shall provide joint and several liability guarantee for the loan.

## 28. Deferred income

Item	2016-12-31	Current increase	Current decrease	2017-12-31	Cause of formation
Government grants	6,939,300.22	5,400,000.00	969,996.00	11,369,304.22	Receipt of Financial Appropriation
<b>Total</b>	<b>6,939,300.22</b>	<b>5,400,000.00</b>	<b>969,996.00</b>	<b>11,369,304.22</b>	

## Projects involving government grants:

Item	2016-12-31	Amount of this Period of Additional Grant	Amount Included in Other Income in Current Period	Other Changes	2017-12-31	Related to the Assets/Related to the Income
Biological Agents Industrialization Project	1,850,000.00	—	600,000.00	—	1,250,000.00	Related to the Assets
GMP Modification Project	1,971,000.00	—	219,000.00	—	1,752,000.00	Related to the Assets
Interest discount for Boya Seehot Pharmaceutic	1,759,297.22	—	—	—	1,759,297.22	Related to the Assets

al Industrial Project Loan						
Comprehensive Formulation Building Construction Project	1,359,003.00	–	150,996.00	–	1,208,007.00	Related to the Assets
1000-Ton Blood Product Smart Factory Project	–	1,700,000.00	–	–	1,700,000.00	Related to the Assets
Intensive Development of Coagulation Factor Products and Industrialization Project	–	3,000,000.00	–	–	3,000,000.00	Related to the Assets
Subsidy for Devices for R&D and Engineering Test	–	500,000.00	–	–	500,000.00	Related to the Assets
Development Project for Key Intermediates	–	200,000.00	–	–	200,000.00	Related to the Assets
<b>Total</b>	<b>6,939,300.22</b>	<b>5,400,000.00</b>	<b>969,996.00</b>	<b>–</b>	<b>11,369,304.22</b>	

The Company's projects of biological agents industrialization such as albumin passed the GMP certification in January 2010, and have been put into production formally.

According to the Document Fa Gai Wei [2009] No. 3039, in February 2010, the Company received the subsidies of RMB 6 million from Bureau of Finance of Fuzhou for the construction of this project. The Company shall evenly distribute the relevant assets within their useful lives and RMB 600,000 is included in the current period.

On August 8, 2014, the first batch of investment subsidy for the annual production capacity of 1.5 billion tablets (particles) GMP production line, RMB 490,000 was received on August 8, 2014 for the purpose of implementing the Opinions of the Department of State on Further Promoting the Sound and Rapid Economic and Social Development of Guizhou (Guo Fa [2012] No. 2), accelerating the transformation of science and technology into real productivity, and accelerating the industrialization of high-tech achievements.

The second batch of investment subsidy for the annual production capacity of 1.5 billion tablets (particles) GMP production line, RMB 700,000 was received on September 8, 2014

On December 30, 2015, the third batch of investment subsidy for the annual production capacity of 1.5 billion tablets (particles) GMP production line, RMB 1 million was received on August 8, 2014

The Company shall evenly distribute the relevant assets within their useful lives and include them in the profit and loss of the current period of RMB 219,000.

The interest subsidy for the loan of Boya Seehot Pharmaceutical Industry Project refers to that the Administrative Committee of Fuzhou Hi-tech Industrial Park appropriated 2,214.50 million yuan to Fuzhou Development Industrial Investment Co., Ltd. for the economic development of the development zone. The Fuzhou Development Industrial Investment Co., Ltd. entrusted the Fuzhou Rural Commercial Bank Co., Ltd. with the loan interest subsidy to Jiangxi Boya Seehot Pharmaceutical Co., Ltd. At the same time, the Bureau of Finance of Fuzhou Hi-tech Industrial Park shall grant the corresponding interest subsidy. The capitalized interest expenditure will be directly written off according to the revised Accounting Standards for Business Enterprises No.16-Government Grants in the current period, and will no longer be included in deferred income.

The project of comprehensive preparation building construction is a project receiving investment subsidies from Nanjing Economic and Technological Development Zone Administration Committee in accordance with the Notice of Provision of the Special Fund for Guiding Emerging Industries in 2015 and Relevant Funding Plans of Nanjing City (Ning Cai Qi [201] No.688) as a strategic emerging industry development project

On January 15, 2016,

The Company officially received the investment subsidy of RMB 1.51 million, which was evenly distributed within the service life of the relevant assets, and included in the current profit and loss of RMB 151,000.

The 1000-ton blood product intelligent factory project is a 1000-ton blood products intelligent plant system issued by Fuzhou Hi-tech Industrial Development Zone according to the document Fu Xin Gao Ban Chao Zi [2017] No.438.

In October 2017, the Company officially received the investment subsidy of RMB 1.7 million.

The project of deep development and industrialization of blood coagulation factor products is the project development subsidy granted by Fuzhou High-tech Industrial Development Zone according to the Notice of Jiangxi Provincial Department of Science and Technology on Issuing the Third Batch of Provincial Science and Technology Projects in 2017 (Gan Ke Fa Ji Zi [2017] No.174). In December 2017, the Company officially received the development subsidy of this project of deep development and industrialization.

The subsidy for R&D and engineering testing devices refers to the fund issued by Fuzhou Municipal Development and Reform Commission for the purchase of R&D testing facilities in accordance with the Notice of Jiangxi Provincial Development and Reform Commission on Issuing the Fund for Infrastructure Investment and Protective within the Provincial Budget of Jiangxi Province for Innovation Capability Construction Project in 2016 (Gan Fa Gai Gao Ji [2016] No.1074).

The Statins Key Intermediates Development Project is the project development subsidy issued by Fuzhou High-tech Industrial Development Zone in accordance with the Notice of Jiangxi Provincial Department of Science and Technology on Issuing the First Batch of Provincial Science and Technology Projects in 2017 (Gan Ke Fa Ji Zi [2017] No.174). In December 2017, the Company officially received the development subsidy of the project in the amount of RMB 200,000.

## 29. Deferred income tax liabilities

### 1) Deferred income tax liabilities that are not subject to offset

Item	2017-12-31		2016-12-31	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Appraisal Appreciation of Assets of Tianan Pharmaceutical Not Under Common Control	11,209,092.56	1,681,363.89	13,287,044.48	1,993,056.67
Appraisal Increase in Value of Assets of Xinbai not Subject to Common Control Merger	40,700,721.91	6,105,108.28	43,151,326.53	6,472,698.99
Accelerated depreciation of fixed assets	71,605.06	17,901.27	—	—
<b>Total</b>	<b>51,981,419.53</b>	<b>7,804,373.44</b>	<b>56,438,371.01</b>	<b>8,465,755.66</b>

### 2) Deferred income tax liabilities not shown net of such set off.

### 3) No deferred income tax liabilities that are unrecognized at end of period.

## 30. Share capital

Item	2016-12-31	Current increase or decrease (+, -)					2017-12-31
		Issuance of New Shares	Stock Bonus	Conversion of Shares of Public Reserve Fund	Miscellaneous	Subtotal	
Share capital	267,384,801.00	—	—	133,692,400.00	—	133,692,400.00	401,077,201.00

## 31. Capital Reserves

Item	2016-12-31	Current increase	Current decrease	2017-12-31
Capital premium (share premium)	1,185,837,144.91	—	133,692,400.00	1,052,144,744.91

Other Capital Reserves	3,842,214.03	2,499,755.33	—	6,341,969.36
<b>Total</b>	<b>1,189,679,358.94</b>	<b>2,499,755.33</b>	<b>133,692,400.00</b>	<b>1,058,486,714.27</b>

### 32. Surplus Public Reserves

Item	2016-12-31	Current increase	Current decrease	2017-12-31
Legal surplus Reserves	71,288,060.77	29,161,293.20	—	100,449,353.97
Discretionary Reserves	—	—	—	—
Reserve Fund	—	—	—	—
Enterprise Development Fund	—	—	—	—
<b>Total</b>	<b>71,288,060.77</b>	<b>29,161,293.20</b>	<b>—</b>	<b>100,449,353.97</b>

### 33. Undistributed Profits

Item	2017-12-31	2016-12-31
Undistributed Profit before Adjustment at the End of Previous Period	565,044,421.19	366,382,359.60
Total undistributed profits at the beginning of adjustment period (increase +, decrease -)	—	—
Subsequent Opening Undistributed Beginning	565,044,421.19	366,382,359.60
Plus: Net Profits attributable to owners of the parent company	356,588,468.22	272,041,808.98
Less: Withdrawal of Legal Surplus Reserve	—	—
Withdrawal of Discretionary Surplus Reserve	29,161,293.20	19,902,787.19
Withdrawal of General Risks Reserve	—	—
Common Dividends Payable	26,738,480.10	53,476,960.20
Common Share Dividends Converted to Capital Stock	—	—
<b>Closing Undistributed Profits</b>	<b>865,733,116.11</b>	<b>565,044,421.19</b>

- 1) Profit Distribution Plan for 2015 Year Examined and Approved at the 2015 Annual Shareholders' Meeting held on April 29, 2016: the Company shall use total share capital at the end of 2015 to 267,384,801 shares as the basis to distribute RMB 2.00 (tax-inclusive) for every 10 shares, totally RMB 53,476,960.20 of cash dividend, distribution of which shall be completed in May 2016.
- 2) Profit Distribution Plan for 2016 Examined and Approved at the 2016 Annual Shareholders' Meeting held on April 14, 2017: the Company shall use 267,384,801 shares as the basis to distribute RMB 1.00 (tax-inclusive) for every 10 shares, totally RMB 26,738,480.10 of cash dividends.  
At the meantime, the Company shall use the reserve fund to convert into 5 new shares for every 10 shares, totally converting 133,692,400 shares, after which the total shares of the Company is 401,077,201 shares.

## 34. Operating Revenue &amp; Operating Costs

Item	Year 2017		Year 2016	
	Income s	Cost s	Income s	Costs
Principal Business	1,459,983,883.42	491,235,667.99	944,978,573.26	349,887,088.91
Other Business	537,973.09	—	1,617,526.33	2,800.00
<b>Total</b>	<b>1,460,521,856.51</b>	<b>491,235,667.99</b>	<b>946,596,099.59</b>	<b>349,889,888.91</b>

## 35. Taxes and Surcharges

Item	Year 2017	Year 2016
Urban Maintenance and Construction Tax	6,965,850.52	4,070,034.16
Education Surcharge	5,567,648.47	3,376,974.79
Sales Tax	—	25,416.66
Property Tax	2,257,067.67	1,453,412.79
Land Use Tax	2,004,820.59	1,361,794.26
Stamp Duties	923,850.35	418,741.33
Vehicle and Vessel Use Tax	29,447.80	14,488.50
Integrated Fund	48,872.71	—
<b>Total</b>	<b>17,797,558.11</b>	<b>10,720,862.49</b>

According to the Notice of the Ministry of Finance on the Accounting Treatment of Value-added Tax (Cai Kuai [2016] No.22), as of May 1, 2016, the land tax, real estate tax, vehicle and vessel use tax and stamp duty calculated under the management item shall be accounted for under the taxes and surcharges.

## 36. Sales Expenses

Item	Year 2017	Year 2016
Salary and Remuneration	26,760,027.77	10,313,421.56
Office Expenses	4,249,786.26	2,291,721.42
Travel Expenses	5,498,135.46	2,208,243.94
Transportation Expenses	7,840,441.79	4,167,818.50
Depreciation	141,215.50	20,475.93
Rent	762,279.46	253,668.00
Business Entertainment Expenses	3,130,621.08	734,840.83
Market Service Fee	327,611,751.54	92,895,470.49
Miscellaneous	1,602,557.13	356,061.16
<b>Total</b>	<b>377,596,815.99</b>	<b>113,241,721.83</b>

## 37. Management Expenses

Item	Year 2017	Year 2016
Salary and Remuneration	72,626,964.11	53,203,337.78

Depreciation Expenses	9,354,069.13	8,622,837.56
Amortization of Long-term Prepaid Expenses	5,704,184.06	4,985,905.04
Amortization of Intangible Assets	4,676,411.11	4,621,620.69
Taxes	—	1,431,378.90
Office Expenses	12,613,145.15	17,067,142.96
Conference Expenses	289,785.08	525,020.13
Business Entertainment Expenses	7,460,580.13	8,573,204.64
Advertising and Promotion Expenses	335,454.99	171,981.00
Intermediaries Fees	2,712,229.94	1,737,557.27
Travel Expenses	5,909,589.42	5,840,480.01
Research and Development Expenses	34,531,383.24	42,413,224.41
Miscellaneous	5,122,411.82	7,088,018.80
<b>Total</b>	<b>161,336,208.18</b>	<b>156,281,709.19</b>

### 38. Finance Costs

Item	Year 2017	Year 2016
Interest Expense	1,538,780.15	349,007.38
Less: Interest Income	10,921,355.60	10,358,107.42
Bank Acceptance Discounting Interest	—	—
Exchange Gains or Losses	—	—
Handling Fee	384,801.95	123,052.04
<b>Total</b>	<b>-8,997,773.50</b>	<b>-9,886,048.00</b>

### 39. Asset Impairment Losses

Item	Year 2017	Year 2016
Bad Debt Losses	8,870,780.94	1,658,697.08
<b>Total</b>	<b>8,870,780.94</b>	<b>1,658,697.08</b>

### 40. Investment Income

Item	Year 2017	Year 2016
Equity Method Return on Long-Term Equity Investments	-5,959,153.79	102,436.69
Investment Income Generated by Wealth Management Products	873,995.06	870,520.55
Investment Income from Disposal of Long-term Equity Investment	19,325,035.92	—
<b>Total</b>	<b>14,239,877.19</b>	<b>972,957.24</b>

### 41. Proceeds from Disposal of Assets

Item	Year 2017	Year 2016	Recorded in Non-recurring Profit and Loss
			Amount
Proceeds from Disposal of Fixed Assets	-102,369.14	-92,533.22	-102,369.14



<b>Total</b>	<b>-102,369.14</b>	<b>-92,533.22</b>	<b>-102,369.14</b>
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#### 42. Other Income

Item	Year 2017	Year 2016	Amount Included in Non-recurring Profit and Loss in the Current Period
Government Grants	2,535,537.95	–	2,535,537.95
<b>Total</b>	<b>2,535,537.95</b>	<b>–</b>	<b>2,535,537.95</b>

Including: government grants

Grant Item	Year 2017	Year 2016	Related to the Assets/Related to the Income
Biological Agents Industrialization Project	600,000.00	–	Related to the Assets
GMP Modification Project	219,000.00	–	Related to the Assets
Comprehensive Formulation Building Construction Project	150,996.00	–	Related to the Assets
Government Incentive Support Funds	1,565,541.95	–	Related to the Income
<b>Total</b>	<b>2,535,537.95</b>	<b>–</b>	

1) Biological preparation industrialization projects, GMP modification projects and comprehensive preparation building construction projects: see the annotation to deferred income.

2) Schedule of Government Incentives and Subsidies to be Included in Other Incomes in 2017:

Approved Entity	Approval Documents and Approval Number	Amount	Related to the Assets/Related to the Income
Department of Science & Technology of Jiangxi Province	Notice of Jiangxi Provincial Department of Science & Technology on Issuing the Fourth Batch of Special Expenditures Budget and Project for Science and Technology Program in 2016 Gan Cai Wen [2016] No. 99	500,000.00	Related to the Income
Fuzhou Hi-Tech Industries Development Zone	Notification of Fuzhou Hi-Tech Industries Development Zone Management Committee on Enterprise Assessment in 2016 Fu Gao Xin Fa [2017] No. 3 Electricity Subsidy	100,000.00	Related to the Income
Finance Bureau of Fuzhou City	Notification on Assigning Subsidy Funds for the Establishment of Academician Workstations (2016) No.31	100,000.00	Related to the Income
Bureau of Finance of Fuzhou City	Notice of the Fuzhou Municipal Finance Bureau on Issuing the Special City-level Energy Conservation Fund for 2016 Fu Cai Jing Zhi [2017] No.4 Energy Conservation Subsidies for Electricity Consumption	150,000.00	Related to the Income
Labor and Employment Service Bureau of Fuzhou City	Employment Stabilization Subsidy	75,829.13	Related to the Income
Science & Technology Department of Jiangxi Province	Notice of Science & Technology Department on Issuing the First Batch of Provincial Science & Technology Program in 2017 Gan Ke Fa Ji Zi [2017] No. 63	200,000.00	Related to the Income
Labor and Employment	Employment Stabilization Subsidy	8,609.53	Related to

Service Bureau of Fuzhou City			the Income
Social Insurance Management Centre	Employment Stabilization Subsidy	137,507.79	Related to the Income
Yuechi County Employment Service Administration Bureau	Employment Stabilization Subsidy	13,300.00	Related to the Income
Chongren County Employment Service Administration Bureau	Employment Stabilization Subsidy	12,595.50	Related to the Income
Science and Technology Bureau of Guiyang City	Circular on Carrying out the Funding for the Research and Experimental Development of Enterprises in Hangzhou City Zhu Ke Tong [2017] No.67	267,700.00	Related to the Income
<b>Total</b>		<b>1,565,541.95</b>	

### 43. Non-operating income

Item	Year 2017	Year 2016	Amount Included in Non-recurring Profit and Loss in the Period
Government Grants	9,952,450.00	3,630,503.47	9,952,450.00
Miscellaneous	373,273.40	566,924.81	373,273.40
<b>Total</b>	<b>10,325,723.40</b>	<b>4,197,428.28</b>	10,325,723.40

#### Where Government Grants

Grant Item	Year 2017	Year 2016	Related to the Assets/Related to the Income
Biological Agents Industrialization Project	—	600,000.00	Related to the Assets
GMP Modification Project	—	219,000.00	Related to the Assets
Comprehensive Formulation Building Construction Project	—	150,997.00	Related to the Assets
Government Incentive Support Funds	9,952,450.00	2,660,506.47	Related to the Income
<b>Total</b>	<b>9,952,450.00</b>	<b>3,630,503.47</b>	

#### 3) Schedule of Government Incentives and Subsidies Included in the Non-operating Revenue in 2017:

Approved by	Approval Documents and Approval Number	Amount	Related to the Assets/Related to the Income
Fuzhou Hi-Tech Industries Development Zone	Copy List Fu Gao Xin Ban Chao Zi [2017] No.63 from the Party and Government Office of Fuzhou Hi-Tech Zone	4,930,500.00	Related to the Income
Fuzhou Hi-Tech Industries Development Zone	Copy of the Party and Government Office of Fuzhou High-tech Zone Shan Fu Gao Xin Ban Chao Zi [2017] No.65	407,100.00	Related to the Income
Department of Science and Technology of Jiangxi Province	Decision of Jiangxi Provincial People's Government on Jiangxi Province's Science and Technology Award 2016 Gan Fu Fa [2017] No. 22	30,000.00	Related to the Income
Fuzhou Hi-Tech Industries Development Zone	Copy of the Party and Government Office of Fuzhou High-tech Zone Tan Fu Gao Xin Ban Chao Zi [2017] No.64	763,350.00	Related to the Income
Fuzhou Hi-Tech Industries Development Zone	Copy List Fu Gao Xin Ban Chao Zi No.123 [2017] of the Party Office of Fuzhou Hi-Tech Zone	770,000.00	Related to the Income

Bureau of Science and Technology of Fuzhou City	Direct Payment of Top Science and Technology Award	200,000.00	Related to the Income
Bureau of Science and Technology of Fuzhou City	Circular on Holding the First Innovation Competition of Fuzhou City "Talent Cup" [2017] No. 1	50,000.00	Related to the Income
Nanjing Development Zone Management Committee	Circular on Issuing the 2016 Special Fund Projects and Fund Plan for Guiding Emerging Industries in Nanjing Municipality Ning Jing Xin Tou Zi [2016] No.376 and Ning Cai Qi [2016] No.721	300,000.00	Related to the Income
Nanjing Development Zone Management Committee	Notice on Issuing the 2016 Science and Technology Innovation Bonds Plan and Funding Targets Ningke [2016] No. 355 and Ning Cai Jiao [2016] No. 880 (the first batch)	100,000.00	Related to the Income
Nanjing Development Zone Management Committee	Notice on Issuing the 2017 Science and Technology Development Plan and Science and Technology Appropriation Target of (the eleventh batch) Ning Ke [2017] No. 192 and Ning Cai Jiao [2017] No. 479 and Ning Qi Zheng Zi [2013] No. 235	41,500.00	Related to the Income
Accounting Center of Wudang District	Notice on 2016 Guizhou Industry and Information Technology Development Special Fund Plan (the IV Batch of Big Data Industry and Information Technology) Qian Cai Gong [2016] No. 140	1,100,000.00	Related to the Income
Department of Science & Technology of Guizhou Province	Task Letter of Guizhou Science and Technology Plan Project (Task) Qian Ke He Support [2017] 2846	200,000.00	Related to the Income
Accounting Center of Wudang District	Guiyang Municipal Bureau of Finance Guiyang Municipal Industry and Information Technology Commission Issued the Notice to Guiyang Notice on Subsidy Funds for Pharmaceutical Enterprise's Giant Plan, Cultivation of a Large Category of Pharmaceutical Industry and Construction of Pharmaceutical Industry Platform Zhu Cai Qi [2016] No. 88	200,000.00	Related to the Income
Accounting Center of Wudang District	Notice on 2017 Guizhou Industry and Information Technology Development Fund Plan (the First Batch of Technology Innovation Project) Qian Cai Gong [2017] No. 62	500,000.00	Related to the Income
Accounting Center of Wudang District	Direct appropriation	300,000.00	Related to the Income

Approved Authority	Approval Documents and Approval Number	Amount	Related to the Assets/Related to the Income
NDRC	Direct appropriation	30,000.00	Related to the Income
NDRC	Direct appropriation	30,000.00	Related to the Income
<b>Total</b>		<b>9,952,450.00</b>	

## 4) Schedule of Government Incentives and Support Funds Included in the Non-operating Revenue in 2016:

Approved Authority	Approval Documents and Approval Number	Amount	Related to the Assets/Related to the Income
Finance Bureau of Fuzhou City	Notice on Issuing Funds for Projects of Municipal-level Technology Program in 2016 [2016] No. 45	500,000.00	Related to the Income
Party and Government Office of Fuzhou Hi-Tech Industries Development Zone	Notice on Application for Funds for Establishment of New Post-Doctoral Scientific Research Workstations in 2015	100,000.00	Related to the Income

Labor and Employment Bureau of Fuzhou City	Notice of the Jiangxi Provincial Department of Human Resources and Social Security on Promulgating the 2016 Guidelines for Enterprises in Jiangxi Province Gan Ren She Fa [2016] No.35	110,766.26	Related to the Income
Guiyang Municipal Bureau of Quality and Technology Supervision	Notice of the Office of Provincial Leading Group of Quality Supervision, Inspection and Quarantine on Organizing Evaluation of Famous- Brand Products of Guizhou Province in 2015 Qian Jianxing Provincial Ban Han [2015] No. 2	120,000.00	Related to the Income
Science and Technology Bureau	Circular of the Guiyang Municipal Bureau of Science and Technology, Guiyang Municipal Bureau of Finance on Initiation of Projects under the 2015 Science and Technology Plan (Modern Pharmaceutical Plan) of Guiyang City	50,000.00	Related to the Income
Science and Technology Bureau of Guiyang City	Circular of the Guiyang Municipal Bureau of Science and Technology, Guiyang Municipal Bureau of Finance on the Establishment of Projects in the 2016 Science and Technology Plan of Guiyang City	180,000.00	Related to the Income
Accounting Center of Wudang District	Minutes of the Special Meeting on Studying the First Batch of Projects of the Fund for Research and Development of Application Technology in 2016 of Wudang District	500,000.00	Related to the Income
Science and Technology Bureau of Guiyang City	Notification on Carrying out the Funding for Research and Experimental Development of Enterprises Zhu Ke She [2016] No.36	716,800.00	Related to the Income
Bureau of Science and Technology of Nanjing City	17th China Patent Award	200,000.00	Related to the Income
Development Zone Administrative Committee	Direct appropriation of Special Subsidy Funds	7,000.00	Related to the Income
Bureau of Finance of Nanjing City	Organization and Construction Subsidy Funds Direct Appropriation	5,000.00	Related to the Income
Bureau of Human Resources and Social Security of Nanjing City	Notice of the Human Resources and Social Security Bureau and Finance Bureau of Nanjing on Printing and Distributing the Measures for Examination and Approval of Application for Employment Stability Subsidy of Enterprises Ning Ren She [2016] No.33	164,940.21	Related to the Income
Development Zone Administrative Committee	Direct appropriation of Special Patent Funds	6,000.00	Related to the Income
<b>Total</b>		<b>2,660,506.47</b>	

#### 44. Non-operating Expenses

Item	Year 2017	Year 2016	Amount Included in Non-recurring Profit and Loss in the Current Period
Non-current Asset Damage and Scrap Losses	36,809.37	235,632.70	36,809.37
Expenditure for Donations	8,787,946.00	1,010,137.00	8,787,946.00
Miscellaneous	246,544.09	368,534.12	246,544.09
<b>Total</b>	<b>9,071,299.46</b>	<b>1,614,303.82</b>	<b>9,071,299.46</b>

#### 45. Income Tax Expense

##### 1) Details of Income Tax Expense

Item	Year 2017	Year 2016
Current Income Tax Expense	76,470,034.69	51,107,666.57

Deferred income tax expense	-10,791,152.77	-509,575.57
<b>Total</b>	<b>65,678,881.92</b>	<b>50,598,091.00</b>

## 2) Adjustment Process of Accounting Profit and Income Tax Expense

Item	Year 2017	Year 2016
Total Profit	430,610,068.74	328,152,816.57
Income Tax Expense at Legal/Applicable Tax Rates	64,591,510.31	49,222,922.49
Effect of Subsidiaries Applying Different Tax Rates	523,511.04	-111,107.07
Effect of Adjustment to Income Tax in Previous Periods	456,894.07	—
Effect of Non- Taxable Income	—	—
Effect of Non-Deductible Costs, Expenses and Losses	1,105,825.92	1,200,055.17
Influence of Deductible Losses of Deferred Income Tax Assets Unconfirmed in the Prior Period	-864,313.33	-368,756.01
Effect of Deductible Temporary Difference or Deductible Loss of Deferred Income Tax Assets are Not Recognized in the Current Period	1,974,949.79	3,166,215.53
Effect of Additional Deduction	-2,310,696.32	-2,486,064.36
Non-taxable Investment Gains under the Equity Method	201,200.44	-25,174.75
<b>Income Tax Expense</b>	<b>65,678,881.92</b>	<b>50,598,091.00</b>

## 46. Earnings Per Share

Item	Year 2017	Year 2016
Basic Earnings Per Share	0.89	0.68
Diluted Earnings Share	0.89	0.68

## 1) Calculation of Earnings Per Share:

Project name:	Code	Year 2017	Year 2016
Net earnings attributable to the Company's ordinary shareholders	P0	356,588,468.22	272,041,808.98
Total Opening Shares	S0	401,077,201.00	401,077,201.00
Increase of Shares Due to Conversion of Capital Reserve or Distribution of Share Dividends during the Report Period	S1	—	—
Increase in Number of Shares Due to Issuance of New Shares or Debt Swap in the Report Period	Si1	—	—
Cumulative Months from the month following such increase to the end of the reporting period	Mi1	—	—
Reduction of Shares Due to Repurchase, Etc During the Report Period	Sj	—	—
Decrease in Number of Shares Month following the month in which the shares are held	Mj	—	—
Drawbacks during Reporting Period	Sk	—	—
Months of Reporting Period	M0	12	12
<b>Basic EPS</b>		<b>0.89</b>	<b>0.68</b>

<b>Diluted Earnings Per Share</b>		<b>0.89</b>	<b>0.68</b>
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Basic EPS = P0 ÷ S

S = S0 + S1 + Si × Mi ÷ M0 - Sj × Mj ÷ M0 - Sk

#### 47. Cash Flow Statement Item

##### 1) Other cash receipts in relation to Operating Activities

Item	Year 2017	Year 2016
Deposit Interest	10,921,355.60	10,358,107.42
Government Grants and Appropriations	11,517,991.95	2,660,506.47
Other Correspondences	7,691,321.74	4,682,272.05
Income from Interest of the Entrusted Loan	471,698.13	1,467,452.85
<b>Total</b>	<b>30,602,367.42</b>	<b>19,168,338.79</b>

##### 2) Other Cash Payments in relation to Operating Activities

Item	Year 2017	Year 2016
Out of Pocket Expenses	295,948,529.79	152,822,688.78
Disbursements for Donations	8,787,946.00	1,010,137.00
Bank Fees	384,801.95	123,052.04
Other Correspondences	5,255,254.09	709,622.56
<b>Total</b>	<b>310,376,531.83</b>	<b>154,665,500.38</b>

##### 3) Other Cash Received in relation to Investing Activities

Item	Year 2017	Year 2016
Wealth Management Products	217,073,995.06	100,870,520.55
Entrusted Loan	52,460,000.00	—
Investment Government Grants	5,400,000.00	1,510,000.00
<b>Total</b>	<b>274,933,995.06</b>	<b>102,380,520.55</b>

##### 4) Other Cash Payments in relation to Investment Activities

Item	Year 2017	Year 2016
Entrusted Loan	37,460,000.00	—
Wealth Management Products	166,200,000.00	130,000,000.00
<b>Total</b>	<b>203,660,000.00</b>	<b>130,000,000.00</b>

##### 5) Other Cash Received in relation to Financing Activities

Item	Year 2017	Year 2016
Discount Interest for Project Loans	1,234,891.32	1,238,274.58
<b>Total</b>	<b>1,234,891.32</b>	<b>1,238,274.58</b>

Discount interest for project loans is the discount interest subsidies granted by the Bureau of Finance of Fuzhou Hi-Tech Zone to Jiangxi Boya Seehot Pharmaceutical Co., Ltd., and in the current period, the capitalized interest expenses will be directly written off according to the amended Accounting Standard for Business Enterprises No. 16 - Government Grants.

##### 6) Other Cash Payments in relation to Financing Activities

Item	Year 2017	Year 2016
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Private Placement Expenses	1,818,000.00	—
<b>Total</b>	<b>1,818,000.00</b>	—

#### 48. Consolidated Cash Flow Statement Supplementary Materials

##### 1) Cash Flow Statement Supplementary Materials

Item	Year 2017	Year 2016
<b>1. Reconciliation of Net Profits to Cash Flows from Operating Activities:</b>		
Net Profits	364,931,186.82	277,554,725.57
Plus: Reserve for Impairment of Assets	8,870,780.94	1,658,697.08
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	40,939,581.14	39,659,927.40
Amortization of Intangible Assets	4,749,661.14	4,692,620.73
Amortization of Long-term Prepaid Expenses	7,906,801.64	5,628,304.40
Losses on disposal of fixed assets, intangible assets and other long-term assets (to state "-")	102,369.14	92,533.22
Obsolescence Losses on Fixed Assets (gain to be marked with the sign "-")	36,809.37	235,632.70
Loss on Changes in Fair Value (gain to be marked with the sign "-")	—	—
Finance costs (gain to be marked with the sign "-")	1,538,780.15	349,007.38
Loss on investment (gain to be marked with the sign "-")	-14,239,877.19	-972,957.24
Decrease in deferred income tax assets (increase to be marked with the sign "-")	-10,112,249.35	7,932.49
Increase in deferred income tax liability (decrease to be marked with the sign "-")	-678,903.42	-517,508.06
Decrease of inventory (increase to be marked with the sign "-")	-122,104,310.21	-74,337,327.00
Decrease in operating receivables (increase to be marked with the sign "-")	-460,810,708.30	-99,693,287.66
Increase in operating payables (decrease to be marked with the sign "-")	155,053,924.00	44,397,837.53
Miscellaneous	—	—
<b>Net cash flow from operating activities</b>	<b>-23,816,154.13</b>	<b>198,756,138.54</b>
<b>2. Investment and financing activities not involving cash receipts and payments:</b>		
Conversion of debt into capitalization	—	—
Convertible bonds due within one year	—	—
Fixed assets leased under finance lease	—	—
<b>3. Net increase in cash and cash equivalents:</b>		
Ending balance of cash	491,154,748.31	420,005,560.54
Less: Opening balance of cash	420,005,560.54	697,274,118.90
Plus: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
<b>Net increase in cash and cash equivalents</b>	<b>71,149,187.77</b>	<b>-277,268,558.36</b>

##### 2) Composition of Cash and Cash Equivalents

Item	2017-12-31	2016-12-31
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I. Cash	491,154,748.31	420,005,560.54
Including: Cash in inventory	903,710.73	813,283.67
Bank deposits available for payment at any time	490,251,037.58	419,192,276.87
Other funds available for payment at any time	–	–
Amounts Available for Payment from Central Bank Deposits	–	–
Interbank deposits	–	–
Interbank Offer	–	–
II. Cash Equivalents	–	–
Including: Debt Investment with maturing within three months	–	–
III. Ending balance of Cash and Cash Equivalents	491,154,748.31	420,005,560.54
Including: restricted use of cash and cash equivalents by parent or Intra-Group Subsidiaries	–	–

#### 49. Assets with Restricted Ownership or Use Right

None

#### 50. Foreign Currency Item

None

#### 51. Hedging

None

### VIII. Change to Scope of Merger

#### 1. Merger not under Common Control

The Company shall acquire 82% of the equity interest in Guangdong Fuda Pharmaceutical Co., Ltd. ("Fuda Pharmaceutical") by way of cash purchase.

##### (1) Business Merger not under Common Control in the Current Period

Name of the Purchaser	Time of Acquisition of Equity Interest	Equity Acquisition Costs	Percentage of Equity Interest Ownership (%)	Manner of Acquisition of Equity Interest	Purchase Date	Basis for Determination of Purchase Date	Income of the Purchaser from Purchase Date to End of Period	Net Profits of the Purchased Party from Date of Purchase to End of Period
Guangdong Fuda Pharmaceutical Co., Ltd.	2017-10-30	218,120,000.00	82	Cash	2017-10-30	Formal Transfer of Control	85,127,100.45	3,009,425.57

##### (2) Combined Costs and Goodwill

Combined Costs	Guangdong Fuda Pharmaceutical Co., Ltd.
– Cash	179,437,812.01



– Fair Value of Non-cash Assets	38,682,187.99
– Fair Value of Equity Securities Issued	–
– Fair Value of Equity Interests Held Prior to Purchase Date at the Purchase Date	–
Total Consolidated Costs	218,120,000.00
Less: share of fair value of identifiable net assets acquired	52,051,864.68
Goodwill/Consolidated Costs Less Amount by which Fair Value Share of Identifiable Net Assets Acquired	<b>166,068,135.32</b>

**(3) Identifiable Assets and Liabilities of the Buyer as of the Purchase Date**

Statement Item	Guangdong Fuda Pharmaceutical Co., Ltd.	
	Purchase Date Fair Value	Purchase Date Book Value
<b>Current Assets:</b>		
Monetary Funds	26,167,305.07	26,167,305.07
Notes Receivable	6,993,163.27	6,993,163.27
Receivables	128,631,194.75	128,631,194.75
Advance Payment	699,441.94	699,441.94
Other Receivables	603,419.00	603,419.00
Inventories	106,822,189.82	106,822,189.82
<b>Total Current Assets</b>	<b>269,916,713.85</b>	<b>269,916,713.85</b>
Non-current Assets:		
Fixed Assets	1,452,834.64	1,452,834.64
Intangible Assets	62,682.24	62,682.24
Long-term Deferred Expenses	73,873.85	73,873.85
Deferred income tax assets	1,865,978.42	1,865,978.42
<b>Total Non-current assets</b>	<b>3,455,369.15</b>	<b>3,455,369.15</b>
<b>Total assets</b>	<b>273,372,083.00</b>	<b>273,372,083.00</b>
<b>Current Liabilities:</b>		
Notes payable	51,000,000.00	51,000,000.00
Accounts Payable	57,654,127.97	57,654,127.97
Advance Receipts	2,898,788.65	2,898,788.65
Staff remuneration payable	2,604,355.73	2,604,355.73
Taxes payable	1,311,480.51	1,311,480.51
Dividends payable	94,000,000.00	94,000,000.00
Other payables	407,925.19	407,925.19
<b>Total current liabilities</b>	<b>209,876,678.05</b>	<b>209,876,678.05</b>
<b>Non-current Liabilities:</b>		
Deferred income tax liabilities	17,521.20	17,521.20
<b>Total non-current liabilities</b>	<b>17,521.20</b>	<b>17,521.20</b>
<b>Total liabilities</b>	<b>209,894,199.25</b>	<b>209,894,199.25</b>
<b>Net assets</b>	<b>63,477,883.75</b>	<b>63,477,883.75</b>
<b>Less: Minority interest</b>	<b>11,426,019.07</b>	<b>11,426,019.07</b>
<b>Net assets acquired</b>	<b>52,051,864.68</b>	<b>52,051,864.68</b>

## 2. Merger of enterprises under common control

None

## 3. Reverse takeover

None

## 4. Disposal of subsidiaries

None

## 5. Change in scope of merger for other reasons

None

**IX. Interest in other Persons**

## 1. Interest in subsidiaries

**(1) Composition of the Enterprise Group**

Name of Subsidiaries	Principal Business Place	Jurisdiction of Incorporation	Nature of business	Shareholding Percentage (%)		Manner of Acquisition
				Direct	Indirect	
Nancheng Jinshan Apheresis Plasma Co., Ltd.	Jinshankou Industrial Park, Nancheng County, Jiangxi Province	Jinshankou Industrial Park, Nancheng County, Jiangxi Province	Collection of raw material plasma, Hepatitis B Special Immune Plasma, and Rabies Special Immune Plasma	100.00	—	New Establishment
Chongren Boya Apheresis Plasma Co., Ltd.	Area C, Industrial Park, Chongren County, Jiangxi Province	Area C, Industrial Park, Chongren County, Jiangxi Province	Collection of raw material plasma, Hepatitis B Special Immune Plasma, and Rabies Special Immune Plasma	100.00	—	New Establishment
Jinxi Boya Apheresis Plasma Co., Ltd.	No. 640 Xiugu West Avenue, Jinxi County, Jiangxi Province	No. 640 Xiugu West Avenue, Jinxi County, Jiangxi Province	Collection of raw material plasma, Hepatitis B Special Immune Plasma, and Rabies Special Immune Plasma	100.00	—	New Establishment
Ganzhou Nankang Boya Apheresis Plasma Co., Ltd.	No. 6 Railway Station Development Zone, Dongshan Subdistrict, Nankang City, Jiangxi Province	No. 6 Railway Station Development Zone, Dongshan Subdistrict, Nankang City, Jiangxi Province	Collection of raw material plasma, Hepatitis B Special Immune Plasma, and Rabies Special Immune Plasma	100.00	—	New Establishment
Yuechi Boya Apheresis Plasma Co., Ltd.	No. 9 Yuzhu Road, Jiulong Town Industrial Park, Yuechi County, Sichuan Province	No. 9 Yuzhu Road, Jiulong Town Industrial Park, Yuechi County, Sichuan Province	Apheresis Plasma	100.00	—	New Establishment

Jiangxi Boya Pharmaceutical Investment Co., Ltd.	No. 333 Huiquan Road, Hi-Tech Industrial Park, Fuzhou City, Jiangxi Province	No. 333 Huiquan Road, Hi-Tech Industrial Park, Fuzhou City, Jiangxi Province	Pharmaceutical project investment, investment management, investment consulting, economic and trade consulting, enterprise management consulting, pharmaceutical technology development, pharmaceutical technology transfer, pharmaceutical technology services, pharmaceutical technology by itself, exhibitions, conference services, market research	100.00	—	New Establishment
Linshui Boya Apheresis Plasma Co., Ltd.	No. 75, Second Block, Chengnan Industrial Park, Economic Development Zone, Linshui County, Sichuan Province	No. 75, Second Block, Chengnan Industrial Park, Economic Development Zone, Linshui County, Sichuan Province	Apheresis Plasma	80.00	—	New Establishment
Beijing Boya Seehot Biotechnology Co., Ltd.	Room 709, Building 3, No.88. Kechuang Sixth Street, Beijing Economic and Technological Development Zone, Beijing	Room 709, Building 3, No.88. Kechuang Sixth Street, Beijing Economic and Technological Development Zone, Beijing	Biotechnology development, technology consulting, technology services, technology transfer	100.00	—	New Establishment

Name of Subsidiary	Principal Domicile	Place of Registration	Nature of Business	Shareholding Percentage (%)		Method of Acquisition
				Direct	Indirect	
Guizhou Tianan Pharmaceutical Co., Ltd.	No. 25 Hi-Tech Road, Wudang District, Guiyang City, Guizhou Province	No. 25 Hi-Tech Road, Wudang District, Guiyang City, Guizhou Province	Production and sale of tablets and hard capsules; import and export trade	27.770	55.586	Acquisitions
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	Weiliu Road, Hi-tech Industrial Park, Fuzhou City, Jiangxi Province	Weiliu Road, Hi-tech Industrial Park, Fuzhou City, Jiangxi Province	Pharmaceutical Technology Consulting Services	—	100.00	New Establishment
Xinfeng Boya Apheresis Plasma Co., Ltd.	Hospital, Merlin Town, Fengcheng City	Hospital, Merlin Town, Fengcheng City	Collection of raw plasma, HBV Special Immune Plasma, Rabies Special Immune Plasma and Tetanus Immune Plasma	80.00	—	New Establishment
Fengcheng Boya Apheresis Plasma Co., Ltd.	No.28, Chengxin Avenue, Industrial Park, Xinfeng County, Ganzhou City, Jiangxi Province	No.28, Chengxin Avenue, Industrial Park, Xinfeng County, Ganzhou City, Jiangxi Province	Collection of raw plasma, HBV Special Immune Plasma, Rabies Special Immune Plasma and Tetanus Immune Plasma	80.00	—	New Establishment

Yudu Boya Apheresis Plasma Co., Ltd.	Longmen Road, Zhaolin Industrial Park, Gongjiang Town, Yudu County, Ganzhou City, Jiangxi Province	Longmen Road, Zhaolin Industrial Park, Gongjiang Town, Yudu County, Ganzhou City, Jiangxi Province	Raw materials Plasma, Hepatitis B antibody plasma, Rabies antibody plasma, and Tetanus antibody plasma.	80.00	—	New Establishment
Duchang Boya Apheresis Plasma Co., Ltd.	Furongshan Industrial Park, Duchang County, Jiujiang City, Jiangxi Province	Furongshan Industrial Park, Duchang County, Jiujiang City, Jiangxi Province	Collection of raw plasma, Human HBV Special Immune Plasma, Human Rabies Special Immune Plasma and Tetanus Immune Plasma	80.00	—	New Establishment
Xinbai Pharmaceutical Co., Ltd.	No. 68, Xingang Avenue, Nanjing Economic and Technological Development Zone	No. 68, Xingang Avenue, Nanjing Economic and Technological Development Zone	Production and Sale of Pharmaceutical Products	99.999	0.001	Acquisitions
Nanjing Boya Pharmaceutical Co., Ltd.	No. 68, Xingang Avenue, Nanjing Economic & Technological Development Zone	No. 68, Xingang Avenue, Nanjing Economic & Technological Development Zone	Pharmaceutical Sales	—	100.00	Acquisitions
Nanjing Xinrui Pharmaceutical Technology Development Co., Ltd.	No. 68, Xingang Avenue, Economic & Technological Development Zone	No. 68, Xingang Avenue, Economic & Technological Development Zone	Pharmaceutical Research	—	100.00	Acquisitions
Guangdong Fuda Pharmaceutical Co., Ltd.	Room 901-905, 9/F, No. 91 and 93 Jude Middle Road, Haizhu District, Guangzhou	Room 901-905, 9/F, No. 91 and 93 Jude Middle Road, Haizhu District, Guangzhou	Pharmaceutical Distribution	82.00	—	Acquisitions

- 1) The shareholding percentage of the Company in its subsidiaries is the same as that of the voting right. There is no inconsistency in shareholding percentage and voting right.
- 2) There is not invested unit in which the Company controls but does not hold half or less than half of the voting rights, or invested units in which the Company does not control but holds half or more of the voting rights.

## (2) Material non-wholly-owned subsidiaries

Name of Subsidiaries	Minority Shareholding Percentage (%)	Current Profits or Losses Attributable to Minority Shareholders	Dividend declared to minority shareholders in the current period	Ending Minority Interest Balance
Linshui Boya Apheresis Plasma Co., Ltd.	20.00	3,229.86	—	3,971,035.40
Guizhou Tianan Pharmaceutical Co., Ltd.	16.644	8,138,348.82	—	44,813,141.07
Xinfeng Boya Apheresis Plasma Co., Ltd.	20.00	81,281.50	—	-534,069.04
Fengcheng Boya Apheresis Plasma Co., Ltd.	20.00	-152,473.48	—	-592,102.51
Yudu Boya Apheresis Plasma Co., Ltd.	20.00	158,819.68	—	-84,189.03
Duchang Boya Apheresis Plasma Co., Ltd.	20.00	-428,184.38	—	-984,031.37
Guangdong Fuda Pharmaceutical Co., Ltd.	18.00	541,696.60		11,967,715.67
<b>Total</b>		<b>8,342,718.60</b>		<b>58,557,500.19</b>

The shareholding percentage of the minority shareholders of the subsidiaries is consistent with the voting right of the minority shareholders, and there is no inconsistency between the shareholding percentage and voting right.

**(3) Material Financial Information of Non-Wholly-Owned Subsidiaries**

Name of Subsidiary	2017-12-31					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Linshui Boya Apheresis Plasma Co., Ltd.	1,506,785.50	26,117,919.31	27,624,704.81	7,769,527.83	—	7,769,527.83
Guizhou Tianan Pharmaceutical Co., Ltd.	265,895,038.21	88,042,794.52	353,937,832.73	81,259,449.20	3,433,363.89	84,692,813.09
Xinfeng Boya Apheresis Plasma Co., Ltd.	1,428,324.74	10,174,993.64	11,603,318.38	6,273,663.62	—	6,273,663.62
Fengcheng Boya Apheresis Plasma Co., Ltd.	4,032,869.36	1,668,864.94	5,701,734.30	662,246.84	—	662,246.84
Yudu Boya Apheresis Plasma Co., Ltd.	6,628,039.45	2,528,069.51	9,156,108.96	1,577,054.09	—	1,577,054.09
Duchang Boya Apheresis Plasma Co., Ltd.	8,477,951.56	3,586,647.62	12,064,599.18	8,984,756.01	—	8,984,756.01
Guangdong Fuda Pharmaceutical Co., Ltd.	264,591,895.27	4,456,792.61	269,048,687.88	202,543,477.29	17,901.27	202,561,378.56
<b>Total</b>	<b>552,560,904.09</b>	<b>136,576,082.15</b>	<b>689,136,986.24</b>	<b>309,070,174.88</b>	<b>3,451,265.16</b>	<b>312,521,440.04</b>

**CONTINUED**

Name of Subsidiary	2016-12-31					
	Current Assets	Non-current Assets	Total assets	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	Total liabilities
Linshui Boya Apheresis Plasma Co., Ltd.	1,851,771.22	28,736,517.13	30,588,288.35	10,749,260.65	—	10,749,260.65
GUIZHOU TIANAN PHARMACEUTICAL CO., LTD.	213,010,649.93	76,668,363.10	289,679,013.03	65,366,528.98	3,964,056.67	69,330,585.65
Xinfeng Boya Apheresis Plasma Co., Ltd.	1,212,835.06	6,576,615.88	7,789,450.94	3,664,440.91	—	3,664,440.91
Fengcheng Boya Apheresis Plasma Co., Ltd.	2,264,946.52	1,673,271.87	3,938,218.39	3,564,531.42	—	3,564,531.42
Yudu Boya Apheresis Plasma Co., Ltd.	1,185,546.85	2,810,454.35	3,996,001.20	1,237,386.75	—	1,237,386.75
Duchang Boya Apheresis Plasma Co., Ltd.	9,482,685.92	3,553,169.33	13,035,855.25	7,815,090.18	—	7,815,090.18

Ltd.						
Guangdong Fuda Pharmaceutical Co., Ltd.	—	—	—	—	—	—
<b>Total</b>	<b>229,008,435.50</b>	<b>120,018,391.66</b>	<b>349,026,827.16</b>	<b>92,397,238.89</b>	<b>3,964,056.67</b>	<b>96,361,295.56</b>

**CONTINUED**

Name of Subsidiary	Year 2017			
	Operating Revenue	Net Profits	Total comprehensive income	Cash Flows from Operating Activities
Linshui Boya Apheresis Plasma Co., Ltd.	25,291,398.05	16,149.28	16,149.28	188,283.31
Guizhou Tianan Pharmaceutical Co., Ltd.	246,039,459.36	48,896,592.26	48,896,592.26	8,271,730.74
Xinfeng Boya Apheresis Plasma Co., Ltd.	18,566,044.65	406,407.48	406,407.48	2,975,975.68
Fengcheng Boya Apheresis Plasma Co., Ltd.	20,690,108.75	-762,367.39	-762,367.39	-5,035,344.80
Yudu Boya Apheresis Plasma Co., Ltd.	24,755,242.72	794,098.40	794,098.40	-3,522,825.37
Duchang Boya Apheresis Plasma Co., Ltd.	13,813,258.21	-2,140,921.90	-2,140,921.90	503,422.68
Guangdong Fuda Pharmaceutical Co., Ltd.	85,127,100.45	3,009,425.57	3,009,425.57	-13,238,932.97
<b>Total</b>	<b>434,282,612.19</b>	<b>50,219,383.70</b>	<b>50,219,383.70</b>	<b>-9,857,690.73</b>

**CONTINUED**

Name of Subsidiary	Year 2016			
	Operating Income	Net Income	Total comprehensive income	Cash Flows from Operating Activities
Linshui Boya Apheresis Plasma Co., Ltd.	15,254,408.09	-4,475,251.51	-4,475,251.51	4,522,935.11
Guizhou Tianan Pharmaceutical Co., Ltd.	201,619,250.90	45,751,001.57	45,751,001.57	46,535,627.75
Xinfeng Boya Apheresis Plasma Co., Ltd.	12,653,467.92	-910,031.97	-910,031.97	-333,528.65
Fengcheng Boya Plasma Co., Ltd.	14,844,854.21	-1,129,838.58	-1,129,838.58	105,771.42
Yudu Boya Apheresis	15,049,165.20	-1,215,043.53	-1,215,043.53	-251,847.35

Plasma Co., Ltd.				
Duchang Boya Apheresis Plasma Co., Ltd.	4,241,421.36	-2,779,234.93	-2,779,234.93	3,648,679.05
Guangdong Fuda Pharmaceutical Co., Ltd.	-	-	-	-
<b>Total</b>	<b>263,662,567.68</b>	<b>35,241,601.05</b>	<b>35,241,601.05</b>	<b>54,227,637.33</b>

## 2. Transactions with Change in Ownership Shares in Subsidiaries while Reserving the Control over Subsidiaries

None

## 3. Rights and Interests in Joint Ventures and Associates

- (1) **Material Associates and Joint Ventures: none**
- (2) **Important Financial Information of Joint Ventures: None**
- (3) **Important Financial Information of Associates: None**
- (4) **Consolidated Financial Information of Unimportant Joint Ventures and Associates**

Item:	Ending Balance/Amount Incurred in Current Period	Opening Balance/Amount Incurred in the Previous Period
<b>Associates:</b>		
Total Book Value of Investments	148,483,209.33	50,004,344.30
The aggregate, pro rata to Shareholding Percentages:		
- Net Profits	-5,606,290.30	4,344.30
- Other comprehensive income		
- Total comprehensive income	-5,606,290.30	4,344.30

## 4. Material Joint Operations

None

## 5. Interest in Unconsolidated Structured Entity

None

## X. Risks relating to Financial

**Instruments: No**

**of Fair Value: No**

## XII. Associated Parties and Connected Transactions

### (1) Information of the Parent Company

Name of Parent	Jurisdiction of	Nature of Business	Registered Capital	Parent Company's Shareholding Percentage in	Parent Company's Voting
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Company	Incorporation			the Company (%)	Percentage (%)
Shenzhen Jingying Investment Group Company Limited	1501 Tianli Central Business Plaza, East of Houhai Avenue, Nanshan District, Shenzhen	Investment Management Business	RMB 283.2 million	33.44	33.44

1) Explanatory Statement of the Parent Company:

As of December 31, 2017, the shareholders of Shenzhen GTJA Investment Group Company Limited are Shenzhen Bandaowan Investment Partnership (L.P.), Xiamen Jingdao Kaixiang Investment Partnership (Limited Partnership), Shenzhen Yangguang Jiarun Investment Co., Ltd., Shenzhen Susuda Investment Co., Ltd., Shenzhen Jiaying Herun Investment Co., Ltd., Suzhou GTJA Jingying Investment Partnership (L.P.) and Xiamen GTJA Jingying Investment Partnership (L.P.). GTJA Group Company mainly engages in direct investment in high-tech industries and other technological innovation enterprises, entrusted management and operation of venture capital of other venture capital companies, investment consulting business, and direct investment or participation in the construction of enterprise incubators.

2) Shenzhen GTJA Investment Group Company Limited is the parent company and the ultimate parent company of this Company.

**(II) Information of the Subsidiaries of this Company**

Refer to Article 1. Rights and interests in subsidiaries in Section V.

**(III) Information of the Joint Venture and Joint Venture of the Company**

- For details of important joint ventures and associates of the enterprise, see Article 3. Rights and Interests in Joint Ventures and Associates in Section VII.
- Information of other joint venture or associate whose balance is formed by the connected transactions with the Company in the current period or other joint venture or associate whose balance is formed by its connected transactions with the Company in the previous period: none

**(IV) Information of Other Affiliates of this Company**

Affiliates	Relationships with the Company
Jiangxi Xinxing Biotechnology Development Co., Ltd.	Shareholders of the Company
Nanchang Dazheng Chuyuan Investment Co., Ltd.	Shareholders of the Company
Xiamen Shengyang Investment Partnership (L.P.)	Shareholders of the Company
Shenzhen Ronghua Investment Co., Ltd.	Shareholders of the Company
Xu Jianxin	Shareholders of the Company/Directors of the Company
Fuzhou Borui Pharmaceutical Investment Center (L.P.)	Partnership Controlled by Executive Officers of the Company
Shenzhen Chuangrong Investment Consulting Co., Ltd.	Control by the Controlling Shareholder of the Company
Shenzhen Ronghua Investment Co., Ltd.	Control by the Controlling Shareholder of the Company
Beijing GTJA Asset Management Co., Ltd.	Control by the Controlling Shareholder of the Company
Shenzhen Rongke Investment Co., Ltd.	Control Company by the Controlling Shareholder of the Company
Jiangsu Kunshan GTJA Venture Capital Co., Ltd.	Control Company by the Controlling



Kunshan GTJA Venture Capital Management Co., Ltd.	Shareholder of the Company
Chengdu GTJA Yinke Investment Management Co., Ltd.	Control Company by the Controlling Shareholder of the Company
Shenzhen Rongyuan Venture Capital Co., Ltd.	Control Company by the Controlling Shareholder of the Company
Ruijie Software Technology (Hong Kong) Co., Ltd.	Control Company by the Controlling Shareholder of the Company
Hefei Jiarong Venture Capital Management Co., Ltd.	Control Company by the Controlling Shareholder of the Company
Hangzhou GTJA Equity Investment Management Co., Ltd.	Control Company by the Controlling Shareholder of the Company
Shenzhen GTJA Yonghui Investment Partnership (L.P.)	Control Company by the Controlling Shareholder of the Company
Shenzhen GTJA Selected Hengfu Investment Partnership (L.P.)	Partnership Managed by the Controlling Shareholder of the Company
Shenzhen GTJA Ruijia Investment Partnership (L.P.)	Partnership Managed by the Controlling Shareholder of the Company
Shenzhen GTJA Ruifu Investment Partnership (L.P.)	Partnership Managed by the Shareholder of the Company
Jiangsu Renshou Pharmaceutical Co., Ltd.	Wholly-owned subsidiary of the Company Wholly-owned subsidiary of the Former Joint-stock Company
Shanghai GTJA Yikang Investment Partnership (L.P.)	Shareholders of the Company
Shenzhen GTJA Hongrui Investment Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Fuzhou Jiayi Investment Partnership (L.P.)	Company Executive Controls Company
GTJA Boya Asset Management Plan	Management Plan for the Establishment of the Controlling Shareholder of the Company
Tibet Heerzi Venture Capital Management Co., Ltd.	Company Controlled by the Former Director of the Company
Guangdong Danxia Biologics Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company

## **(V) Transactions between the Company and Affiliates**

### **(1) Establishment of the Company (Partnership) by Joint Contribution with Affiliates**

#### 1) Jointly Investing with Related Parties to Establish Shenzhen GTJA Qianhai Youxiang Investment Partnership (Limited Partnership)

The third meeting of the sixth board of directors has deliberated and adopted the Proposal on Joint Investment with Affiliates in the Merger and Acquisition Fund and Affiliated Transactions in the Pharmaceutical Industry. In order to realize the company's development strategy, integrate the resources of the Pharmaceutical Industry, enhance the comprehensive competitiveness, make full use of the professional investment team and financing channels and resources of Shenzhen GTJA Investment Group Co., Ltd. (hereinafter referred to as "GTJA Group"), and reserve more merger and acquisition targets for the company's future development, the Company intends to use its own funds of RMB 50 million to invest in the Pharmaceutical Industry Merger and Acquisition Fund together with its controlling shareholder GTJA Group and other parties. The Company is a limited partner. The merger and acquisition fund is provided by Shenzhen GTJA Qianhai Youxiang Investment Partnership (L.P.).

(hereinafter referred to as "Qianhai Youxiang"), the manager is the Company's controlling shareholder GTJA Group and its investment target is Guangdong Danxia Biopharmaceutical Co., Ltd. As of December 31, 2017, the Company had invested CNY50 million in Qianhai Youxiang.

#### 2) Jointly Investing with Affiliates to Establish Shenzhen GTJA Ruibao Investment Partnership (L.P.)

The tenth session of the sixth board of directors has deliberated and adopted the Proposal on Jointly Establishing Investment Fund and Affiliated Transactions with Affiliates. In order to realize the Company's development strategy, integrate resources in the pharmaceutical industry, enhance comprehensive competitiveness, make full use of the professional investment team and financing channels of Shenzhen GTJA Investment Group Co., Ltd., and enhance comprehensive competitiveness, the Company intends to use its own funds of not more than RMB 100 million to establish an investment fund, Shenzhen GTJA Ruibao Investment Partnership (L.P.) (hereinafter referred to as "Ruibao Investment"), with its controlling shareholder GTJA Group and other parties, and the Company is a limited partner. The manager of the fund is GTJA Group or an enterprise with management qualifications designated by GTJA Group, and the investment fund will be mainly invested in pharmaceutical, medical services, vaccines and other major health and major

medical fields.

As of December 31, 2017, the Company had invested RMB 51.5854 million in Ruibao Investment.

## (2) Purchased Goods

Affiliates	Contents of Affiliated Transactions	Approved Transaction Line	Current Amount Incurred	Amount Incurred in the Previous Period
Guangdong Danxia Biologics Co., Ltd.	Purchase and Allocated Plasma and Plasma Components	402,000,000.00	—	—
<b>Total</b>		<b>402,000,000.00</b>	—	—

The 6th meeting of the 6th board of directors and the 3rd extraordinary general meeting of shareholders in 2017 have deliberated and approved the Proposal on Purchase and Allocation of Plasma, Plasma Components and Related-party Transactions of Guangdong Danxia Biopharmaceutical Co., Ltd. For the purposes of making full use of plasma resources and alleviating the shortage of blood product supply, given that the Company and Guangdong Danxia Biopharmaceutical Co., Ltd. are enterprises invested by Shenzhen GTJA Investment Group Co., Ltd., the Company plans to allocate plasma and plasma components to Danxia Biopharmaceutical Co., Ltd., and is expected to purchase and allocate no more than 100 tons of raw plasma and no more than 180 tons of raw plasma for the production of static human immunoglobulin within 24 months, and no more than 400 tons of raw plasma for production of human fibrinogen components, totally no more than RMB 402 million.

As of December 31, 2017, the Company had prepaid RMB 115,279,771.11 and had not started allocation yet. The reason why the successful procurement and allocation failed to be made was that the State FDA needs to apply to the Company for the cross-company procurement and allocation of plasma and such allocation shall only be made after the approval of the State FDA is obtained. As of December 31, 2017, the approval from the State FDA has not been obtained to the Company.

## (3) Transfer of Equity Interest to Affiliates

The 31st meeting of the 5th board of directors reviewed and approved the Proposal on Transfer of Equity Interest in the Company by Its Wholly-owned Subsidiary and Connected Transactions. Jiangxi Boya Pharmaceutical Investment Co., Ltd. ("Boya Investment"), a wholly-owned subsidiary of the Company, proposed to transfer 37.00% of the equity interest in Jiangxi Boya Pharmaceutical Management Co., Ltd. ("Boya Pharmaceutical") to Tibet Heerzi Venture Capital Management Co., Ltd. ("Tibet Heerzi") in the amount of RMB 53.4132 million. After the transfer, Boya Investment no longer held the equity interest in Boya Pharmaceutical.

As of December 31, 2017, Boya Pharmaceutical had completed the equity change formalities and received the equity transfer price of RMB 53.4132 million from Tibet Heerzi. The disposal of the equity interest generated RMB 19,325,035.92.

## (4) Call loans to affiliated parties (providing entrusted loans to affiliated parties)

The 10th meeting of the 5th board of directors deliberated and approved the Proposal on Providing Entrusted Loans to Jiangsu Renshou Pharmaceutical Co., Ltd and Related-party Transactions by Sun Company, the controlling subsidiary of Jiangxi Boya Pharmaceutical Investment Co., Ltd., entrusted Guiyang Wudang Branch of China Construction Bank to provide entrusted loan in the amount of RMB 15 million to Renshou Pharmaceutical Co., Ltd. with a 12-month service fee of 0.1% per annum and annum interest rate of 10%, in order to give full play to the advantages of overall scale of the Company, improve the efficiency of capital use, make good use of the stock capital of Jiangsu Renshou Pharmaceutical Co., Ltd. In September 2015, upon the maturity of the entrusted loan, Guizhou Tianan Pharmaceutical Co., Ltd. failed to collect the entrusted loan, and continued to entrust Guiyang Wudang Branch of China Construction Bank to provide entrusted loan of that RMB 15 million to Renshou Pharmaceutical at an annum interest rate of 10% and a 12-month service fee of 0.1% per annum. Upon expiration in September 2016, Guizhou Tianan Pharmaceutical Co., Ltd. failed to collect the entrusted loan and, again, entrusted Guiyang Wudang Branch of China Construction Bank to provide Jiangsu Renshou Pharmaceutical Co., Ltd. with entrusted loan in the amount of RMB 15 million the entrusted loan at an annum interest rate of 10.00% and a 12-month service fee of 0.1% per annum.

In April 2017, Renshou Pharmaceutical repaid the entrusted loan of RMB 15 million. Tianan Pharmaceutical Co., Ltd. received RMB 471,698.13 as interest income from the entrusted loans in total.

## (5) Key Management Staff Remuneration

Item	Year 2017	Year 2016
Key Management Staff Remuneration	4,110,000.00	4,250,000.00

## (VI) Balance of Receivables and Payables to Related Parties

### (1) Item Receivable

	2017-12-31	2016-12-31

Project name:	Affiliate	Book Balance	Provision for Bad Debts	Book Balance	Provision for Bad Debts
Other Current Assets-Entrustment Loans	Jiangsu Renshou Pharmaceutical Co., Ltd.	-	-	15,000,000.00	-
Payment for Goods – Payment for Goods	Guangdong Danxia Biopharmaceutical Co., Ltd.	115,279,771.11	-		
Other Receivables – Borrowings	Jiangsu Renshou Pharmaceutical Co., Ltd.	-	-	665,159.40	33,257.97
<b>Total</b>		<b>115,279,771.11</b>	<b>-</b>	<b>15,665,159.40</b>	<b>33,257.97</b>

## (2) Payable

Item: None

## (VII) Affiliate

Covenants: None

**XIII. Shares Payment**

None

**XIV. Commitments and Contingencies**

## 1. Important Covenants

None

## 2. Contingencies

As of December 31, 2017, the Company provides joint and several liability guarantee for a loan with a maximum balance of RMB 10 million to its supply chain customers.

**XV. Events after Balance Sheet Date**

## 1. Important Non-adjustment Issues

In April 2018, the Company completed private placement matters. This Private Placement of A Shares has actually issued 32,247,662 ordinary shares in the par value of RMB 31.01 per share, and the total proceeds was RMB 999,999,998.62.

After deducting various issuance expenses of RMB 10,744,000.00, the amount of the actual proceeds raised is RMB 989,255,998.62. 32,247,662 additional shares were listed on April 20, 2018.

## 2. Distribution of Profits

The 2017 profit distribution plan of the Company is: based on 433,324,863 total shares of the Company on the trading day immediately preceding the date on which the board of directors holds the meeting (April 24, 2018), distribute cash dividends of RMB 1.50 (tax-inclusive) for every 10 shares, totally distributing RMB 64,998,729.45 as cash dividend.

No bonus shares shall be issued or converted into share capital.

**XVI. Other Important Matters**

## 1. Correction of Accounting Errors in Previous Periods

None

## 2. Debt Restructuring

None

## 3. Asset Substitution

None

## 4. Annuity Plan

None

## 5. Termination of Operations

None

## 6. Division Information

### (1) Basis for Determination of Reporting Segment and Accounting Policies

The Company reporting division is mainly divided into blood product business, diabetes pharmaceutical business, biochemical pharmaceutical business, pharmaceutical distribution business and other businesses. The relevant accounting policies shall be consistent with those of the parent company.

### (2) Financial Information in the 2017 Annual Report Segment

Item	Blood Product Business	Diabetes Pharmaceutical Business	Biochemical Pharmaceutical Business	Pharmaceutical Distribution Business	Other Businesses	Inter-Segment Offset	Total
Total Assets	2,851,549,231.58	353,937,832.73	498,725,852.02	269,048,687.88	572,918,961.61	876,545,485.06	3,669,635,080.76
Total Debt	508,413,129.03	84,692,813.09	180,557,783.26	202,561,378.56	312,430,591.17	103,324,499.89	1,185,331,195.22
Operating Revenue	742,452,940.09	246,039,459.36	397,297,154.86	85,127,100.45		10,394,798.25	1,460,521,856.51
Operating Costs	243,015,920.83	47,545,969.95	132,992,652.42	72,958,504.44		5,277,379.65	491,235,667.99
Net Profit	254,908,419.44	48,896,592.26	54,063,717.62	3,009,425.57	7,891,095.88	3,838,063.95	364,931,186.82
Net profit attributable to owners of the parent company	255,245,746.26	40,758,243.44	54,063,717.62	2,467,728.97	7,891,095.88	3,838,063.95	356,588,468.22
Net profit attributable to minority shareholders	-337,326.82	8,138,348.82	—	541,696.60	—	—	8,342,718.60
Comprehensive income	254,908,419.44	48,896,592.26	54,063,717.62	3,009,425.57	7,891,095.88	3,838,063.95	364,931,186.82
Total comprehensive income attributable to owners of the parent company	255,245,746.26	40,758,243.44	54,063,717.62	2,467,728.97	7,891,095.88	3,838,063.95	356,588,468.22
Total comprehensive income attributable to minority	-337,326.82	8,138,348.82	—	541,696.60	—	—	8,342,718.60

shareholders							
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## XVII. Notes to key Item of parent company financial statements

### 1. Receivables

#### 1) Disclosure by classification of accounts receivable:

Item	2017-12-31				Book Value
	Book Balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Accrual Percentage (%)	
Accounts receivable that are material individually and that are separately provided for bad debts	5,236,489.81	7.22	5,236,489.81	100.00	—
Receivables for which bad debt provision is made according to the combination of credit risk characteristics	65,717,312.28	90.61	3,289,465.61	5.01	62,427,846.67
Accounts receivable that are not material in amount individually but that are separately provided for bad debt	1,570,346.03	2.17	1,570,346.03	100.00	—
<b>Total</b>	<b>72,524,148.12</b>	<b>100.00</b>	<b>10,096,301.45</b>	<b>13.92</b>	<b>62,427,846.67</b>

#### CONTINUED

Item	2016-12-31				Book Value
	Book Balance		Provision For Bad Debts		
	Amount	Proportion (%)	Amount	Accrual Percentage (%)	
Accounts receivable that are material in amount and that are separately	—	—	—	—	—
Receivables for which bad debt provision is made according to the combination of credit risk characteristics	49,053,984.17	100.00	2,771,029.00	5.65	46,282,955.17
Accounts receivable that are not material in amount but that are separately provided for bad debts	—	—	—	—	—
<b>Total</b>	<b>49,053,984.17</b>	<b>100.00</b>	<b>2,771,029.00</b>	<b>5.65</b>	<b>46,282,955.17</b>

#### ① Provision of accounts receivable that are material in amount individually and that are separately provided for bad debts:

Accounts receivable	Book Balance	Bad debts amount	Accrual Percentage	Reasons
Hebei Provincial Center of Health and Biological Products Supply	1,089,214.81	1,089,214.81	100.00%	Anticipated Irrecoverable

Minsheng Group Henan Pharmaceutical Co., Ltd.	1,108,555.00	1,108,555.00	100.00%	Anticipated Irrecoverable
Hunan Jinzhilu Pharmaceutical Co., Ltd.	1,941,580.00	1,941,580.00	100.00%	Anticipated Irrecoverable
Chengdu Luyan Guangfu Pharmaceutical Co., Ltd.	1,097,140.00	1,097,140.00	100.00%	Anticipated Irrecoverable
<b>Total</b>	<b>5,236,489.81</b>	<b>5,236,489.81</b>	<b>100.00%</b>	

② Portfolios: Accounts receivable to which provision for bad debts is made based on aging analysis

Aging	2017-12-31		
	Accounts receivable	Provision for bad debts	Accrual Percentage
Less than 1 year	65,645,312.28	3,282,265.61	5.00%
1 to 2 years	72,000.00	7,200.00	10.00%
2 to 3 years	—	—	—
Over 3 years	—	—	—
<b>Total</b>	<b>65,717,312.28</b>	<b>3,289,465.61</b>	<b>—</b>

CONTINUED

Aging	2016-12-31		
	Accounts receivable	Provision for bad debts	Accrual Percentage
Less than 1 year	43,976,188.33	2,198,809.42	5.00%
1 to 2 years	4,862,995.84	486,299.58	10.00%
2 to 3 years	214,800.00	85,920.00	40.00%
Over 3 years	—	—	—
<b>Total</b>	<b>49,053,984.17</b>	<b>2,771,029.00</b>	<b>—</b>

③ For portfolios, there is no account receivable to which the balance percentage method is adopted for bad debts provision;

④ There is no account receivable in the portfolio of accounts receivable based on other methods to provide for bad debts.

⑤ There are no accounts receivable that are not material in amount individually but for which separate provision for bad debts is made at the end of the period;

2) Provision for bad debts made, recovered or reversed in the current period

The amount of bad debts provision for bad debts in the current period to be made is RMB 7,325,272.45; and the amount of bad debts provision recovered or reversed during the current period is RMB 0.

3) Accounts Receivable that rank top five in ending balances based on payees:

The total amount of the top five accounts receivable on ending balances collected by debtor during the reporting period is RMB 26,427,403.50, which accounts receivable as a percentage of total accounts receivable ending balances 36.44%, with the total amount of the provision for bad debts made correspondingly is RMB 1,321,370.18.

## 2. Other accounts receivable

1) Disclosure of other accounts receivable by classification:

Item	2017-12-31				Book Value
	Book Balance		Provision For Bad Debts		
	Amount	Proportion (%)	Amount	Accrual Percentage (%)	

Other single account receivable that is material individually and for bad debts are provided for separately	—	—	—	—	—
Other accounts receivable that are provided for bad debts in accordance with credit risk characteristics	47,032,061.45	100	267,833.81	0.57	46,764,227.64
Other single account receivable that is not material in amount but for which separate provision for bad debts is made	—	—	—	—	—
<b>Total</b>	<b>47,032,061.45</b>	<b>100.00</b>	<b>267,833.81</b>	<b>0.57</b>	<b>46,764,227.64</b>

Item	2016-12-31				Book Value
	Book Balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Accrual Percentage (%)	
Other single account receivable that is material individually and that are separately provided for bad debts	—	—	—	—	—
Other receivables for which the provision for bad debts is made according to the combination of credit risk characteristics	232,390,742.55	100.00	114,699.64	0.05	232,276,042.91
Other single account receivable that is not individually but for which separate provision for bad debts is made	—	—	—	—	—
<b>Total</b>	<b>232,390,742.55</b>	<b>100.00</b>	<b>114,699.64</b>	<b>0.05</b>	<b>232,276,042.91</b>

① Other accounts receivable that are not material individually in amount and for which no provision for bad debts is made individually at the end of the period.

② Other receivables in the portfolio for which a provision for uncollectible accounts has been made on an aging basis

Aging	2017-12-31		
	Other receivables	Provision for bad debts	Accrual Percentage
Less than 1 year	4,138,525.29	206,926.26	5.00%
1 to 2 years	118,819.13	11,881.91	10.00%
2 to 3 years	18,972.68	7,589.07	40.00%
Over 3 years	41,436.57	41,436.57	100.00%
<b>Total</b>	<b>4,317,753.67</b>	<b>267,833.81</b>	—

Aging	2016-12-31		
	Other receivables	Provision for bad debts	Accrual Percentage
Less than 1 year	1,412,516.08	70,625.80	5.00%
1 to 2 years	18,972.68	1,897.27	10.00%

2 to 3 years	9,100.00	3,640.00	40.00%
Over 3 years	38,536.57	38,536.57	100.00%
<b>Total</b>	<b>1,479,125.33</b>	<b>114,699.64</b>	—

③ In a portfolio, other receivables to which a provision for bad debts shall be made based on a portfolio of affiliates within the consolidated scope.

Project name:	2017-12-31		2016-12-31	
	Book Balance	Provision for bad debts	Book Balance	Provision for bad debts
Linshui Boya Apheresis Plasma Co., Ltd.	5,467,749.99	—	4,780,822.74	—
Yuechi Boya Apheresis Plasma Co., Ltd.	17,006,190.07	—	17,006,190.07	—
Jiangxi Boya Pharmaceutical Investment Co., Ltd.		—	25,350,000.00	—
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	10,859,543.91	—	181,929,821.41	—
Duchang Boya Apheresis Plasma Co., Ltd.	1,844,783.00	—	1,844,783.00	—
Fengcheng Boya Apheresis Plasma Co., Ltd.	238,751.00	—	—	—
Xinfeng Boya Apheresis Plasma Co., Ltd.	2,887,657.75	—	—	—
Nancheng Jinshan Apheresis Plasma Co., Ltd. Guangchang Single Apheresis Plasma Station	2,434,183.98	—	—	—
Chongren Boya Apheresis Plasma Co., Ltd. Le'an Apheresis Plasma Station	1,975,448.08	—	—	—
<b>Total</b>	<b>42,714,307.78</b>	—	<b>230,911,617.22</b>	—

④ Among portfolios, there is no other receivables to make provision for bad debts through the balance percentage method.

⑤ Among portfolios, other receivables to which no other methods are adopted to make provision for bad debts.

⑥ There is no other receivables that are not material in amount individually but for which bad debts are separately provided for at the end of the period.

2) Status of provisions for bad debts made, recovered or reversed in the current period

The amount of bad debts provision for current period to be made is RMB 153,134.17; and the amount of bad debts provision recovered or reversed during the current period is RMB 0.

3) Classification of other receivables by nature of payments

Item	2017-12-31	2016-12-31
Temporary Borrowings of Subsidiaries	42,714,307.78	230,911,617.22
Deposit	—	13,401.13
Security	1,125,900.00	510,718.00
Private Placement Expenses	1,818,000.00	—
Imprest Fund	508,152.41	35,436.57
Borrowing	—	665,159.40
Miscellaneous	865,701.26	254,410.23
<b>Total</b>	<b>47,032,061.45</b>	<b>232,390,742.55</b>

4) Other receivables that rank top five in the ending balance if collected based on payees;



Company Name	Nature of payment	Ending Balance	Aging	Proportion (%) of total Other Receivables Ending Balances	Provision for Bad Debts Ending Balance
Nancheng Jinshan Apheresis Plasma Co., Ltd. Guangchang Apheresis Plasma Station	Temporary Borrowings of Subsidiaries	2,434,183.98	Less than 1 year	5.18	—
Xinfeng Boya Apheresis Plasma Co., Ltd.	Temporary Borrowings of Subsidiaries	2,887,657.75	Less than 1 year	6.14	—
Linshui Boya Apheresis Plasma Co., Ltd.	Temporary Borrowings of Subsidiaries	5,467,749.99	Less than 3 years	11.63	—
Jiangxi Boya Xinhe Pharmaceutical Co., Ltd.	Temporary Borrowings of Subsidiaries	10,859,543.91	Less than 1 year	23.09	—
Yuechi Boya Apheresis Plasma Co., Ltd.	Temporary Borrowings of Subsidiaries	17,006,190.07	Over 3 years	36.16	—
<b>Total</b>		<b>38,655,325.70</b>		<b>82.20</b>	

### 3. Long-term Equity Investment

Item	2017-12-31			2016-12-31		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Investment in Subsidiaries	1,339,899,358.00	—	1,339,899,358.00	1,106,526,610.85	—	1,106,526,610.85
Investment in Associates	148,483,209.33	—	148,483,209.33	50,004,344.30	—	50,004,344.30
<b>Total</b>	<b>1,488,382,567.33</b>		<b>1,488,382,567.33</b>	<b>1,156,530,955.15</b>		<b>1,156,530,955.15</b>

#### 1) Investment in Subsidiaries

Investee	2016-12-31	Current Increase	Current Reduction	2017-12-31	Current Provision for Impairment	Impairment Provision Closing Balance
Nancheng Jinshan Apheresis Plasma Co., Ltd.	10,000,000.00	—	—	10,000,000.00	—	—
Chongren Boya Apheresis Plasma Co., Ltd.	4,592,915.00	—	—	4,592,915.00	—	—
Jinxi Boya Apheresis Plasma Co., Ltd.	5,780,143.00	—	—	5,780,143.00	—	—
Ganzhou Nankang Boya Apheresis Plasma Co., Ltd.	3,830,000.00	—	—	3,830,000.00	—	—
Yuechi Boya Apheresis Plasma Co., Ltd.	5,000,000.00	—	—	5,000,000.00	—	—
Beijing Boya Xinnuo Biotechnology Co., Ltd.	10,000,000.00	—	—	10,000,000.00	—	—
Linshui Boya Apheresis Plasma Co., Ltd.	28,000,000.00	—	—	28,000,000.00	—	—
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	250,000,000.00	—	—	250,000,000.00	—	—
Xinfeng Boya Apheresis Plasma Co., Ltd.	7,201,762.75	798,237.25	—	8,000,000.00	—	—
Fengcheng Boya Apheresis Plasma Co., Ltd.	2,571,832.12	5,428,167.88	—	8,000,000.00	—	—
Yudu Boya Apheresis Plasma Co., Ltd.	3,973,657.98	4,026,342.02	—	8,000,000.00	—	—
Duchang Boya Apheresis Plasma Co., Ltd.	8,000,000.00	—	—	8,000,000.00	—	—

Nanjing Xinbai Pharmaceutical Co., Ltd.	620,000,000.00	—	—	620,000,000.00	—	—
Guizhou Tianan Pharmaceutical Co., Ltd.	147,576,300.00	—	—	147,576,300.00	—	—
Guangdong Fuda Pharmaceutical Co., Ltd.	—	218,120,000.00	—	218,120,000.00	—	—
Nanjing Boya Pharmaceutical Co., Ltd.	—	5,000,000.00	—	5,000,000.00	—	—
<b>Total</b>	<b>1,106,526,610.85</b>	<b>233,372,747.15</b>	—	<b>1,339,899,358.00</b>	—	—

## 2) Investment In Associates

Investee	2016-12-31	Current Increase Or Decrease Changes				2017-12-31	Impairment
		Additional Investment	Reduction Of Investment	Gains Or Losses On Investments Recognized Under The Equity Method	Miscellaneous		Preparation Closing Balance
Zhuji GTJA Ruiian Investment Partnership(L.P.)	50,004,344.30	—	—	-3,401,640.99	2,499,755.33	49,102,458.64	—
Shenzhen GTJA Qianhai Youxiang Investment Partnership (L.P.)	—	50,000,000.00	—	-2,190,055.94	—	47,809,944.06	—
Shenzhen GTJA Ruibao Investment Partnership (L.P.)	—	51,585,400.00	—	-14,593.37	—	51,570,806.63	—
<b>TOTAL</b>	<b>50,004,344.30</b>	<b>101,585,400.00</b>	—	<b>-5,606,290.30</b>	<b>2,499,755.33</b>	<b>148,483,209.33</b>	—

## 4. Operating Revenue &amp; Operating Costs

Item	Year 2017		Year 2016	
	Incomes	Costs	Incomes	Costs
Principal Business	742,445,177.49	255,846,632.00	528,537,937.66	193,418,891.18
Other Business	7,762.60	—	150,073.48	2,800.00
<b>Total</b>	<b>742,452,940.09</b>	<b>255,846,632.00</b>	<b>528,688,011.14</b>	<b>193,421,691.18</b>

## 5. Investment Return

Item	Year 2017	Year 2016
Gain from long-term equity investments	-5,606,290.30	4,344.30
Dividend income from subsidiaries	29,999,700.00	—
<b>Total</b>	<b>24,393,409.70</b>	<b>4,344.30</b>

## XVIII. SUPPLEMENTARY INFORMATION

**1. Non-Recurring Profit And Loss Breakdown**

Item	Year 2017	Year 2016
Gains or losses on disposal of non- current assets	-102,369.14	-328,165.92
Government subsidies recorded in the profit and loss for the current period (excluding those government subsidies closely related to the business of the enterprise and enjoyed by the enterprise in accordance with the national unified standard or fixed amount)	12,487,987.95	3,630,503.47
Investment Proceeds From Disposal Of Long-Term Equity Investment	19,325,035.92	—
Gains Or Losses From The Entrusted Loans And Wealth Management	1,345,693.19	2,337,973.40
Other non-operating income and expense in addition to the foregoing	-8,698,026.06	-811,746.31
Less: amount affected due to minority shareholder's interests	507,168.09	642,164.46
Less: income tax impact	4,547,441.38	562,024.96
<b>Total</b>	<b>19,303,712.39</b>	<b>3,624,375.22</b>

**2. Return on Net Assets and Earnings Per Share (EPS)**

## (1) Return on Net Assets and EPS 2017

Profit for the Reporting Period	WEIGHTED AVERAGE Return on Net Assets (%)	EPS (Yuan)	
		Basic EPS	Diluted EPS
Net profits attributable to shareholders of the Company's ordinary shares	15.80	0.89	0.89
Net profits attributable to shareholders of the Company's ordinary shares after deducting non-recurring profits and losses	14.95	0.84	0.84

## (2) Return on Net Assets and EPS 2016

Profit for the Reporting Period	Weighted average Return on Net Assets (%)	EPS (Yuan)	
		Basic EPS	Diluted EPS
Net profits attributable to shareholders of the Company	13.74	1.02	1.02
Net profits attributable to shareholders of the Company's ordinary shares after deducting non-recurring profit and loss	13.56	1.00	1.00

## (3) Calculation of Weighted Average Return on Net Assets

Project name:	Code	Year 2017	Year 2016
Net profits	P0	356,588,468.22	272,041,808.98
Net profits net profits net of non-recurring profits and losses		337,284,755.83	268,417,433.76
Net profits for the Reporting Period	NP	356,588,468.22	272,041,808.98
Opening net assets	E0	2,093,396,641.90	1,874,831,793.12
New net assets arising from capital increase in invested companies by Other Shareholders during the Report Period	Ei	2,499,755.33	—
Cumulative Months from the next month following the increase of the net assets to the end of the Reporting Period	Mi	1	—

Distributions dividends during the Reporting Period	Ej	26,738,480.10	53,476,960.20
Cumulative Months from the next month following the reduction of net assets to the end of the reporting Period	Mj	7	7
Reduction of Net Assets by Acquisition of Minority Interests during the Report Period	Ek	—	—
Cumulative Number of Month following the reduction of net assets to the end of the reporting Period	Mk	—	—
Months of Reporting Period	M0	12	12
<b>Weighted Average Return on Net Assets (%)</b>		<b>15.80</b>	<b>13.74</b>
<b>Weighted Average Return on Net Assets after Deducting Non-recurring Profits and Losses (%)</b>		<b>14.95</b>	<b>13.56</b>

$$\text{Weighted Average Return on Net Assets} = P0 / (E0 + NP \div 2 + Ei \times Mi \div M0 - Ej \times Mj \div M0 \pm Ek \times Mk \div M0)$$

**2.    Audited Consolidated Financial Statements For The Year Ended 31 December  
2018**

## Section XI

# Financial Report

### 1. Auditor's Report

Type Of Audit Opinions	Standard Unmodified opinions
Name Of Audit Firm	Jiangsu Gongzheng Tianye Certified Public Accountants, SGP
Auditor's Report No.	Su Gong W [2019] No. A526
Name Of Certified Public Accountant	Wang Zhen, Zhang Feiyun

### Text of Auditor's Report

All Shareholders of Boya Bio-pharmaceutical Group Co., Ltd:

#### I. Audit Opinion

We have audited the financial statements of Boya Bio-pharmaceutical Group Co., Ltd ("Boya Bio-Pharmaceutical"), including the consolidated balance sheets as of December 31, 2018 and those of the parent company, consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in ownership equity and notes to the financial statements for the year 2018.

In our opinion, the attached financial statements, prepared in all material respects in accordance with the Accounting Standards for Business Enterprises, fairly present the consolidated financial position of Boya Bio-Pharmaceutical as of December 31, 2018 and the consolidated financial position of the parent company and those of the parent company and those of the parent company for the year 2018.

#### II. Basis for Formation of Audit Opinion

We have conducted our audit in accordance with Chinese Auditing Standards for Certified Public Accountant. Our responsibilities under these standards are further elaborated in the "Responsibility of Certified Public Accountants for Auditing Financial Statements" section of the audit report. In accordance with the CHINA Code of Ethics for Certified Public Accountants, we are independent of Boya Bio-Pharmaceutical and have fulfilled our other professional and ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate, which provides a basis for issuing audit opinions.

#### III. Key Audit Items

Key audit items refer to the items that we consider most important to audit the financial statements of the current period based on our professional judgment. These items are handled against the background that we have audited the entire financial statements and formed opinions. We will not issue separate opinions on these items.

##### (1) Goodwill impairment test

##### 1. Description of Matters

As stated in the notes to the financial statements, the book value of the goodwill formed by Boya Bio-Pharmaceutical's acquisition of the equity of Guizhou Tianan Pharmaceutical Co., Ltd. (hereinafter referred to as "Tianan Pharmaceutical") is as follows:

RMB 126,747,644.00; the book value of the goodwill formed by acquiring the equity of Nanjing Xinbai Pharmaceuticals Co., Ltd.

(hereinafter referred to as "Xinbai Pharmaceuticals") is RMB 371,026,199.46; the book value of the goodwill formed by acquiring the

equity of Guangdong Fuda Pharmaceutical Co., Ltd. (hereinafter referred to as "Fuda Pharmaceutical") is RMB 166,068,135.32; the balance of corresponding impairment provision is RMB 0.

The management of Boya Bio-Pharmaceutical hereinafter referred to as the "management") shall conduct an impairment test on the goodwill at the end of each year to determine whether it is necessary to confirm the impairment loss. The management's appraisal process of the impairment test on the goodwill

is complicated and needs a high degree of judgment. The appraisal on impairment involves the determination of such parameters as discount rate and the hypotheses on the operation and financial conditions in the coming years, including the sales growth rate and gross profit margin in the coming years, etc. Since Boya Bio-Pharmaceutical's amount of goodwill is large, and the appraisal on the impairment of goodwill involves the important judgment of the management, we take the impairment of goodwill as a key audit item.

## 2. Audit response

As to the Boya Bio-Pharmaceutical's goodwill impairment test, the main audit procedures we performed include:

(1) Became acquaint with the historical performance and development plan of the asset group as well as the development trend of the industry.

(2) Analyzed the management's recognition of the asset group to which the goodwill belongs and the key hypotheses and methods adopted in goodwill impairment test, and examine the reasonableness of relevant hypotheses and methods;

(3) Compared the revenue growth rate and gross profit margin in the period of future cash flow forecast with the history of the Company under test;

(4) Compared the actual operation of the relevant asset group in the current year with the forecast data of previous years, so as to evaluate the reliability of the management's forecast of the recoverable cash flow;

(5) Tested whether the calculation of the net present value of future cash flow is accurate;

(6) Compared the difference between the book value of the asset group to which the goodwill belongs and its recoverable amount to confirm whether there is impairment of goodwill;

(7) Considered whether the impairment of goodwill and the disclosure of key hypotheses adopted in the financial statements meet the requirements of the Accounting Standards for Business Enterprises.

## (II) Recognition of revenue

### 1. Description of Matters

As mentioned in the Notes to the Financial Statements, the business income of Boya Bio-Pharmaceutical was RMB 2,451,304,842.05, up 67.84% year-on-year. Corporation recognizes sales revenue when the product is delivered, the invoice settlement statement is submitted to Purchaser and the relevant revenue and cost can be measured reliably. For the products that are sold by the Purchaser itself, major risks and rewards in title to the products will be transferred to the Purchaser at the time the goods are delivered to the client at the consignment warehouse, and the person who takes delivery shall sign on the Sales Delivery Order for confirmation, and Boya Bio-Pharmaceutical shall issue VAT invoice and confirm the sales revenue; for the products that are handed over to a third party for carriage, major risks and rewards in title to the products are assumed by the Purchaser after the completion of transportation formalities; after the consignment formalities are completed and the carrier signs on the waybill and the sales delivery order for confirmation, Boya Bio-Pharmaceutical shall issue VAT invoice and confirm the sales revenue and the delivery order shall be at the same time along with the products. Since the revenue amount is significant, which is significantly increased over the same period last year, there may be of potential misstatement on whether the revenue is recognized truthfully, the measure is accurate and entered into the account during the appropriate financial statements. Therefore, we take revenue recognition as a key audit matter.

## 2. Audit response

With regard to Boya Bio-Pharmaceutical's operating revenue, our main audit procedures include:

(1) Evaluated the validity of the design and implementation of internal control of sales and collection made by the management, and conduct internal control tests on sales and collection processes;

(2) Selected samples from the accounting records of business revenue, and verify the sales related contracts, delivery orders, sales invoices, transport documents and other supporting documents to confirm the authenticity of the business revenue;

(3) Implemented analysis procedures on revenue and cost, including: monthly comparison and analysis of gross profit margin of the current period and the previous period; comparison and analysis of the current income, cost and gross profit margin of major products with that of the previous period;

(4) Verified by letter the sales amount and the balance of accounts receivable of important customers in light of the procedures for confirmation of accounts receivable;

(5) Conducted the cut-off test on business revenue, select the detailed accounts for several days around the balance sheet date and check other supporting documents such as delivery orders, transport documents, contracts and invoices, so as to evaluate whether the revenue has been recorded in the appropriate accounting period.

#### **IV. Other Information**

The Management is responsible for other information, which includes information in the 2018 annual report of Boya Bio-Pharmaceutical, but does not include financial statements and our audit report. Our audit opinion on the financial statements does not cover other information, nor does any form of verification on other information.

In conjunction with our audit of the financial statements, it is our responsibility to read other information, and in the process consider whether the other information is materially inconsistent with, or appears to be materially misstated, the financial statements or what we learned during our audit.

Based on the work we have performed, if we determine that other information is materially misstated, we should report that fact. In this regard, we have nothing to report on.

#### **V. Management and Governance's Responsibility for Financial Statements**

The management is responsible for preparing the financial statements in accordance with the Accounting Standards for Business Enterprises to realize fair reflection, and shall design, implement and maintain necessary internal control, so that the financial statements are free from material misstatement due to fraud or errors.

In preparing the financial statements, the management is responsible for assessing the going concern capabilities of Boya Bio-Pharmaceutical, disclosing matters related to going concern (if applicable), and applying the going concern assumption unless management intends to liquidate Boya Bio-Pharmaceutical, discontinue operations or have no other realistic option.

The management is responsible for overseeing the financial reporting process of Boya Bio-Pharmaceutical.

#### **VI. CPA's responsibility for financial statement audit**

Our goal is to obtain reasonable guarantee for whether the financial statements, on the whole, is free from material misstatement due to fraud or errors, and to issue an audit report containing the audit opinion. Reasonable guarantee is of a high level, but it does not guarantee that a material misstatement will always be found in an audit conducted in accordance with the Auditing Standards. A misstatement may be caused by fraud or errors. A misstatement is generally considered material if reasonable expectation of a misstatement, individually or in aggregate, may affect the economic decisions made by users of financial statements based on the financial statements.



The Company exercises professional judgment and maintain professional skepticism in the course of carrying out the audit work in accordance with the Auditing Standards. Meanwhile, we have also implemented the following tasks:

(1) Identify and assess the risks of major misstatement due to fraud or errors, design and perform audit procedures to deal with these risks, and obtain adequate and appropriate audit evidence as the basis for issuing audit opinions. Since fraud may involve collusion, forgery, intentional omission, misstatement or overriding internal control, the risks of failing to detect material misstatement due to fraud are higher than those of failing to detect material misstatement due to error.

(2) Understand the internal control relating to audit, so as to design appropriate audit procedures; however, the purpose of which is not to give an opinion on the Valid internal control.

(3) Evaluate the appropriateness of the accounting policies selected by the management and the reasonableness of the accounting estimates and relevant disclosures.

(4) Draw a conclusion on the appropriateness of the use of going concern assumption by the management. At the same time, based on the audit evidences obtained, draw a conclusion as to whether there is significant uncertainty in the issues or situations that may lead to significant doubt on the going concern capabilities of Boya Bio-Pharmaceutical. If we come to a conclusion that there are material uncertainties, we are required to bring the relevant disclosure in the financial statements to the attention of the users of the statements in the audit report; if the disclosure is insufficient, we should issue a non-unqualified opinion. Our conclusion is based on the information available as of the date of the audit report. However, future events or circumstances may cause Boya Bio-Pharmaceutical to be unable to continue as a going concern.

(5) Evaluate the general presentation, structure and content (including disclosure) of financial statements as well as whether the financial statements fairly reflect relevant transactions and issues.

(6) Obtain adequate and appropriate audit evidence in respect of financial information relating to the entities or business activities of Boya Bio-Pharmaceutical to issue an audit opinion on the financial statements. We are responsible for the direction, supervision and execution of the Group's audit, and assume sole responsibility for the opinion of the audit.

We communicate with governance on, among other things, the scope, timing and significant audit findings to be planned audit, including on the internal control weaknesses we identified during our audit that merit attention.

We also provide a statement to and communicate with governance regarding compliance with the professional and ethical requirements relating to independence, all relationships and other matters that could reasonably be deemed to affect our independence and, where applicable, precautions in relation thereto.

From the matters passed through the governance trenches, we have determined which matters are most important to the audit of the current financial statements and therefore constitute a key audit matter. These matters are described by us in our auditors' report. Except where public disclosure is prohibited by laws or regulations, and in very rare cases, where the adverse consequences of communicating an matter in the auditors' report outweigh the benefits to the interests of PUICs. We determines that the matter should not be communicated in the auditors' report.

## **II. Financial Statements**

Unit of the financial notes: RMB.

### **1. Consolidated Balance Sheet**

Prepared by: Boya Bio-pharmaceutical Group Co., Ltd  
December 31, 2018

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
<b>Current Assets:</b>		
Monetary Funds	1,193,391,678.66	502,473,348.31
Settlement Provision		
Lending Money		
Financial Assets Measured At Fair Values And Of Which The Changes Are Recorded As Current Profits And Losses		
Derivative Financial Assets		
Notes And Accounts Receivable	899,187,856.34	576,635,310.02
Including: Notes Receivable	356,393,706.64	287,673,609.79
Accounts Receivable	542,794,149.70	288,961,700.23
Advance Payment	324,321,968.50	137,302,001.47
Premium Receivable		
Reinsurance Receivable		
Reinsurance Contract Reserve Receivable		
Other Receivables	7,388,490.92	6,512,704.57
Including: Interest Receivable		
Dividends Receivable		
Purchase Of Resale Financial Assets		
Inventories	604,432,392.50	517,639,742.73
Holding Of Assets For Sale		
Non- Current Assets Maturing Within One Year		
Other Current Assets	18,168,097.91	13,930,473.72
<b>Total Current Assets</b>	<b>3,046,890,484.83</b>	<b>1,754,493,580.82</b>
<b>Non- Current Assets:</b>		
Advance Of Loans And Advances		
Financial Assets Available For Sale		500,000.00
Investments Held Until Maturity		
Long Term Receivables		
Long-Term Equity Investments	144,163,414.53	148,483,209.33
Investment Properties		
Fixed Assets	775,727,434.99	331,032,842.67
Construction-In-Progress	79,299,306.42	397,282,885.85
Productive Biological Assets		
Oil And Gas Assets		
Intangible Assets	163,351,268.06	114,164,527.94
Development Expenditures	71,774,192.74	43,008,745.02
Goodwill	663,841,978.78	663,841,978.78
Long Term Deferred Expenses	56,670,626.44	65,385,296.83
Deferred Income Tax Assets	16,146,592.60	14,720,135.32
Other Non- Current Assets	55,284,878.66	136,721,878.20
<b>Total Non- Current Assets</b>	<b>2,026,259,693.22</b>	<b>1,915,141,499.94</b>
<b>Total Assets</b>	<b>5,073,150,178.05</b>	<b>3,669,635,080.76</b>

Current Liabilities:		
Short-Term Borrowing	95,000,000.00	55,000,000.00
Loans Borrowed From The Central Bank		
Absorption Of Deposits And Interbank Deposits		
Borrowed Monies		
Financial Liabilities Measured At Fair Values Through Current Profits And Losses		
Derivative Financial Indebtedness		
Notes Payable And Accounts Payable	277,553,963.40	178,828,623.18
Advance Receipts	22,961,769.75	27,962,363.15
Sale Of Repurchased Financial Assets		
Charges And Commission Payable		
Staff Remuneration Payable	57,762,286.91	63,612,332.67
Taxes Payable	83,103,389.99	71,725,545.51
Other Payables	209,187,771.79	296,883,653.05
Where: Interest Payable	795,813.50	
Dividends Payable		94,000,000.00
Reinsurance Accounts Payable		
Reserve For Insurance Contracts		
Agency Payment For Securities Purchase And Sale		
Underwriting Monies Of Securities		
Held To Be Marketed		
Non- Current Liabilities Due Within One Year	61,500,000.00	22,145,000.00
Other Current Liabilities		
Total Current Liabilities	807,069,181.84	716,157,517.56
Non- Current Liabilities:		
Long Term Borrowing	450,000,000.00	450,000,000.00
Bonds Payable		
Where: Preferred Shares		
Perpetual Debt		
Long Term Payables		
Long Term Remuneration Payable		
Estimated Liabilities		
Deferred Income	38,280,011.00	11,369,304.22
Deferred Income Tax Liabilities	7,265,681.74	7,804,373.44
Other Non- Current Liabilities		
Total Non- Current Liabilities	495,545,692.74	469,173,677.66
Total Liabilities	1,302,614,874.58	1,185,331,195.22
Ownership Interest:		
Share Capital	433,324,863.00	401,077,201.00
Other Equity Instruments		
Where: Preferred Shares		
Perpetual Debt		
Capital Reserves	1,946,866,631.66	1,058,486,714.27

Less: Treasury Shares	45,890,427.23	
Other Comprehensive Income		
Special Reserves		
Surplus Reserves	140,444,254.54	100,449,353.97
Provision For Risks		
Undistributed Profits	1,229,914,294.39	865,733,116.11
Total Ownership Interest Vested In Parent Company	3,704,659,616.36	2,425,746,385.35
Minority Interest	65,875,687.11	58,557,500.19
Total Ownership Interest	3,770,535,303.47	2,484,303,885.54
Total Indebtedness And Ownership Interest	5,073,150,178.05	3,669,635,080.76

Legal Representative: Liao Xinxi Person in charge of accounting: Person in charge of Fan Yiqin's Accounting Division: Wei Yuanxin

## 2. Parent company balance sheet

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
<b>Current Assets:</b>		
Monetary Funds	1,128,406,586.19	195,434,400.77
Financial Assets Measured At Fair Values And Of Which The Changes Are Recorded As Current Profits And Losses		
Derivative Financial Assets		
Notes Receivable And Accounts Receivable	604,036,140.46	366,268,675.04
Including: Notes Receivable	338,090,503.59	303,840,828.37
Accounts Receivable	265,945,636.87	62,427,846.67
Advance Payment	340,730,129.40	138,269,003.99
Other Receivables	147,813,486.17	46,764,227.64
Including: Interest Receivable		
Dividends Receivable		
Inventories	423,726,476.30	335,419,457.43
Holdings Of Assets For Sale		
Non- Current Assets Maturing Within One Year		
Other Current Assets		
Total Current Assets	2,644,712,818.52	1,082,155,764.87
<b>Non- Current Assets:</b>		
Financial Assets Available For Sale		
Investments Held Until Maturity		
Long Term Receivables		
Long-Term Equity Investments	1,615,277,832.53	1,488,382,567.33
Investment Properties		
Fixed Assets	172,050,052.18	87,421,584.48
Construction-In-Progress	38,734,813.50	118,838,423.44
Productive Biological Assets		
Oil And Gas Assets		
Intangible Assets	11,835,300.26	6,608,499.76

Development Expenditures	36,503,044.23	27,403,730.73
Goodwill		
Long Term Deferred Expenses	45,230,297.37	53,250,193.18
Deferred Income Tax Assets	8,376,172.11	8,616,908.59
Other Non- Current Assets	9,992,492.91	19,200,783.50
Total Non- Current Assets	1,938,000,005.09	1,809,722,691.01
Total Assets	4,582,712,823.61	2,891,878,455.88
Current Liabilities:		
Short-Term Borrowing	95,000,000.00	55,000,000.00
Financial Liabilities Measured At Fair Values Through Current Profits And Losses		
Derivative Financial Indebtedness		
Notes Payable And Accounts Payable	89,840,490.89	57,452,440.12
Advance Receipts	16,290,439.91	13,745,028.48
Staff Remuneration Payable	28,129,333.43	39,653,503.57
Taxes Payable	58,137,631.34	41,540,471.45
Other Payables	331,214,151.03	119,102,082.88
Where: Interest Payable	483,484.74	
Dividends Payable		
Holdings Of Indebtedness To Be Sold		
Non- Current Liabilities Due Within One Year	11,500,000.00	
Other Current Liabilities		
Total Current Liabilities	630,112,046.60	326,493,526.50
Non- Current Liabilities:		
Long Term Borrowing	260,000,000.00	180,000,000.00
Bonds Payable		
Where: Preferred Shares		
Perpetual Debt		
Long Term Payables		
Long Term Remuneration Payable		
Estimated Liabilities		
Deferred Income	35,350,000.00	6,450,000.00
Deferred Income Tax Liabilities		
Other Non- Current Liabilities		
Total Non- Current Liabilities	295,350,000.00	186,450,000.00
Total Liabilities	925,462,046.60	512,943,526.50
Ownership Interest:		
Share Capital	433,324,863.00	401,077,201.00
Other Equity Instruments		
Where: Preferred Shares		
Perpetual Debt		
Capital Reserves	2,122,716,277.43	1,165,707,940.81
Less: Treasury Shares	45,890,427.23	
Other Comprehensive Income		

Special Reserves		
Surplus Reserves	140,444,254.54	100,449,353.97
Undistributed Profits	1,006,655,809.27	711,700,433.60
Total Ownership Interest	3,657,250,777.01	2,378,934,929.38
Total Indebtedness And Ownership Interest	4,582,712,823.61	2,891,878,455.88

Legal Representative: Liao Xinxi Person in charge of accounting: Fan Yiqin Head of Accounting: Wei Yuanxin

### 3. Consolidated income statement

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred In The Previous Period
I. Gross Operating Revenue	2,451,304,842.05	1,460,521,856.51
Where: Operating Revenue	2,451,304,842.05	1,460,521,856.51
Interest Income		
Premiums Earned		
Handling Fees And Commission Income		
II. Total Operating Cost	1,904,888,353.58	1,047,839,257.71
Where: Operating Cost	927,081,807.79	491,235,667.99
Interest Expense		
Handling Fees And Commission Expenses		
Surrender Value		
Net Loss Expenses		
Net Withdrawal Of Reserve For Insurance Contracts		
Expense For Policy Dividends		
Reinsurance Expenses		
Taxes And Charges	22,850,066.76	17,797,558.11
Sales Expenses	754,459,722.97	377,596,815.99
Management Expenses	129,498,214.07	126,804,824.94
Research and Development Expenses	45,057,068.34	34,531,383.24
Finance Expenses	7,644,780.19	-8,997,773.50
Including: Interest Expense	23,977,807.16	1,538,780.15
Interest Income	16,592,049.49	10,921,355.60
Losses On Impairment Of Assets	18,296,693.46	8,870,780.94
Plus: Other Income	3,968,162.62	2,535,537.95
Investment Income (Loss To Be Inserted With "-")	14,414,150.79	14,239,877.19
Including: Income On Investments In Associates And Joint Ventures	-4,319,794.80	-5,959,153.79
Income On Changes In Fair Value (Losses To Be Inserted With Sign "-")		
Exchange Income (Loss To Be Inserted With Sign "-")		
Proceeds On Disposal Of Assets (To Be Inserted With "-")	-262,727.39	-102,369.14
III. Operating Profit (Loss To Be Inserted With Sign "-")	564,536,074.49	429,355,644.80
Plus: Non-Operating Income	13,150,695.92	10,325,723.40

Less: Non-Operating Expenses	5,442,641.25	9,071,299.46
IV. Total Profits (Total Losses Shall Be Filled With The Symbol "-")	572,244,129.16	430,610,068.74
Less: Income Tax Expense	87,164,493.17	65,678,881.92
V. Net Income (Net Loss To Be Inserted With Sign "-")	485,079,635.99	364,931,186.82
(I) Net Profit From Continuing Operations (Net Loss To Be Inserted With "-")	485,079,635.99	364,931,186.82
(II) Net Profit From Discontinued Operations (Net Loss To Be Filled With "-")		
Net Profit Attributable To Owners Of The Parent Company	469,174,808.30	356,588,468.22
Minority Gains Or Losses	15,904,827.69	8,342,718.60
VI. Net After-Tax Of Other Comprehensive Income		
Net After-Tax Of Other Comprehensive Income Attributable To Owners Of The Parent Company		
(I) Other Comprehensive Income That Cannot Be Reclassified As Profit Or Loss		
1. Re-measurement Of Changes In Defined Benefit Plan		
2. Other Comprehensive Income That Cannot Be Realisable Under The Equity Approach		
(II) Other Comprehensive Income To Be Reclassified As Profit Or Loss		
1. Other Comprehensive Income That Could Be Gained Or Lost Under The Equity Approach		
2. Profit And Loss On The Changes Of The Fair Value Of Available-For-Sale Financial Assets		
3. Investments Held Until Maturity Reclassified As Available For Sale Profit Or Loss		
4. Valid Part Of Profit And Loss From Cash Flow Hedging		
5. Translation Of Foreign Currency Financial Statements		
6. Miscellaneous		
Net After-Tax Of Other Comprehensive Income Attributable To Minority Shareholders		
VII. Total Comprehensive Income	485,079,635.99	364,931,186.82
Total Comprehensive Income Attributable To Owners Of The Parent Company	469,174,808.30	356,588,468.22
Total Comprehensive Income Attributable To Minority Shareholders	15,904,827.69	8,342,718.60
VIII. Earnings Per Share:		
(I) Basic Earnings Per Share	1.11	0.89
(II) Diluted Earnings Per Share	1.11	0.89

In the case of a merger of enterprises under common control during the period, the net profit of the merged party (parties) before the merger is: RMB 0 and the net profit of the merged party (parties) for the prior period is: RMB 0.

Legal Representative: Liao Xinxi, Person in charge of accounting: Fan Yiqin's Head of Accounting: Wei Yuanxin

#### 4. Income statement of parent company

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred In The Previous Period
I. Operating Revenue	903,744,438.15	742,452,940.09
Less: Operating Costs	311,966,253.60	255,846,632.00

Taxes And Charges	5,055,438.61	4,187,177.66
Sales Expenses	107,033,189.48	90,197,426.63
Management Expenses	58,229,627.57	70,992,737.30
Research and Development Expenses	22,444,362.99	10,244,618.56
Finance Expenses	12,749,262.98	-12,208,003.77
Where: Interest Expense	24,833,158.72	1,538,780.15
Interest Income	12,157,785.84	14,003,252.41
Losses On Impairment Of Assets	15,590,317.14	7,478,406.62
Plus: Other Income	2,688,405.33	1,725,829.13
Investment Income (Loss To Be Inserted With "-")	79,190,910.68	24,393,409.70
Including: Income On Investments In Associates And Joint Ventures	-4,319,794.80	-5,606,290.30
Income From Changes In Fair Value (Loss To Be Inserted With Sign "-")		
Proceeds On Disposal Of Assets (To Be Inserted With "-")	4,710.38	145,912.51
II. Operating Profit (Loss To Be Inserted With "-")	452,560,012.17	341,979,096.43
Plus: Non-Operating Income	10,257,100.00	5,375,460.00
Less: Non-Operating Expenses	5,016,136.12	8,801,483.21
III. Total Profits (Total Losses Shall Be Filled With The Symbol "-")	457,800,976.05	338,553,073.22
Less: Income Tax Expense	57,851,970.36	46,940,141.23
IV. Net Profit (Net Loss Shall Be Filled With "-")	399,949,005.69	291,612,931.99
(I) Net Profit From Continuing Operations (Net Loss To Be Inserted With "-")	399,949,005.69	291,612,931.99
(II) Net Profit From Discontinued Operations (Net Loss To Be Filled With "-")		
V. Net After-Tax Amount Of Other Comprehensive Income		
(I) Other Comprehensive Income That Cannot Be Reclassified As Profit Or Loss		
1. Re-measurement Of Changes In Defined Benefit Plan		
2. Other Comprehensive Income That Cannot Be Realisable Under The Equity Method		
(II) Other Comprehensive Income To Be Reclassified As Profit Or Loss		
1. Other Comprehensive Income Available For Gains Or Losses Under The Equity Method		
2. Profit And Loss On The Changes Of The Fair Value Of Available-For-Sale Financial Assets		
3. Investments Held Until Maturity Reclassified As Available For Sale		
Profit Or Loss		
4. Valid Part Of Profit And Loss From Cash Flow Hedging		
5. Translation Of Foreign Currency Financial Statements		
6. Miscellaneous		
VI. Total Comprehensive Income	399,949,005.69	291,612,931.99
VII. Earnings Per Share:		
(I) Basic Earnings Per Share		
(II) Diluted Earnings Per Share		



Legal Representative: Liao Xinxi Person in charge of accounting: Fan Yiqin Head of Accounting: Wei Yuanxin

**5. Consolidated Cash Flow Statement**

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred In The Previous Period
<b>I. Cash Flow Generated From Operating Activities:</b>		
Cash Received From Goods Sold And Services Rendered	2,096,434,558.93	1,070,121,270.84
Net Increase In Customer Deposits And Interbank Deposits		
Net Increase In Borrowing From Central Bank		
Net Increase Of Borrowed Funds From Other Financial Institutions (Omitted)		
Cash Received From Premium Received On Original Insurance Contracts		
Net Cash Received From Reinsurance		
Net Increase Of Policyholder Deposits And Investment Amounts		
Net Increase In Disposal Of Financial Assets Measured At Fair Values Through Current Profits And Losses		
Cash To Collect Interests, Charges And Commissions		
Net Increase In Funds Borrowed		
Net Increase In Funds Of Repurchase		
Refunds Of Taxes And Fees Received		
Other Cash Receipts In Relation To Operating Activities	64,017,809.17	30,602,367.42
<b>Sub-Total Cash Inflows From Operating Activities</b>	<b>2,160,452,368.10</b>	<b>1,100,723,638.26</b>
Cash For Goods Purchased Or Services Received	883,760,639.26	440,152,130.83
Net Increase In Customer's Loans And Advances		
Net Increase In Deposits With Central Bank And Interbank Deposits		
Cash To Pay Indemnities Under Original Insurance Contracts		
Cash For Payments Of Interests, Charges And Commissions		
Cash To Pay Policy Dividends		
Cash Payments To And For Employees	233,987,348.70	190,546,503.58
Taxes And Fees Paid	244,836,138.92	183,464,626.15
Other Cash Payments In Relation To Operating Activities	762,965,514.75	310,376,531.83
<b>Sub-Total Of Cash Outflows From Operating Activities</b>	<b>2,125,549,641.63</b>	<b>1,124,539,792.39</b>
<b>Net Cash Flow From Operating Activities</b>	<b>34,902,726.47</b>	<b>-23,816,154.13</b>
<b>II. Cash Flow Activities:</b>		
Cash Received From Cashback Of Investments	100,000,000.00	53,413,200.00
Cash Received From Proceeds Of Investments		
Net Cash Received From Disposal Of Fixed Assets, Intangible Assets And Other Long Term Assets	241,867.58	960,051.40
Net Cash Received On Disposition Of Subsidiaries And Other Business Units		
Other Cash Received In Relation To Investing Activities	1,409,703,945.59	274,933,995.06
<b>Sub-Total Of Cash Inflows From Activities</b>	<b>1,509,945,813.17</b>	<b>329,307,246.46</b>

Cash Payments For Construction Of Fixed Assets, Intangible Assets And Other Long Term Assets	113,900,370.98	237,784,487.37
Cash Payments For Investments	214,984,510.77	102,085,400.00
Net Pledge Loan Increase		
Net Cash Payments For Acquisition Of Subsidiaries And Other Business Units		155,670,506.94
Other Cash Payments In Relation To Investment Activities	1,390,970,000.00	203,660,000.00
Sub-Total Of Cash Outflows From Investing Activities	1,719,854,881.75	699,200,394.31
Net Cash Flow From Investing Activities	-209,909,068.58	-369,893,147.85
III. Cash Flow Arising From Financing Activities:		
Cash Received From Absorbing Investments	1,013,673,998.62	
Including: Cash Received By Subsidiaries From Minority Investments	22,600,000.00	
Cash Receipts From Borrowings	425,000,000.00	585,000,000.00
Cash Received From Issue Of Bonds		
Cash Receipts In Relation To Other Financing Activities	710,485.42	1,234,891.32
Sub-Total Of Cash Inflow From Financing Activities	1,439,384,484.04	586,234,891.32
Cash Payments For Repayment Of Indebtedness	345,645,000.00	80,000,000.00
Cash Payments For Distribution Of Dividends, Profits Or Interest Payments	200,699,202.68	39,558,401.57
Including: Dividends And Profits Paid To Minority Shareholders By Subsidiaries	99,000,000.00	
Cash Payments In Relation To Financing Activities	45,890,427.23	1,818,000.00
Sub-Total Of Cash Outflow From Financing Activities	592,234,629.91	121,376,401.57
Net Cash Flow From Financing Activities	847,149,854.13	464,858,489.75
IV. Effect Of Change In Exchange Rate On Cash And Cash Equivalents		
V. Net Increase In Cash And Cash Equivalents	672,143,512.02	71,149,187.77
Plus: Opening Cash And Cash Equivalents Balance	491,154,748.31	420,005,560.54
VI. Ending Balance Of Cash And Cash Equivalents	1,163,298,260.33	491,154,748.31

Legal Representative: Liao Xinxi Person in charge of accounting: Fan Yiqin's Head of Accounting: Wei Yuanxin

## 6. Cash Flow Statement of Parent Company

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred In The Previous Period
I. Cash Flow Generated From Operating Activities:		
Cash Received From Goods Sold And Services Rendered	634,158,000.41	393,068,146.55
Refunds Of Taxes And Fees Received		
Other Cash Receipts In Relation To Operating Activities	306,626,972.80	261,849,410.61
Sub-Total Cash Inflows From Operating Activities	940,784,973.21	654,917,557.16
Cash For Goods Purchased Or Services Received	496,908,396.60	347,603,970.32
Cash Payments To And For Employees	94,342,359.01	67,349,763.53
Taxes And Fees Paid	73,161,335.70	71,272,595.44
Other Cash Payments In Relation To Operating Activities	244,602,186.96	84,467,519.29
Sub-Total Of Cash Outflows From Operating Activities	909,014,278.27	570,693,848.58
Net Cash Flow From Operating Activities	31,770,694.94	84,223,708.58

II. Cash Flow Activities:		
Cash Received From Cashback Of Investments	99,000,000.00	
Cash Received From Proceeds Of Investments	64,999,500.00	29,999,700.00
Net Cash Received On Disposal Of Fixed Assets, Intangible Assets And Other Long Term Assets	53,010.30	899,873.74
Amount		
Net Cash Received On Disposition Of Subsidiaries And Other Business Units		
Other Cash Received In Relation To Investing Activities	798,511,205.48	38,124,472.23
Sub-Total Of Cash Inflows From Activities	962,563,715.78	69,024,045.97
Cash Payments For Construction Of Fixed Assets, Intangible Assets And Other Long Term Assets	19,331,318.65	76,643,133.23
Cash Payments For Investments	250,384,510.77	296,275,959.16
Net Cash Payments For Acquisition Of Subsidiaries And Other Business Units		
Other Cash Payments In Relation To Investment Activities	780,000,000.00	
Sub-Total Of Cash Outflows From Investing Activities	1,049,715,829.42	372,919,092.39
Net Cash Flow From Investing Activities	-87,152,113.64	-303,895,046.42
III. Cash Flow Arising From Financing Activities:		
Cash Received From Absorbing Investments	991,073,998.62	
Cash Receipts From Borrowings	425,000,000.00	315,000,000.00
Cash Received From Issue Of Bonds		
Cash Receipts In Relation To Other Financing Activities		
Sub-Total Of Cash Inflow From Financing Activities	1,416,073,998.62	315,000,000.00
Cash Payments For Repayment Of Indebtedness	293,500,000.00	80,000,000.00
Cash Payments For Distribution Of Dividends, Profits Or Interest Payments	88,329,967.27	28,277,260.25
Cash Payments In Relation To Financing Activities	45,890,427.23	1,818,000.00
Sub-Total Of Cash Outflow From Financing Activities	427,720,394.50	110,095,260.25
Net Cash Flow From Financing Activities	988,353,604.12	204,904,739.75
IV. Effect Of Change In Exchange Rate On Cash And Cash Equivalents		
V. Net Increase In Cash And Cash Equivalents	932,972,185.42	-14,766,598.09
Plus: Opening Cash And Cash Equivalents Balance	195,434,400.77	210,200,998.86
VI. Ending Balance Of Cash And Cash Equivalents	1,128,406,586.19	195,434,400.77

Legal Representative: Liao Xinxu Person in charge of accounting: Fan Yiqin Head of Accounting: Wei Yuanxin

## 7. Consolidated Statement of Changes in Ownership Equity

Unit: Chinese yuan

Items	Current Issue										Minority Interest	Total Ownership Interest
	Ownership Interest vested in Parent Company											
	Share capital	Other Equity Instruments		Capital Reserves	Less: Treasury Shares	Proceeds	Reserves	Surplus Reserves	Reserves for Risks	Undistributed Profits		
	Preferr ed Shares	Perpetual Debt Instruments										
I. Balance at End of Previous Year	401,077,201.00			1,058,486,714.27			100,449,353.97		865,733,116.11	58,557,500.19	2,484,303,885.54	
Plus: Changes in Accounting Policy												
Previous Period Error Correction												
Enterprises under Same Control												
Miscellaneous												
II. Balance at Beginning of Year	401,077,201.00			1,058,486,714.27			100,449,353.97		865,733,116.11	58,557,500.19	2,484,303,885.54	
III. Amount of Change & Increase/Decrease in Current Period (insert "-" for decrease)	32,247,662.00			888,379,917.39	45,890,427.23		39,994,900.57		364,181,178.28	7,318,186.92	1,286,231,417.93	
(I) Total comprehensive income									469,174,808.30	15,904,827.69	485,079,635.99	
(II) Input and Reduction of Capital by Owner	32,247,662.00			888,379,917.39	45,890,427.23						871,150,511.39	
I. Common Shares Invested by Owner				957,008,336.62							22,600,000.00	1,011,855,998.62



IV. Balance at End of Current Period	433,324,863.00			1,946,866,631.66	45,890,427.23			140,444,254.54	1,229,914,294.39	65,875,687.11	3,770,535,303.47	
	Previous Period											
Items	Ownership Interest vested in Parent Company											
	Share capital	Other Equity Instruments		Capital Reserves	Less: Treasury Shares	Contracts of Income	Reserves	Surplus Reserves	Reserves	Undistributed Profits	Minority Interest	Total Ownership Interest
	Preferr ed Shares	Perpetual Debt	Miscellaneous									
I. Balance at End of Previous Year	267,384,801.00			1,189,679,358.94				71,288,060.77	565,044,421.19	38,788,762.52	2,132,185,404.42	
Plus: Changes in Accounting Policy												
Previous Period Error Correction												
Enterprises under Same Control												
Miscellaneous												
II. Balance at Beginning of Year	267,384,801.00			1,189,679,358.94			71,288,060.77	565,044,421.19	38,788,762.52	2,132,185,404.42		
III. Amount of Change & Increase/Decrease in Current Period (insert decrease with "-")	133,692,400.00			-131,192,644.67			29,161,293.20	300,688,694.92	19,768,737.67	352,118,481.12		
(I) Total comprehensive income								356,588,468.22	8,342,718.60	364,931,186.82		
(II) Owner's Contribution and Capital Reduction									11,426,019.07	11,426,019.07		
I. Ordinary Shares Contributed by Owner												



Legal Representative: Liao Xinxin Person in charge of Accounting: Fan Yiqin Head of Accounting: Wei Yuanxin

**8. Statement of Changes in Ownership Equity of Parent Company**

Unit: Chinese yuan

Items	Current Issue										
	Share capital	Other Equity Instruments			Capital Reserves	Less: Treasury Shares	Other Comprehensive Benefits	Special Reserve Prepare	Surplus Reserves	Undistributed Profits	Total Ownership Interest
		Preferr ed Shares	Perpetual Debt	Miscellaneous							
I. Balance at End of Previous Year	401,077,201.00				1,165,707,940.81				100,449,353.97	711,700,433.60	2,378,934,929.38
Plus: Changes in Accounting Policy											
Previous Period Error Correction											
Miscellaneous											
II. Balance at Beginning of Year	401,077,201.00				1,165,707,940.81				100,449,353.97	711,700,433.60	2,378,934,929.38
III. Amount of Change & Increase/Decrease in Current Period (Fill in with "-")	32,247,662.00				957,008,336.62	45,890,427.23			39,994,900.57	294,955,375.67	1,278,315,847.63
(I) Total comprehensive income										399,949,005.69	399,949,005.69
(II) Input and Reduction of Capital by Owner	32,247,662.00				957,008,336.62						989,255,998.62
1. Common Shares Contributed by Owner	32,247,662.00				957,008,336.62						989,255,998.62
2. Capital Contributed by Other Equity Instrument Holder											
3. Amount Included in Ownership Interest in Share Payment											
4. Miscellaneous											
(III) Profit Distribution											
1. Withdrawal of Surplus Reserves									39,994,900.57	-104,993,630.02	-64,998,729.45
2. Distributions to Owner (or Shareholder)									39,994,900.57	-39,994,900.57	
										-64,998,729.45	-64,998,729.45







### III. Basic Information of the Company

#### 1. History

Boya Bio-pharmaceutical Group Co., Ltd, which was renamed from Jiangxi Boya Biopharmaceutical Co., Ltd., Jiangxi Boya Biopharmaceutical Co., Ltd., which was wholly restructured from Jiangxi Boya Biopharmaceutical Co., Ltd. (hereinafter referred to as the "Company" or "the Company"), was established on November 6, 1993 and jointly invested in and established by the Department of Health of Jiangxi Province, the Bureau of Health of Fuzhou Prefecture, and Fuzhou City (now the Bureau of Health of Linchuan City, with a registered capital of RMB 10 million, among which, the Department of Health of Jiangxi Province shall contribute RMB 1 million, accounting for 10.00% of the registered capital, RMB 2 million, accounting for 20.00% of the registered capital, and the Bureau of Health of Fuzhou City shall contribute RMB 7 million, accounting for 70.00% of the registered capital.

In accordance with the Notice on Transferring the Shares of Boya Company Held by the Former Fuzhou Municipal Health Bureau to the Administration of the State-owned Assets Supervision and Administration Bureau (Linfu Zi [2000] No. 12) promulgated by the People's Government of Linchuan City on January 19, 2000

, all of the 70.00% of the shares of Fuzhou City held by Fuzhou Municipal Health Bureau were transferred to Linchuan State-owned Assets Supervision and Administration Bureau.

On April 2, 2000, the shareholders' meeting of the Company deliberated and approved that the Department of Health of Jiangxi Province and the Fuzhou Prefectural Health Bureau transferred all of their shares in the Company, in which the Department of Health of Jiangxi Province transferred 6.65%, 1.35% and 2.00% of the registered capital respectively to Jiangxi Industrial Investment Company, Linchuan State-owned Assets Supervision and Administration Bureau, and Linchuan Chuangxin Technology Development Co., Ltd., while the Fuzhou Prefectural Health Bureau transferred all of the 20.00% of the registered capital held by it to Linchuan Chuangxin Technology Development Co., Ltd.

On April 26, 2000, the shareholders' meeting of the Company deliberated and approved that the Linchuan State-owned Assets Supervision and Administration Bureau transferred part of its shares, including: a 7.98% of the registered capital was transferred to Jiangxi Linchuan Liquor Co., Ltd., a 6.65% of the registered capital was transferred to Linchuan Xingxin Medical Instrument Co., Ltd., and a 2.66% of the registered capital was transferred to the Institute of Biophysics of the CAS.

On September 18, 2000, the shareholders' meeting of the Company deliberated and approved that the Linchuan State-owned Assets Supervision and Administration Bureau, Linchuan Chuangxin Technology Development Co., Ltd., Jiangxi Linchuan Liquor Co., Ltd., Jiangxi Industrial Investment Co., Ltd. and Linchuan Xingxin Medical Instrument Co., Ltd. transferred all of their shares respectively. Specifically, the Linchuan State-owned Assets Supervision and Administration Bureau transferred 50.01% of the registered capital to Beijing Ruize Network Sales Co., Ltd., and a 4.05% of the registered capital to CITIC Hainan Pharmaceutical Industry Co., Ltd., and Linchuan Chuangxin Technology Development Co., Ltd. transferred 20.00% of the registered capital to Beijing Yatai Technology Development Co., 2.00% of the registered capital to Shenzhen Tsinghua Technology Development Co., Ltd., and Jiangxi Linchuan Liquor Co., Ltd. transferred its 7.98% of the registered capital to Shenzhen Tsinghua Technology Development Co., Ltd., and Jiangxi Industrial Investment Co., Ltd. transferred its 6.65% of the registered capital to Shanghai Jujiao Enterprise Development Co., Ltd., and Linchuan Xingxin Medical Instrument Co., Ltd. transferred its 6.65% of the registered capital to Shanghai Jujiao Enterprise Development Co., Ltd.

In accordance with the Official Reply on Approving the Change of Jiangxi Boya Biopharmaceutical Co., Ltd. to Jiangxi Boya

Biopharmaceutical Co., Ltd. (Gan Gu [2001] No.5) issued by the Jiangxi Joint Stock Reform and Stock Issuance Joint Examination Team on January 19, 2001, Jiangxi Company changed its audited net assets on November 30, 2000 to 44.3591 million shares, with a par value of RMB 1 per share, into a company limited by shares with a registered capital of RMB 44.3591 million. On February 15, 2001, it obtained the business license for a company limited by shares from Jiangxi Provincial Administration for Industry and Commerce. On March 31, 2004, Beijing Ruize Network Sales Co., Ltd. and Beijing Yatai Shiji Technology Development Co., Ltd. transferred their entire shares respectively 22,183,997 shares, accounting for 50.01% of the total share capital, 8,871,824 shares, accounting for 20.00% of the total share capital) to Kerui Tiancheng Investment Holding Co., Ltd. On April 10, 2004, Shanghai Jujiao Enterprise Development Co., Ltd. transferred all of its shares (5,899,763 shares, accounting for 13.30% of the total share capital) to Qingdao Jiante Bio-Investment Co., Ltd.

On December 27, 2006, Qingdao Jiante Bio-Investment Co., Ltd. transferred all of its shares (5,899,763 shares, accounting for 13.30% of the total share capital) to Beijing Keruicheng Mining Investment Co., Ltd.

On May 21, 2007, Kerui Tiancheng Investment Holding Co., Ltd. transferred all of its shares of the Company (31,055,821 shares, accounting for 70.01% of the total share capital) to Nanchang Herui Industrial Co., Ltd.

On June 15, July 8, August 26 and September 17, 2007, Beijing Keruicheng Mining Investment Co., Ltd., CITIC Pharmaceutical Industry Co., Ltd., Institute of Biophysics of China Academy of Sciences and Shenzhen Tsinghua Lihe Venture Capital Co., Ltd. respectively transferred 5,899,763 shares, 1,796,544 shares, 1,179,953 shares and 4,427,041 shares (accounting for 13.30%, 4.05%, 2.66% and 9.98% of the total share capital respectively) to Jiangxi Xinxing Co., Ltd.

On December 9, 2007, Nanchang Herui Industrial Co., Ltd. transferred all of its shares (31,055,821 shares, accounting for 70.01% of the total share capital) to Shenzhen GTJA Investment Group Co., Ltd., and Jiangxi Xinxing Co., Ltd. transferred part of its shares (6,649,432 shares, accounting for 14.99% of the total share capital) to Shenzhen GTJA Investment Group Co., Ltd. On May 12, 2008, Shenzhen GTJA Investment Group Co., Ltd. transferred part of its shares to Xu Jianxin, Zhang Xiang and Zhang Jianhui respectively, among which: 4,435,912 shares (accounting for 10.00% of the total share capital) were transferred to Xu Jianxin, 4,435,912 shares (accounting for 10.00% of the total share capital) were transferred to Zhang Xiang, and 2,217,956 shares (accounting for 5.00% of the total share capital) were transferred to Zhang Jianhui.

On July 11, 2009, the shareholders' meeting of the Company deliberated and approved the plan for capital increase, under which the Company's share capital was increased to 56,779,689 shares, with 12,420,567 shares to be issued at par value of RMB 1 per share at a price of RMB 5.6358 per share. Xiamen Haixia Venture Capital Co., Ltd., Nanchang Dazheng Chuyuan Investment Co., Ltd. and Shenzhen GTJA Huifu Investment Partnership (Limited Partnership) contributed RMB 50 million to subscribe for 8,871,834 shares, RMB 10 million to subscribe for 1,774,366 and RMB 10 million to subscribe for 1,774,367 shares, respectively. After completion of the issuance, the registered capital of the Company shall be increased to RMB 56,779,689. On August 13, 2009, the Company completed registration of amendment with the administrative authority for industry and commerce and obtained a new business license.

On September 1, 2010, Zhang Xiang signed an equity transfer agreement with Shenzhen Ronghua Investment Co., Ltd., under which Zhang Xiang transferred all 4,435,912 shares of its equity to Shenzhen Ronghua Investment Co., Ltd. at a transfer price of RMB 25.55 million; on September 2, 2010, Xu Jianxin signed an equity transfer agreement with Shenzhen Ronghua Investment Co., Ltd., under which Xu Jianxin transferred 2,210,000 shares to Shenzhen Ronghua Investment Co., Ltd. at a transfer price of RMB

12.73 million; Xiamen Haixia Venture Capital Co., Ltd. transferred all 8,871,834 shares of its equity to Xiamen Shunjia Investment Partnership (Limited Partnership) and 5,323,100 shares of Xiamen Shengyang Investment Partnership (Limited Partnership) at a transfer price of RMB 20 million and RMB 30 million respectively. On February 29, 2012, as approved by the CSRC in the "Document Zheng Jian Xu Ke [2012] No. 178", the Company publicly issued RMB 19.020311 million common shares (A) to the public with an issue price of RMB 25.00 per share. On March 5, 2012, the net amount of funds raised by the Company after deducting the issuance cost is RMB 432,736,273.00, of which RMB 19,020,311.00 was included in the registered capital, while the premium of RMB 413,715,962.00 was included in the capital reserves. The above funds raised were verified by Jiangsu Gongzheng Tianye Certified Public Accountants and the Capital Verification Report (Su Gong W [2012] No. B013) was issued on March 5, 2012. After the IPO, the registered capital of the Company was increased to RMB 75.8 million with a total of 75.8 million shares (with a par value of RMB 1 per share), and the Company was listed on ChiNext of Shenzhen Stock Exchange on March 8, 2012. On April 6, 2012, the Company completed the amendment registration procedures and obtained the Business License for Enterprise Legal Person reissued by the Fuzhou Municipal Administration for Industry and Commerce.

The profit distribution plan for 2014 was examined and approved at the 2014 annual Shareholders' Meeting held on March 3, 2015: on the basis of 75,800,000 total share capital at the end of 2014, the Company distributed cash dividends of RMB 6.00 (including tax) per 10 shares in the total amount of RMB 45,480,000.00; and on the basis of 75,800,000 total share capital at the end of 2014, the Company increased 5 shares per 10 shares to all shareholders in the capital reserve fund, totally converted into 37,900,000 shares in the total amount of cash dividends and, after such increase, the total share capital of the Company will be changed into 113,700,000 shares. The plan for distribution of interests considered and approved at the third extraordinary Shareholders' Meeting of 2015 held on September 8, 2015 is as follows: on the basis of 113,700,000 total current share capital of the Company, the capital reserve fund will be converted into 10 shares of all the shareholders. The total share capital of the Company before such increase will be 113,700,000 shares and the total share capital of the Company after such increase will be 227,400,000 shares.

According to the resolution of the third extraordinary Shareholders' Meeting of the Company for 2015 and the Official Reply on Approving Jiangxi Boya Biopharmaceutical Co., Ltd. to Issue Shares to Shanghai GTJA Yikang Investment Partnership (Limited Partnership) for Purchase of Assets and Raising Supporting Funds (Zheng Jian Xu Ke [2015] No.2634) issued by the CSRC, the Company issued 22,127,659 shares to Shanghai GTJA Yikang Investment Partnership (Limited Partnership) for purchase of 83.87% of the equity of Nanjing Xinbai Pharmaceuticals Co., Ltd. held by it, and at the same time issued 17,857,142 shares in a non-public manner for purchase of Assets and Raising Supporting Funds. The share capital of the Company after the issuance is 267,384,801 shares.

The 2016 annual Shareholders' Meeting held on April 14, 2017 has examined and approved the profit distribution plan for 2016: based on the total share capital at the end of 2016, the Company shall increase 5 shares for every 10 shares, converting totally 133,692,400 shares in the public reserve funds and the total shares of the Company shall be changed into 401,077,201 shares after such conversion.

According to the resolutions of the second interim shareholders' meeting of the Company in 2017 and the Approval Reply regarding the Private Placement of Shares by Boya Bio-pharmaceutical Group Co., Ltd (Zheng Jian Xu Ke [2018] No. 117) issued by China Securities Regulatory Commission, the Company made a private placement of 32,247,662 ordinary shares at the price of RMB 31.01 per share. The share capital of the Company after issuance is 433,324,863 shares. The newly increased 32,247,662 shares will be

listed on April 20, 2018.

## 2. Information on Registration of Enterprise Legal Person with the Administration for Industry and Commerce

Unified social credit code for enterprise as a legal person: 913610007277556904 Domicile: No. 333 Huiquan Road, Fuzhou Hi-tech Industrial Development Zone, Fuzhou City, Jiangxi Province; Legal representative: Liao Xinxi; registered capital: 433,324,863 yuan; type of company: other joint stock limited company (listed).

Business scope: production of blood products (Valid term of the Permit will expire on December 31, 2020); export of self-produced products and relevant technologies by the Company and its member enterprises (except for products whose operation is restricted to companies or whose export is prohibited); import of raw and auxiliary materials, machinery and devices, instruments and meters, spare parts and relevant technologies needed for production and scientific research by the Company and its member enterprises (except for products whose operation is restricted to companies or whose import is prohibited by the State); processing with imported materials and businesses of "processing with supplied materials and parts and compensation trade", as well as technology development, technology consultation, technology transfer and technical services (except for those specifically provided for in State laws and regulations).

## 3. Organizational Structure of the Company

Under the Company, there are: Audit and Law Department, Administration Department, Quality Management Department, Production and Engineering Department, Procurement and Supply Department, Storage and Transportation Department, Research and Development Department, Plasma Management Center, Engineering Management Department, Marketing Management Center, Human Resources Department, Securities Investment Department, Planning and Finance Department and other functional departments as well as Nancheng Jinshan Apheresis Plasma Co., Ltd., Chongren Boya Apheresis Plasma Co., Ltd., Jinxi Boya Apheresis Plasma Co., Ltd., Ganzhou Nankang Boya Apheresis Plasma Co., Ltd., Yuechi Boya Apheresis Plasma Co., Ltd., Linshui Boya Apheresis Plasma Co., Ltd., Beijing Boya Xinnuo Biotechnology Co., Ltd., Jiangxi Boya Pharmaceutical Investment Co., Ltd., Xinfeng Boya Apheresis Plasma Co., Ltd., Fengcheng Boya Apheresis Plasma Co., Ltd., Nanjing Xinbai Pharmaceuticals Co., Ltd., Yudu Boya Single Blood Sampling Co., Ltd., Duchang Boya Apheresis Plasma Co., Ltd., 16 subsidiaries of Guangdong Fuda Pharmaceutical Co., Ltd., Nanjing Boya Pharmaceutical Co., Ltd., 16 subsidiaries of Fuzhou Boxin Pharmaceutical Technology Co., Ltd., and 2 grandchildren companies of Jiangxi Boya Seehot Pharmaceutical Co., Ltd., Ltd., and Guizhou Tianan Pharmaceutical Co., Ltd.

## 4. Authorizer and Date of Submission of Financial Reports

The financial reports of the Company were issued on April 24, 2019 subject to the approval of the board of directors of the Company.

## 5. Scope of Consolidated Financial Statements and Changes Thereto

Name Of Holding Subsidiary	Registered Capital	Shareholding Percentage	Consolidated Or Not		Remark
			Year 2018	Year 2017	
Nancheng Jinshan Apheresis Plasma Co., Ltd.	RMB 7 million	100%	Yes	Yes	
Chongren Boya Apheresis Plasma Co., Ltd.	RMB 500,000	100%	Yes	Yes	
Jinxi Boya Apheresis Plasma Co., Ltd.	RMB 4,450,000	100%	Yes	Yes	
Ganzhou Nankang Boya Apheresis Plasma Co., Ltd	RMB 3,830,000	100%	Yes	Yes	
Yuechi Boya Apheresis Plasma Co.,	RMB 5	100%	Yes	Yes	

Ltd.	million				
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	RMB 250 million	100%	Yes	Yes	
Linshui Boya Apheresis Plasma Co., Ltd.	RMB 10 million	80%	Yes	Yes	
Beijing Boya Xinnuo Biotechnology Co., Ltd.	RMB 10 million	100%	Yes	Yes	
Guizhou Tianan Pharmaceutical Co., Ltd.	RMB 36.7 million	89.681%	Yes	Yes	
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	RMB 50 million	100%	Yes	Yes	
Xinfeng Boya Apheresis Plasma Co., Ltd.	RMB 10 million	100%	Yes	Yes	
Fengcheng Boya Apheresis Plasma Co., Ltd.	RMB 10 million	100%	Yes	Yes	
Yu Du Boya Apheresis Plasma Co., Ltd.	RMB 10 million	100%	Yes	Yes	
Duchang Boya Apheresis Plasma Co., Ltd.	RMB 10 million	100%	Yes	Yes	
Nanjing Xinbai Pharmaceuticals Co., Ltd.	RMB 147.85 million	100%	Yes	Yes	
Nanjing Boya Pharmaceutical Co., Ltd.	RMB 5 million	100%	Yes	Yes	
Nanjing Xinrui Pharmaceutical Technology Development Co., Ltd.	RMB 9 million	100%	No	Yes	Deregistered in 2018
Guangdong Fuda Pharmaceutical Co., Ltd.	RMB 80 million	75%	Yes	Yes	
Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd.	RMB 5 million	100%	Yes		New Company to be established in 2018

#### IV. Basis for Preparing the Financial Statements

##### 1. Basis for Preparation

These financial statements of the Company are prepared on the basis of going concern assumptions for transactions and events actually taken place, in accordance with the Accounting Standard for Business Enterprises – Basic Standard, 42 specific accounting standards issued and amended on February 15, 2006 and thereafter, application guidelines for accounting standards for business enterprises, interpretations and other relevant regulations of accounting standards for business enterprises (collectively, the "Accounting Standards for Business Enterprises"), as well as the disclosure requirements set forth in the Rules for the Preparation and Reporting of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting issued by CSRC.

In accordance with the relevant provisions of the Accounting Standards for Business Enterprises, the Company's accounting shall be based on the accrual basis. Except for some financial instruments, the measurement in this financial statement shall be based on the historical cost. Where an asset is impaired, the corresponding impairment provision shall be made in accordance with the relevant provisions.

##### 2. Going concern

Within 12 months from the end of the reporting period, there shall be no factor that obviously affects the sustainable operation

ability of the Company available through comprehensive assessment.

## **V. Important accounting policies and accounting estimates**

Whether a Company shall comply with the disclosure requirements for a special industry:

Yes Pharmaceutical and Biological Product

Industry

Prompts for specific accounting policies and accounting estimation:

The Company and its subsidiaries have formulated several specific accounting policies and accounting estimates in respect of transactions and matters such as income recognition in accordance with the actual characteristics of production and operation and in accordance with the relevant Accounting Standards for Business Enterprises. Please refer to the descriptions of "income" in these Notes for details. Please refer to the annotation "significant accounting judgments and estimates" for the explanation of significant accounting judgments and estimates made by the management.

### **1. Declaration on compliance with the Accounting Standards for Business Enterprises**

The financial statements prepared by the Company met the requirements of the Accounting Standards for Business Enterprises, and reflected truthfully and completely the Company's financial status as of December 31, 2018, its operating results and cash flows in 2018 and other related information.

### **2. Accounting period**

The accounting period of the Company is divided into a full accounting year and an interim period. An interim accounting period refers to a reporting period shorter than a full accounting year. This Company shall adopt the Gregorian calendar year as its fiscal year, commencing on January 1 and ending on December 31 of the Gregorian calendar.

### **3. Business cycle**

The normal operating cycle is the period during which the Company commences from the purchase of the assets for processing to the realization of cash or cash equivalents. The Company takes 12 months as an operating period, which shall be taken as the standard for classification of liquidity of assets and liabilities.

### **4. Functional currency**

The Company shall adopt Chinese yuan as its bookkeeping currency.

### **5. Accounting Methods for Merger of Enterprises under Same Control and Enterprises Not under Common Control**

The term "business combination" means the transaction or event that consolidates two or more separate enterprises into one reporting entity. Business combinations are divided into the business combination under common control and business combination not under common control.

(1) Business Merger under Common Control



A business combination under common control means that the undertakings to the merger are ultimately controlled by the same party or parties before and after the business combination and such control is not transitory. All assets and liabilities acquired by the merging party in a business combination shall be measured at their carrying amounts in the merged party (parties) on the date of merger. The difference between the carrying amount of the net assets acquired by the merging party and the carrying amount of the merger consideration paid by the merging party (or the total face value of the shares issued) shall be adjusted to adjust the capital reserves (share premium). If the capital reserves (share premium) are insufficient for such reductions, the retained earnings shall be adjusted. All direct expenses incurred by the merging party for the business combination shall be recorded in the profit and loss account for the current period when they are incurred. The merger date shall be the date on which the merging party acquires actual control of the merged party (s).

#### (2) Business Combination not under Common Control

A business combination not under common control occurs when the undertakings to the merger are not ultimately controlled by the same party or parties before and after the business combination. The Company, as the acquirer, pays the sum of the fair value on the acquisition date of the assets acquired from the acquiree (including the equity acquired from the acquiree before the acquisition date) and incurred or assumed liabilities in order to obtain the control of the acquiree (s), which minus the fair value of the identifiable net assets acquired from the acquiree (s); if it is a positive number, the balance shall be recognized as goodwill; if it is a negative number, the fair values of all assets, liabilities and contingent liabilities as well as the measurement of the combination costs shall be rechecked first. If the combined costs after the recheck are still lower than the fair value of the identifiable net assets acquired from the acquiree (s), it shall be recorded in the profits and losses of the current period. All other direct expenses incurred for the business combination shall be recorded in the profit and loss account for the current period. The difference between the fair value of the assets acquired and their carrying amount shall be recorded in the profit and loss account for the current period. This Company shall, on the acquisition date, recognize all the identifiable assets, liabilities and contingent liabilities that are acquired from the acquiree (s) and meet the conditions for recognition at fair value. "Purchase Date" refers to the date that the acquirer acquires actual control of the Acquiree.

## **6. Methodology of Preparing Consolidated Financial Statements**

#### (1) Determination of Merger

The parent company shall prepare consolidated financial statements based on the financial statements of itself and its subsidiaries and other relevant materials. The scope of consolidation for consolidated financial statements shall be determined on a control basis. The Company will subject to reassessment once change of relevant facts and circumstances have led to the change of relevant elements relevant to the above definitions of control.

#### (2) Basis of Control

If the Investor has power to the Investee, enjoys variable returns by participating in relevant activities of the Investee, and has the ability to exercise its power to the Investee to affect the amount of returns, it shall be deemed as controlling the Investee by the Investor. "Relevant Activities" refers to activities that have a material impact on the returns of the Investee.

#### (3) Merger Procedure

The Company begins to merge a subsidiary from the date when it acquires actual control of such subsidiary and ceases to merger from the date when it loses actual control. All major current balances, investments, transactions and unrealized profits between the Company and its subsidiaries, and between subsidiaries will be offset in the preparation of consolidated financial statements. For disposed subsidiaries, the operating results and cash flows prior to the disposal date were appropriately included in the consolidated income statement and consolidated cash flow statement, and subsidiaries disposed of in the current period does not adjust the opening balance in the consolidated balance sheet. The operating results and cash flows of subsidiaries increased by merger of undertakings which are not under common control had been properly included in the consolidated income statement and consolidated cash flow statement after the Purchase Date, and there was no adjustment to the opening balance and comparison balance in the consolidated financial statements. The operating results and cash flows of subsidiaries increased by merger of undertakings which are under common control from the beginning of the period in which such merger occurs to the merger date had been properly included in the consolidated income statement and consolidated cash flow statement, and the comparative figures of the consolidated financial statements were adjusted simultaneously.

If a subsidiary does not adopt the accounting policies or accounting periods different from those adopted by the Company, the financial statements of the subsidiary shall be consolidated after an adjustment is made to the subsidiary according to the accounting policies or accounting periods adopted by the Company when preparing consolidated financial statements.

For subsidiaries acquired by merger of undertakings which are not under common control, it will adjust their individual financial statements on the basis of the fair value of identifiable net assets on the purchase date when preparing consolidated financial statements; for subsidiaries acquired by merger of undertakings which are under common control, when preparing consolidated financial statements, the parties to the merger are deemed to have existed in the current status when the ultimate controlling party starts to control.

The "net profits attributable to the owners of the parent company" is fully offset by the unrealized insider transaction profits or losses arising from the sale of assets by the Company to a subsidiary. The unrealized internal transaction profits or losses arising from the sale of assets by a subsidiary to the Company shall be distributed and offset against the "net profits attributable to the owners of the parent company" and "minority profits or losses" based on the distribution proportion of the Company to the subsidiary. The unrealized internal transaction profits or losses arising from the sale of assets between subsidiaries shall be distributed and offset against the "net profits attributable to the owners of the parent company" and "minority profits or losses" based on the distribution proportion of the Company to the selling subsidiary.

The share of the owner's equity of a subsidiary that does not belong to the Company shall be listed as "minority shareholders' equity" under the owner's equity in the consolidated balance sheet. The share of the current net profits or losses of the subsidiary that belongs to minority shareholders' equity shall be listed as "minority shareholders' profit or loss" under the net profit item in the consolidated income statement. The subsidiary's share of comprehensive income attributable to minority interests in the current period shall be listed as "total comprehensive income attributable to minority interests" in the consolidated income statement.

If there are minority shareholders, the column of "minority shareholders' equity" shall be added to the consolidated statement of changes in ownership equity to reflect changes in minority shareholders' equity. If the current losses shared by the minority shareholders of a subsidiary exceed their share in the ownership interest of the subsidiary at the beginning of the period, the balance

will still be offset against minority shareholders' equity.

If control of the subsidiary is lost as a result of disposal of a portion of the equity investment or otherwise, the remaining equity interest shall be revalued at its fair value on the date of loss of control. The difference between the consideration shall be recorded in the investment gains of the current period in which control is lost, which received from that the disposition of the equity interest and the fair value of the remaining equity interest minus the share of net assets of the original subsidiary continuously calculated since the date of purchase which is entitled to such subsidiary calculated based on the original shareholding percentage. Other comprehensive income relating to the equity investment in the original subsidiary shall be accounted for on the same basis as the acquiree directly disposes of relevant assets or liabilities in the event of loss of control of the original subsidiary (that is, except for changes arising from the net liabilities or net assets in the defined benefit plan by the original subsidiary, the remaining income shall be converted into investment income for the current period). Thereafter, the remaining equity interest shall, pursuant to relevant provisions of the Accounting Standard for Business Enterprises No. 2-Long-term Equity Investment or the Accounting Standard for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments, carry out subsequent measurement, please refer to "long-term equity investments" in this note or "financial instruments" in this note for details.

If the Company, which disposes of the equity investment in the subsidiary step by step through multiple transactions, until it loses control of the subsidiary, shall distinguish whether the transactions involved in the disposal of the equity investment in the subsidiary until it loses control of the subsidiary belong to a package transaction. If the terms, conditions and economic effects of various transactions involved in the disposal of the equity investment in the subsidiary meet one or more of the following circumstances, it usually indicates that the multiple transaction events shall be accounted as a package transaction: a. These transactions are concluded simultaneously or with mutual effects taken into account; b. These transactions can only achieve a complete commercial result as a whole; c. The occurrence of one transaction depends on the occurrence of at least one other transaction; d. One transaction is uneconomical if viewed individually, but economical when considered together with other transactions. If it does not belong to a package transaction, accounting for each transaction shall be carried out pursuant to the applicable principles of "partial disposal of the long-term equity investment in the subsidiary without losing control of the subsidiary" (see item (2) (d) of this note and "loss of control of the subsidiary originally owned due to disposal of a portion of the equity investment or for any other reason" (see the preceding paragraph for details). If the various transactions involving the disposal of the equity investment in the subsidiary until the loss of control are package transactions, the various transactions shall be accounted as one transaction involving the disposal of the subsidiary and the loss of control. However, before the loss of control, the balance between the proceeds from the disposal of each transaction and the corresponding share of the subsidiary's net assets that the subsidiary is entitled to shall be recognized as other comprehensive income in the consolidated financial statements, and shall, when the control is lost, be transferred into the profits and losses for the current period when the control is lost.

## **7. Classification of arrangements for cooperative operation and accounting treatment for joint operation**

The Company shall classify the arrangements for cooperative operation into joint operation and joint venture in accordance with its rights and obligations in the arrangements for cooperative operation.

The Company shall recognize the following items related to its share of interests in the joint operation, and conduct accounting treatment in accordance with relevant accounting standards for business enterprises:

- (1) Recognize the assets it holds separately and jointly held based on its share;

- (2) Recognize the liabilities it bears and the liabilities it jointly bears based on its share;
- (3) Recognize the revenue generated from sale of its share of the output arising from the joint operation;
- (4) Recognize the revenue generated from the sale of output in the joint operation according to its share;
- (5) Recognize expenses incurred separately and expenses incurred in the joint operation according to its share.

#### **8. Criteria for the Determination of Cash and Cash Equivalents**

Cash equivalents refer to investments held by an enterprise for a short term (generally, the maturity within three months from the date of purchase), highly liquid and readily convertible to known amount of cash, and which are subject to little risk of change in value.

#### **9. Foreign currency transactions and foreign currency statement translation**

Transactions conducted in foreign currency shall be converted into the bookkeeping base currency at the middle rate of the market rate published by the People's Bank of China on the day of such transaction. In the case of conversion of foreign currency or transactions involving foreign currency exchange, conversion shall be made at the exchange rate actually adopted.

On the balance sheet date, the balance of the foreign currency monetary assets and liabilities account shall be converted into the reporting currency at the middle rate of the market rate published by the People's Bank of China on the balance sheet date. The differences between the amounts restated into the reporting currency at the exchange rate prevailing on the balance sheet date and the amounts stated in the reporting currency of the original book amount shall be dealt with as foreign exchange gains or losses. Foreign exchange gains or losses arising from foreign currency loans relating to the acquisition or construction of fixed assets shall be treated in accordance with the principle of capitalization of borrowing costs, and the remaining amount shall be recorded as financial expenses for the current period.

On the balance sheet date, foreign currency non-monetary items measured at historical cost shall be converted at the middle rate of the market rate published by the People's Bank of China on the day of transaction, without changing the original reporting currency amount; Foreign currency non-monetary items measured at fair value shall be converted at the middle rate of the market rate published by the People's Bank of China on the day of fair value determination, and the foreign exchange gains or losses arising therefrom shall be recorded in the profits and losses of the current period as foreign exchange gains or losses on changes in fair value.

With respect to overseas business, the Company shall convert the functional currency into RMB when preparing the financial statements; the asset and liability items in the balance sheet shall be converted at the spot exchange rate on the balance sheet date; the shareholder equity items, other than "undistributed profit", shall be converted at the spot exchange rate when it is incurred; the income and expense items in the income statement shall be converted at the average exchange rate of the current period when the transaction occurs. Any difference arising from the translation of foreign currency financial statements in accordance with the above translation shall be recognized as other comprehensive income and listed in other comprehensive income under the shareholder's equity item in the balance sheet. When disposing of an overseas business, other comprehensive income relating to the overseas business shall be transferred into the profits and losses of the current period of disposal, and in case of partial disposal, the disposal ratio shall be adopted in the calculation.

Foreign currency cash flows and cash flows of overseas subsidiaries shall be converted at the average exchange rate of the period in which the cash flows occur. The effect of exchange rate change on cash shall be separately presented in the cash flow

statement as an adjustment item.

## 10. Financial instruments

Financial instruments refer to the contracts under which the financial assets of an enterprise are formed and the financial liability or right instruments of any other entity are formed.

### (1) Classification and Measurement of Financial Assets and Financial Liabilities

The Company shall, based on investment purpose and economic substance, classify the financial assets owned into four categories, namely, financial assets measured at fair value and of which the changes are recorded into the profits and losses of the current period, financial assets available for sale, receivables and held-to-maturity investments. Among which: financial assets measured at fair value and of which the changes are recorded into the profits and losses of the current period shall be measured at fair value and the changes in fair value shall be recorded into the profits and losses of the current period; financial assets available for sale shall be measured at fair value and the changes in fair value shall be recorded into the shareholders' equity; and accounts receivables and held-to-maturity investments shall be measured at the amortized cost.

The Company shall, based on its economic substance, classify the financial liabilities borne by it into two categories: financial liabilities measured at fair value and of which the changes are recorded into the profits and losses of the current period and other financial liabilities measured at amortized cost.

### (2) Determination of Fair Value of Financial Assets and Financial Liabilities

Fair value refers to the price that can be received for the sale of an asset or shall be paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. If the financial instrument is in an active market, the Company adopts the quoted prices in the active market to determine its fair value. The quoted prices in the active market refer to the prices, which are readily available from the stock exchanges, brokers, industry associations, pricing service institutions, etc. at a fixed term and represent the prices at which actually occur market transactions are made under arm's length transactions. If the financial instrument is not in active market, the Company adopts value appraisal techniques to determine its fair value. Value appraisal techniques include the reference of prices adopted in the latest market transactions by the parties who are familiar with the conditions and are willing to make transactions, the current fair value of other financial instruments of the same nature, capitalization cash flow method and option pricing model, etc.

Equity investments held by the Company, which do not have control, joint control or significant influence over the investee entities, in respect of which there is no quoted price in the active market and whose fair value cannot be reliably measured, are classified as sellable financial assets, and measured at their costs.

### (3) Recognition and Measurement of Transfer of Financial Assets

The transfer or delivery of a financial asset by the Company to another party other than the issuer of the financial asset is the transfer of the financial asset, which may be all or part of the financial asset. The transfer of a financial asset may take two forms:

- 1) Transfer of the right of receive the cash flow of a financial asset to another party;
- 2) Transfer of a financial asset to another party, but retains the right to receive the cash flow of the financial asset, and undertakes the obligation to pay the cash flow received to the final recipient.

When the Company has transferred substantially all the risks and rewards in respect of the ownership of all or part of the

financial asset to the transferee, it shall terminate recognition of all or part of such financial asset, and shall recognize the difference between the consideration received and the book value of the transferred financial asset as profit or loss, and simultaneously transfer the accumulated profit or loss of the financial asset originally recognized in the ownership equity into profit or loss; and when it retains substantially all the risks and rewards in respect of ownership, it shall continue to recognize such financial assets, and any consideration received shall be recognized as financial liabilities.

If the Company neither transfers nor retains substantially all the risks and rewards in respect of the ownership of a financial asset, but does not give up the control over the financial asset, the relevant financial asset shall be recognized on the basis of its continuous involvement in the financial asset transferred, and the relevant liabilities shall be recognized accordingly.

#### (4) Acknowledgement of the Termination of Financial Assets and Financial Liabilities

The recognition of the financial assets of the Company shall be terminated if either of the following conditions is satisfied:

- 1) The contractual right to receive the cash flow of the said financial asset is terminated;
- 2) Such financial asset has been transferred and meets the conditions for recognition of the termination of financial assets as provided for in the Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets. The recognition of the financial indebtedness or part of it shall be terminated only when all or part of the outstanding obligations of the Corporation have been discharged.

#### (5) Impairment of Financial Assets

The Company shall inspect the carrying value of financial assets other than trading financial assets on the balance sheet date. If there is objective evidence showing that there has been impairment of financial assets, the Company shall make an impairment provision. An impairment test shall be made on an individual significant financial asset. Where there is objective evidence proving that it has been impaired, the impairment losses shall be recognized and recorded in the profits and losses of the current period. For financial assets that individually are not significant in amount and those which have not been impaired individually, the Corporation shall conduct an impairment test on the basis of the credit portfolio on the basis of the customer's creditworthiness and the actual status of bad debts occurred during the previous years to recognize the impairment loss.

"Objective evidence proving the impairment of a financial asset" refers to the actual events which, after the financial asset is initially recognized, has impacts on the expected future cash flow of the said financial asset that can be measured reliably by the enterprise.

The objective evidence that can prove the impairment of financial assets includes:

- 1) Serious financial difficulty of the issuer or its obligors;
- 2) The obligor breaches any of the terms under the contract, for instance, default in paying or the principal of the contract;
- 3) An obligee makes any concession to the obligor which is in financial difficulties due to economic or legal factors, etc.;
- 4) It is likely that its obligors will become bankrupt or enter into other financial reorganization;
- 5) The financial asset cannot continue to be traded in the active market due to significant financial difficulties of the issuer;
- 6) It is unable to identify whether the cash flow of a certain asset within a certain combination of financial assets has decreased or not. But after making an overall appraisal according to the public data available, it is found that the predicted future cash flow of the said financial asset has indeed decreased since it was initially recognized and such decrease can be measured, for example, the

ability of the debtor of the said combination of financial assets worsens gradually, the unemployment rate of the country or region where the debtor is situated increases, the prices of the region where the guaranty is situated are obviously dropping, or the industrial sector concerned is in slump, etc.;

- 7) Any seriously unfavorable change has occurred to the technical, market, economic or legal environment, etc. wherein the obligor operates its business, which makes the investor of an equity instrument unable to take back its investment;
- 8) Where the fair value of the equity instrument investment drops significantly or not contemporarily;
- 9) Other objective evidences showing the impairment of the financial asset.

Where a financial asset measured on the basis of post-amortization costs is impaired, the impairment losses shall be calculated on the basis of the difference between the book value and the current value of the expected future cash flow discounted at the originally effective interest rate.

Where a financial asset measured on the basis of post-amortization costs is recognized as having suffered from any impairment losses, if there is any objective evidence showing that the value of the said financial asset has been restored, and it is objectively related to the events that occur after the said loss is recognized, the impairment losses as originally recognized shall be reversed and be recorded into the profits and losses of the current period. However, the book value of the reversed shall not exceed the post-amortization costs of the said financial asset on the day of reversing under the assumption that no impairment provision is made.

The term "impairment of a sellable financial asset": when it is determined by comprehensively considering relevant factors whether the decline of the fair value of the sellable equity instrument investment drops significantly or not contemporarily, it shows that the investment in the sellable equity instrument has undergone impairment. In particular, the term "serious drop" means that the extent of decline of the fair value accumulatively exceeds 50%; and the term "non- temporary drop" means that the fair value drops continuously exceeds 12 months.

Where a sellable financial asset is impaired, the accumulative losses arising from the decline of the fair value that was originally recorded into other comprehensive incomes shall be transferred out and recorded into the profits and losses of the current period. The said accumulative losses transferred out shall be the balance of the initial cost of the asset minus the principal as taken back, the amortized amount, the current fair value and the impairment losses that were originally recorded into the profits and losses. After any impairment losses are recognized, if, after the current period, any objective evidence shows that the value of the said financial asset has been restored, and it is objectively related to the events that occur after the said loss is recognized, the impairment losses as originally recognized shall be reversed, and the impairment losses of the sellable equity instrument investment shall be recognized as other comprehensive incomes. The reversed impairment losses of the sellable debt instrument shall be recorded into the profits and losses of the current period.

The impairment losses of the derivative financial assets which are connected with the said equity instrument investments for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or which are connected with the said equity instrument and shall be settled by delivering the said equity instrument shall not be reversed.

## 11. Notes and Accounts Receivable

### (1) Receivables to be material individually and to be provided for separately for bad debts

Judgment Basis Or Standard For Amount To Material	Any account receivable exceeding RMB 1 million (inclusive); Other receivables
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	The amount of money is over RMB 500,000 (inclusive).
Method Of Provision For Bad Debts Individually That Is Major And To Be Provided For Individually	A separate impairment test is carried out. A provision for bad debts shall be made based on the difference between the present value of the future cash flow and the book value.

**(2) Receivables to be provided for in accordance with the portfolio of credit risk characteristics;**

Name Of Portfolio	Method Of Provision For Bad Debts
Credit risk characteristics portfolio	Aging Analysis

Ageing analysis is used for bad debts of portfolios:  Applicable  Not applicable

Aging	Percentage Of Provision For Accounts Receivable	Percentage Of Provision For Other Receivables
Less Than 1 Years	5.00%	5.00%
1 - 2 Years	10.00%	10.00%
2 - 3 Years	40.00%	40.00%
Over 3 Years	100.00%	100.00%
3 - 4 Years	100.00%	100.00%
4 - 5 Years	100.00%	100.00%
Over 5 Years	100.00%	100.00%

For portfolios, if the balance percentage method is adopted to withdraw the provision for bad debts:  Applicable  Not applicable;

If other methods are adopted to withdraw the provision for bad debts:  Applicable  Not applicable

**(3) Receivables to be material individually but to be provided for separately for bad debts**

Reason For Individual Provision For Bad Debts	Significant differences between the present value of future cash flow of the receivables and the present value of future cash flow of the portfolio of receivables
Method Of Provision For Bad Debts	Make a separate impairment test and make a provision for bad debts according to the difference between the present value of the future cash flow and its book value

**12. Inventories**

Should the Company be subject to disclosure

requirements for any particular industry: Yes

Pharmaceutical and Biologics Industry.

**(1) Classification of Inventories**

The inventories of the Company shall be divided into raw materials, low-value consumables, work-in-progress, inventory goods, etc.

**(2) Valuation Method of Outgoing Inventory**

The weighted average method shall be adopted for the materials sent out, and weighted average method shall be adopted for the goods sent out.

**(3) Evidence for the determination of the net realizable value of inventories and the method of provision for decline in value of inventories**

Ending inventories are valued at the lower of cost or net realizable value: at the end of the period, a provision for decline in value of inventories is made on the basis of a complete inventory count, for those parts of the inventories that are expected to be irrecoverable because of damage, all or part of the obsolescence or selling prices lower than cost. The provision for decline in value



of inventories for finished goods and main raw materials is made according to the difference between the cost of each item and the net realizable value of the inventories, and for other raw and auxiliary materials with large quantities and low unit price, the provision for decline in value of inventories is made according to the category.

The net realizable value of such inventories as finished goods, merchandise and materials used for sale, etc. directly available for sale is determined on the basis of the estimated sale price of such inventories less the estimated selling costs and related taxes and expenses; the net realizable value of such inventories held for production is determined on the basis of the estimated selling price of the finished goods produced less the estimated costs of completion, estimated selling costs and related taxes and expenses; the net realizable value of inventories held for the execution of sales contracts or labor contracts shall be calculated on the basis of the contract price; If the quantity of inventories held is more than that ordered in the sales contracts, the net realizable value of such excess shall be calculated on the basis of the general selling price.

#### (4) System of Inventories

The perpetual inventory system shall be adopted for the inventory taking of the Company, and physical inventory shall be taken on a regular basis.

#### (5) Method of Amortization of Low Value Consumables

Low-value consumables received by the Company shall be amortized through the one-time inventory method.

### **13. Holding of Assets for Sale**

The Company shall recognize a non- current asset or disposal group as held for sale if (i) an immediate sale under the present conditions only on customary terms for the sale of such asset or disposal group; and (ii) a sale is likely to occur if the Company has resolved on a sale plan and made firm purchase commitments for it that it is expected that the sale will be consummated within one year. If the proposed sale plan is required to be approved by the shareholders or regulatory authorities, such approval should have been obtained.

#### (1) Measurement of Non- current Assets or Disposal Groups Classified as Held for Sale on the Acquisition Date

For the non- current assets or disposal groups classified as held for sale on the Acquisition Date, the Company measured for initial measurement as an amount equal to the lower of initial measurement amount and fair value if it were not classified as held for sale. Except for the non- current assets or disposal groups acquired in a business combination, the difference between the fair value of the non- current assets or disposal groups less expenses to sell shall be recorded in the profits and losses of the current period.

#### (2) Initial and Subsequent Measurement of the Held for Sale

Before the Company classifies a non- current asset or disposal group as held for sale for the first time, the Company shall measure the book value of each asset and liability in the non- current assets or disposal group according to relevant accounting standards.

When the Company re-measures a non- current asset or disposal group held for sale on the Initial Measurement or on the Balance Sheet Date, if its book value is higher than the net amount of expenses to sell, the book value shall be written down to the net amount of expenses to sell, and the amount written down shall be recognized as the loss from asset impairment and shall be recorded in the profits and losses of the current period. At the same time, the provision for impairment of the assets held for sale shall be made. With regard to the amount of asset impairment losses recognized by a disposal group held for sale, if the disposal group contains

goodwill, it shall first write down the book value of goodwill in the disposal group, and then write down the book value of each non-current asset in proportion to the weight of the book value of each asset in the disposal group. If the net amount of the fair value of the non-current assets held for sale on the Subsequent Balance Sheet Date minus the expenses to sell increases, the amount written down previously shall be recovered and shall be reversed within the amount of asset impairment losses recognized after the classification as held for sale, and the reversed amount shall be recorded in the profits and losses of the current period. The asset impairment losses recognized before the classification as held for sale shall not be reversed. If the net amount of the fair value of the disposal group held for sale increases after deducting the expenses to sell on the Subsequent Balance Sheet Date, the amount written down previously shall be reversed within the amount of asset impairment losses recognized after the classification as held for sale, and the reversed amount shall be recorded in the profits and losses of the current period. The book value of goodwill that has been offset and the asset impairment losses recognized before the classification as held for sale shall not be reversed.

When a non-current asset or disposal group ceases to be classified as held for sale because it no longer meets the conditions for classification as the category of held for sale or when a non-current asset is removed from a disposal group held for sale, it shall be measured at the latter of:

① The book value before being classified as held for sale. The amount after adjustment for depreciation, amortization or impairment that would have been recognized if it were not classified as held for sale;

② Recoverable amount.

#### **14. Long-term equity investment**

For the purpose of this Section, the term "long-term equity investment" refers to the long-term equity investment that the Company has control, joint control or significant influence over the investee entity. The long-term equity investment of which the Company has no control, joint control or significant influence over the investee shall be accounted as a financial asset available for sale or a financial asset measured at fair value and of which the change is included in the current profits and losses. See the annotation "Financial Instruments" for the accounting policies.

##### **(1) Determination of Initial Investment Cost**

The investment cost of the Company's long-term equity investment shall be recognized in the following methods depending on the method of acquisition:

1) For the long-term equity investment obtained by merger of enterprises under common control, on the date of merger, the share of the book value of the owner's equity of the merged party in the consolidated financial statements of the final controlling party shall be recognized as the initial investment cost of the long-term equity investment. The balance between the initial investment cost of the long-term equity investment and the book value of the paid cash, transferred non-cash assets as well as the assumed debts shall be adjusted against the capital reserve; if the capital reserve is insufficient for the offset, the retained earnings shall be adjusted. If equity securities are issued as the merger consideration, on the date of merger, the share of the book value of the shareholders' equity of the merged party in the consolidated financial statements of the final controlling party shall be recognized as the initial investment cost of the long-term equity investment, and the total par value of the shares issued shall be recognized as the capital reserve, and the balance between the initial investment cost of the long-term equity investment and the total par value of the shares issued shall be adjusted against the capital reserve; if the capital reserve is insufficient for the offset, the retained earnings shall be adjusted. Where the equity of the merged party under the same control is obtained step by step through multiple transactions, which ultimately forms a business

combination under the same control, whether it is classified as a "package transaction" shall be handled differently: where it is classified as a "package transaction", all transactions shall be accounted for as one transaction with the right to control. If it is not a "package transaction", on the date of merger, the share of the book value of the shareholder's equity of the merged party in the consolidated financial statements of the final controlling party shall be recognized as the initial investment cost of the long-term equity investment, and the balance between the initial investment cost of the long-term equity investment and the book value of the long-term equity investment reaching the merger plus the book value of the new consideration paid for further acquisition of shares on the date of merger shall be adjusted; if the capital reserve is insufficient for the offset, the retained earnings shall be adjusted. For the equity investment held before the date of merger, other comprehensive income recognized due to the adoption of equity method for accounting or financial assets available for sale shall temporarily not be subject to accounting.

2) For the long-term equity investment obtained from merger of enterprises not under common control, the initial investment cost of the long-term equity investment shall be recognized as the merger cost calculated from the fair value of the assets involved in the transaction date, the equity instruments issued and the liabilities incurred or assumed plus the costs directly related to the acquisition. On the date of merger, the identifiable assets of the merged party (parties) and the liabilities (including contingent liabilities) assumed by them shall all be measured at their fair values, regardless of the amount of minority shareholders' equity. The amount of the merger cost exceeding the fair value of the identifiable net assets of the merged party acquired by the Company shall be recorded as goodwill, while the amount lower than the fair value of the identifiable net assets of the merging party shall be directly recognized in the profit and loss statement of the merger. For the acquisition of the equities of the acquiree in steps through multiple transactions, resulting in a merger of enterprises not under common control, whether it is a "package transaction" shall be handled differently: In the case of a "package transaction", each transaction shall be accounted for as one transaction with the right to control. In the case of a "package transaction", the initial investment cost of the long-term equity investment accounted for using the cost method is the sum of the book value of the equity investment originally held by the acquiree plus the newly increased investment cost. If the originally held equity is accounted for using the equity method, accounting treatment shall not be carried out for relevant other comprehensive income for the time being. If the originally held equity investment is a sellable financial asset, the balance between the fair value and the book value thereof and the accumulative changes in the fair value originally recorded into other comprehensive income shall be transferred into the profit and loss of the current period.

### 3) Long-term Investment Acquired by Other Means

A. For the long-term equity investment acquired by paying cash, the purchase price actually paid is recognized as the investment cost.

B. For the long-term equity investment acquired by issuing equity securities, the investment cost is recognized as the fair value of the equity securities issued.

C. For the long-term equity investment acquired by exchange of non- monetary assets, if it is commercial in nature, the fair value of the assets surrendered is recognized as the investment cost of the long-term equity investment received; if it is not commercial in nature, the book value of the assets surrendered is recognized as the investment cost of the long-term equity investment received.

D. For the long-term equity investment acquired by debt restructuring, the investment cost is recognized according to the fair value of the long-term equity investment.

### (2) Subsequent Measurement of Long-term Equity Investment

- 1) The investment that can control the investee shall be accounted for using the cost method.
- 2) For the long-term equity investment in the investee with joint control (except constituting a joint undertaking) or significant influence, the equity method shall be adopted.

When adopting the equity method, if the initial cost of the long-term equity investment is higher than the attributable share of the fair value of the investee's identifiable net assets on the investment, the initial cost of the long-term equity investment shall not be adjusted; if the initial cost of the investment is lower than the attributable share of the fair value of the investee's identifiable net assets on the investment, the difference is recorded into the profit and loss of the current period, and the cost of the long-term equity investment shall be adjusted at the same time.

When adopting the equity method, the investment income and other comprehensive income shall be recognized respectively according to the attributable share of the investee's net profit and loss and other comprehensive income, and the book value of the long-term equity investment shall be adjusted at the same time; the entitled part shall be calculated according to the investee's profit or cash dividend declared to be distributed by the investee, and the book value of the long-term equity investment shall be reduced accordingly; for other changes in the owner's equity of the investee other than the net profit and loss, other comprehensive income and profit distribution, the book value of the long-term equity investment shall be adjusted and recorded into the capital reserve. The net profit of the investee shall be recognized after adjustment on the basis of the investee's fair value of all identifiable assets on the investee's when the investment is obtained. If the investee's accounting policy and accounting period are inconsistent with those of the Company, the investee's financial statements shall be adjusted in accordance with the Company's accounting policy and accounting period, based on which investment income and other comprehensive income shall be recognized. For transactions among the Company and its associated enterprises or between a joint venture, if the invested or sold assets do not constitute business, the portion of the unrealized internal transaction profit and loss that is calculated according to the proportion enjoyed by the Company shall be offset, and the investment profit and loss shall be recognized on this basis. However, the unrealized internal transaction losses incurred by the Company and the investee belong to the impairment losses of the transferred assets, and shall not be offset. If the assets invested by the Company to a joint venture or associated enterprise constitute business, and the investor therefore obtains the long-term equity investment but does not obtain the control right, the fair value of the invested business shall be deemed as the initial investment cost of the new long-term equity investment, and the difference between the initial investment cost and the book value of the invested business shall be recorded in the current profit and loss in full. If the assets sold by the Company to a joint venture or associated enterprise constitute business, the difference between the consideration obtained and the book value of the business shall be recorded in the current profit and loss in full. If the assets purchased by the Company from its associated enterprises and joint ventures constitute business, accounting treatment shall be made in accordance with the Accounting Standards for Business Enterprises No. 20 — Merger of Enterprises, and the gains or losses relating to the transaction shall be recognized in full.

When recognizing the investee's net loss that shall be assumed, the book value of the long-term equity investment and other long-term rights and interests that actually constitute the net investment in the investee are reduced to zero. In addition, if the Company is obliged to bear additional losses to the investee, the Company shall recognize the estimated liabilities based on the obligation it is expected to bear, and record them in the current investment loss. If the investee realizes net profits in subsequent periods, the Company shall resume recognizing its share of profits after the share of profits makes up the share of the unrecognized loss.

### 3) Acquisition of Minority Shares

When preparing the consolidated financial statements, the capital reserve shall be adjusted for the difference between the newly increased long-term equity investment due to the purchase of minority shares and the share of net assets continuously calculated since the purchase date (or merger date) of the subsidiary calculated in accordance with the newly increased shareholding proportion. If the capital reserve is insufficient for the offset, the retained earnings shall be adjusted.

### 4) Disposal of Long-Term Equity Investment

In the consolidated financial statements, if the parent company partially disposes of its long-term equity investment in a subsidiary without losing its control right, the difference between the disposal proceeds and the net assets of the subsidiary that the parent company is entitled to with respect to the disposal of the long-term equity investment shall be accounted for as shareholders' equity; if the parent company partially disposes of its long-term equity investment in a subsidiary and thus loses its control right over the subsidiary, the relevant accounting policies described in the "Methods for Preparing Consolidated Financial Statements" in these Notes shall be applied.

In the case of disposal of long-term equity investment in other cases, the difference between the book value of the disposed equity and the actual purchase price shall be recorded in the profits and losses of the current period.

When the equity method is adopted for the long-term equity investment, if the equity method is still adopted for the remaining equity after disposal, the other comprehensive income originally included in the shareholders' equity shall be accounted for on the same proportion as the investee directly disposes of relevant assets or liabilities. The owner's equity recognized as a result of changes in the owner's equity other than the net profit and loss, other comprehensive income and profit distribution of the investee shall be recorded in the profits and losses of the current period on a pro rata basis.

When the cost method is adopted for the long-term equity investment, if the cost method is still adopted for the remaining equity after disposal, other comprehensive income recognized as a result of using the equity method or the standards for recognition and measurement of financial instruments prior to obtaining control over the investee shall be recorded on the same basis as the investee directly disposes of relevant assets or liabilities, and shall be recorded in the profits and losses of the current period on a pro rata basis. Other changes in the owner's equity recognized as a result of the equity method, other comprehensive income and profit distribution of the investee shall be recorded in the profits and losses of the current period on a pro rata basis.

If the Company loses control over the investee due to disposal of part of its equity investment, and the remaining equity after disposal can exert joint control over or significant influence on the investee, the equity method shall be adopted for accounting and adjustment shall be made as if the equity method has been adopted for the remaining equity since acquisition; if the remaining equity after disposal can not exert joint control over or significant influence on the investee, accounting shall be recorded in accordance with the standards for recognition and measurement of financial instruments, and the balance between the fair value and the book value on the date of loss of control shall be recorded in the profits and losses of the current period. For other comprehensive income recognized as a result of adopting equity method or the standards for recognition and measurement of financial instruments before the Company obtains control over the investee, accounting treatment shall be adopted on the same basis on which the investee directly disposes of relevant assets or liabilities when the investee is lost control over the investee. In the net assets recognized as a result of adopting equity method, other changes in owner's equity, other than net profit and loss, other comprehensive income and profit distribution, shall be carried forward to the profits and losses of the current period when control over the investee is lost. Among

them, if the remaining equity after disposal adopts equity method, other comprehensive income and other owner's equity shall be carried forward in proportion; if the remaining equity after disposal adopts the standards for recognition and measurement of financial instruments, other comprehensive income and other owner's equity shall be carried forward in full.

If the Company loses its joint control over or significant impact on the investee due to disposal of part of its equity investment, the remaining equity after disposal adopts the standards for recognition and measurement of financial instruments, and the difference between the fair value and the book value on the date of loss of joint control or significant impact shall be included in the profits and losses of the current period. Other comprehensive income recognized as a result of adopting equity method for the original equity investment shall be accounted on the same basis on which the investee directly disposes of relevant assets or liabilities when the equity method is terminated. Owner's equity recognized as a result of changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution of the investee shall be all transferred into the investment income of the current period when the equity method is terminated.

The Company disposes of its equity investment in the subsidiary step by step through multiple transactions until it loses the control. If the aforesaid transactions are a package transaction, the Corporation shall conduct accounting treatment for all the transactions as one transaction in which the equity investment of the subsidiary is disposed of and the control right is lost. The balance between the disposal proceeds in each transaction and the book value of the long-term equity investment corresponding to the disposed equity before losing the control right shall be recognized as other comprehensive income, and when the control right is lost, it shall be included in the profits and losses of the current period when the control right is lost.

#### (3) Methods for Testing and Accruing Depreciation Reserves of Long-term Investment

Please refer to annotation "impairment of long-term assets" for the methods of testing and withdrawing depreciation reserves of long-term investment.

#### (4) Criteria for Determining Joint Control and Significant Impact

Joint control refers to the common control over an arrangement under relevant agreement, and the relevant activities of the arrangement cannot be decided until the participants sharing the control right reach a unanimous consent. When judging whether there is joint control, firstly we judge whether all participants or participants association controls the arrangement collectively, and then judge whether the decision on the relevant activities of the arrangement must be made with the unanimous consent of the participants collectively controlling the arrangement.

Significant impact refers to the power of the investor to participate in decision-making on the financial and operating policies of the investee, but not to control or jointly control the formulation of these policies with other parties.

When determining whether the investor can exert significant impact on the investee, we take into account potential factors of voting rights such as the current convertible corporate bonds and current executable warrants of the investee held by the investor and other parties.

### 15. Investment Real Estate

Measurement mode for investment real

estate: Depreciation or amortization

method:

Depreciation and amortization shall be computed using the straight- line method based on the estimated useful life of the asset,

where depreciation shall be accrued for real estate based on (the legal service life or the estimated service life, whichever is lower), and the legal service life of real estate shall be amortized. The entry value of investment real estate is determined based on its cost. Among them: the cost of investment real estate purchased from external parties includes the purchase price, relevant taxes and other expenses directly attributable to the asset; the cost of self-constructed investment real estate consists of the necessary expenses incurred for preparing the asset for its intended use; the investment real estate invested by an investor shall be recorded at the value agreed upon in the investment contract or agreement; however, if the agreed value is unfair in the contract or agreement, it shall be recorded at the fair value.

For the method of test and provision for impairment of investment real estate, refer to the note "Impairment of Long Term Assets".

## 16. Fixed assets

### (1) Confirmation Conditions

Fixed assets refer to tangible assets held for the production of commodities, provision of labor services, lease or business management, which have a useful life of more than one year and a relatively high unit value.

### (2) Depreciation method

Category	Depreciation Method	Depreciation Life	Residual Value Rate	Annual Depreciation Rate
Premises And Buildings	Straight-Line method	20-30	5%	4.75%-3.17%
Machinery Devices	Straight-Line method	10	5%	9.50%
Transport Devices	Straight-Line method	4-9	5%	23.75%-10.56%
Electronics Devices	Straight-Line method	3	5%	31.67%
Other Devices	Straight-Line method	5	5%	19.00%

The depreciation amount of the fixed assets for which an impairment provision has been made shall be calculated after deducting the accumulated amount of fixed assets impairment provision that has been made. For the method of test and provision for impairment of fixed assets, refer to the note "Impairment of Long Term Assets"

### (3) The basis, pricing and depreciation method of the fixed assets under finance lease: none

## 17. Construction-in-Progress

Should the Company be subject to disclosure requirements for any particular industry: Yes  
Pharmaceutical and Biologics Industry

The fixed assets constructed by the Company shall, when they reach the expected usable condition, be carried forward to the estimated value based on the budget, price or actual cost of the construction, and provision for depreciation shall begin from the next month. The difference of the original value of fixed assets may be adjusted after the completion and final account procedures have been fulfilled.

For the method of impairment of construction in process, refer to the annotation "Impairment of Long-term Assets".

## 18. Borrowing Expenses

**(1) Principle of Capitalization of Borrowing Costs**

Borrowing costs include interest accrued on the borrowings, amortization of discounts or premiums, ancillary expenses, and exchange differences arising from foreign currency borrowings. The borrowing costs incurred to the Company that are incurred from the fixed assets acquired or constructed or from the special borrowings or general borrowings used for developing investment real estate or inventory shall be capitalized and recorded into the relevant cost of assets; other borrowing costs shall be recognized as expenses when incurred and recorded into the profits and losses of the current period. The relevant borrowing costs shall be capitalized when all of the following conditions are met: the expenditures of the assets have been incurred; the borrowing costs have been incurred; and the acquisition or construction activities that are necessary to prepare the assets for their intended use have begun.

**(2) Period of Capitalization of Borrowing Costs**

The borrowing costs incurred that meet the conditions for capitalization, such as the acquisition or construction of fixed assets, investment real estate or inventory and that are incurred before the assets are ready for its intended use or sale shall be recorded into the cost of assets. If the acquisition or construction activities for fixed assets, investment real estate or inventory are interrupted abnormally and the interruption lasts for more than three consecutive months, the capitalization of the borrowing costs shall be suspended and recognized as an expense of the current period until the acquisition or construction activities for the asset are restarted; when the assets are ready for its intended use or sale, the capitalization of the borrowing costs shall cease. The borrowing costs incurred thereafter shall be directly recorded into the financial expenses of the current period in which they are incurred.

**(3) Method for Calculating the Amount of Capitalization of Borrowing Costs**

The special borrowings borrowed for the acquisition and construction or production and development of assets eligible for capitalization shall be recognized by the actual amount of interest expenses incurred for the current period of the special borrowings minus the interest income derived from depositing the unused borrowing funds in the bank or from investment.

If the general borrowings are used for the acquisition and construction or production and development of assets eligible for capitalization, the amount of interests to be capitalized on the general borrowings shall be calculated and determined by multiplying the weighted average asset disbursements by the capitalization rate of the general borrowings used. The capitalization rate shall be calculated and determined according to the weighted average interest rate of general borrowings.

**19. Biological assets: none****20. Oil and gas assets: none****21. Intangible assets**

Should the Company be subject to disclosure

requirements in any particular industry: Yes

Pharmaceutical and Biologics Industry

**(1) Valuation Method of intangible assets:**

The intangible assets of the Company include land use right, patented technologies and non-patented technologies, etc.

For intangible assets acquired, the actual cost is the consideration actually paid and other related expenses.

The actual cost of intangible assets invested by investors shall be determined according to the value as stipulated in the



investment contract or agreement; if the value as stipulated in the contract or agreement is unfair, the actual cost shall be determined according to the fair value.

The intangible assets acquired through non-monetary assets exchange shall be recorded at the fair value of the assets surrendered if they are commercial in nature or at the book value of the assets surrendered if they are not commercial in nature.

The intangible assets acquired through debt restructuring shall be determined according to their fair value.

For intangible assets developed by the Company itself, the research disbursements shall be recorded in the profits and losses of the current period when they are incurred; the development disbursements simultaneously meeting the following conditions shall be determined as intangible assets (patented technologies and non-patented technologies):

- ① It is technically feasible to complete the intangible assets so that they can be used or sold;
- ② It is intended to complete and use or sell the intangible assets;
- ③ There is a market for the products manufactured by applying the intangible assets or there is a market for the intangible assets themselves;
- ④ It is supported by sufficient technologies, financial resources and other resources so that it can complete the development of the intangible assets, and it is able to use or sell the intangible assets; and
- ⑤ The development disbursements of the intangible assets can be reliably measured.

The development disbursements that do not meet the above conditions shall be recorded in the profits and losses of the current period when they are incurred. Development expenditures which have been recorded as profits and losses in the previous period shall not be recognized as assets in the subsequent period. The development disbursements that have been capitalized shall be listed as development disbursements on the balance sheet, and shall be converted into intangible assets upon reaching the expected conditions for use.

#### (2) Methods and Time Limit for the Amortization of Intangible Assets:

The land use right of the Company shall be amortized averagely over the years of transfer from the initial date of transfer or the date of obtaining the land use right, and the patented technologies, non-patented technologies and other intangible assets of the Company shall be amortized by equal installments over the shortest of the three periods: the estimated years of use, the period of benefit stipulated by the contract, and the valid period stipulated by law. The amount of amortization shall be recorded in the relevant asset costs and current profits and losses according to the beneficiaries.

Please refer to the annotation "Impairment of Long-term Assets" for the methods of testing intangible assets and the methods of accruing the provision for impairment of intangible assets.

## **22. Impairment of Long-term Assets**

For non-current non-financial assets such as fixed assets, projects under construction, intangible assets with limited useful life, investment real estate measured in the mode of cost, and long-term equity investments in subsidiaries, joint ventures and associates, the Company shall judge whether there is any sign of impairment on the balance sheet date. If there is any sign of impairment, the recoverable amount thereof shall be estimated for impairment test. No matter whether there is any sign of impairment, intangible assets with goodwill and uncertain service life and intangible assets that have not reached the usable conditions, shall conduct an impairment test annually.

If the result of an impairment test shows that the recoverable amount of assets is lower than its book value, a provision for impairment shall be made on the basis of the difference between them and recorded in the impairment loss. The recoverable amount shall be the higher one between the net amount of the fair value of the asset minus the disposal expenses and the current value of the expected future cash flow of the asset. The fair value of an asset shall be determined according to the price as agreed in the sales agreement in the arm's length transaction. If there is no sales agreement but an active market for the asset, the fair value shall be determined according to the price as offered by the buyer of the asset. If there is no sales agreement and no active market for the asset, the fair value of the asset shall be estimated on the basis of the best information available. The disposal expenses shall include the relevant legal expenses, relevant taxes, truckage as well as the direct expenses for bringing the asset into a marketable condition. The current value of the expected future cash flow of an asset shall be determined by the discounted cash amount with an appropriate discount rate, on the basis of the expected future cash flow generated during the continuous use or final disposal of the asset. The reserve for asset impairment shall be calculated and confirmed on the basis of single item assets. If it is difficult to estimate the recoverable amount of a single item asset, it shall be determined on the basis of the group assets to which the asset belongs. "An asset group" is the minimum combination of assets that can generate cash inflows independently.

The business reputation separately presented in the financial statements, namely when making an impairment test, it apportions the carrying value of the business reputation to the asset group or combination of asset groups that are expected to benefit from the synergy effect of enterprise merger. If the test results show that the recoverable amount of the asset group or combination of asset groups containing the apportioned business reputation is lower than the carrying value thereof, it shall be recognized as the corresponding impairment loss. The amount of the impairment loss shall first charge against the carrying value of the business reputation which are apportioned to the asset group or combination of asset groups, then charge it against the carrying value of other assets in proportion to the weight of other assets in the asset group or combination of asset groups with the business reputation excluded.

Once any of the above-mentioned loss of asset impairment is recognized, the part which may not be reversed in the future period.

### **23. Long-term Deferred Expenses**

The long-term prepaid expenses incurred by a company shall be priced at the actual cost and evenly amortized in the expected beneficial period. As for an item of long-term prepaid expenses that cannot benefit any future accounting period, the amortized value of this item shall, when being determined, be entirely recorded into the profits and losses of the current period.

### **24. Employee Remuneration**

#### **(1) Accounting Treatments of Short-term Remunerations**

During the accounting period in which its employees provide services to it, the Company shall recognize the short-term remuneration actually incurred as a liability and record it into the profits and losses of the current period, unless it is required or allowed by other accounting standards to be recorded into the assets costs; the employee's welfare expenses incurred shall be recorded into the profits and losses of the current period or the relevant assets costs at the actual amount when they are actually incurred. The employee's welfare expenses in the form of non-monetary benefits shall be measured according to the fair value; for the medical insurance premiums, work-related injury insurance premiums, maternity insurance premiums and other social insurance premiums and

public accumulation funds for housing construction paid by an enterprise for its employees, as well as the labor union expenditures and employee education expenditures accrued in accordance with the provisions, the corresponding amount of employee's remuneration shall be calculated and determined based on the accrual basis and proportion, recognized as a liability, and recorded into the profits and losses of the current period or the relevant assets costs.

## **(2) Accounting Treatments of Post-demission Benefits**

The post-demission benefits refer to the remunerations and welfare in various forms provided by the Company after the employees retire or terminate the labor relationship with the enterprise in return for services provided by the Company to its employees, other than the short-term remuneration and dismiss welfare. All the post-demission benefits of the Company are defined contribution plan, that is, the Company shall calculate and pay to the local government handling organ the old-age insurance premiums based on the specified contribution base and proportion during the period in which its employees provide services to the Company as required by relevant laws and regulations. During the accounting period in which its employees provide services to it, the Company shall recognize the post-demission benefits actually incurred as a liability, and record them into the costs of fixed assets, intangible assets, products and labor or into the profits and losses of the current period according to the beneficiaries of services provided by the employees.

## **(3) Accounting Treatments of dismiss welfare**

Where the Company makes compensations for terminating the labor relationship with an employee before the expiration of the labor contract or for encouraging the employees to accept the layoff voluntarily, it shall recognize the liabilities arising from the compensation for terminating the labor relationship and record them into the profits and losses of the current period, whichever occurs earlier when the Company cannot unilaterally withdraw the termination plan or the layoff proposal or the layoff proposal and when it recognizes the payment of the reorganization-related costs and expenses relating to the restructuring involving dismiss welfare. The internal retirement plans of employees shall follow the principles the same as above for dismiss welfare. When the conditions for the recognition of expected liabilities are met, the Company would pay salaries and social insurance premiums for the employees who have retired from the date when the employees cease to provide services to their normal retirement date shall be recorded into the profits and losses of the current period (dismiss welfare).

## **(4) Accounting Treatment Methods for Other Long-term Employee Benefits**

The Company also provides the employees who satisfy certain conditions with supplementary retirement benefits beyond those provided for by relevant state insurance systems. Such supplementary retirement benefits fall under defined benefit plans. The defined benefit liabilities recognized on the balance sheet shall be the present value of defined benefit obligations minus the fair value of plan assets. Each year, the independent actuary shall adopt the treasury bond interest rate similar to the term and currency of the obligation and the expected unit of benefit method to calculate the defined benefit obligation. The cost of service (including the current service costs, past service costs and settlement gains or losses) and net interest relating to the supplementary retirement benefit are accounted for as current profits and losses or relevant asset costs, and the change from the re-measurement of net liabilities or net assets of the defined benefit plan are accounted for as other comprehensive income.

## 25. Estimated Liabilities

### (1) Principles of Recognition

When the business related to external guarantee, pending litigation or arbitration, product quality assurance, redundancy plan, loss-making contract, restructuring obligation, disposal obligation of fixed assets and other contingencies meets the following conditions simultaneously, the Company shall recognize it as a liability:

Such obligation is the Company's present obligation ;

The performance of the obligation is likely to cause

an outflow of economic benefits from the

undertaking; the amount of the obligation can be

measured in a reliable way.

(2) Measurement method: the best estimate of the expenses required to discharge the contingency;

## 26. Payment by Shares

## 27. Preferred Shares, Perpetual Debt and Other Financial Instruments

## 28. Income

Whether the Company needs to comply with

the disclosure requirements for special

industries: Yes Pharmaceutical and Biological

Products Industry.

### (1) Specific Standards for Judgment on the Time for Recognizing Commodity Revenue

The Company has transferred the major risks and rewards of ownership of the products to the purchasers; the Company has neither retained the continuous management rights relating to the ownership nor conducted valid control over the products sold; the amount of income can be measured in a reliable way; the relevant economic benefits are likely to flow to the enterprise; the realization of sales revenue is recognized when the relevant costs incurred or to be incurred can be measured in a reliable way.

The Company's standards for recognizing the revenue from the sale of goods and the specific standards for judging the time for recognizing the revenue are as follows:

Sales revenue: the sales revenue is recognized when the products are delivered, the invoice settlement bills are submitted to the buyer and the relevant revenue and costs can be measured in a reliable way.

### (2) Basis for Recognizing the Revenue from Transfer of the Right to Use Assets

If the economic benefits associated with the transaction are likely to flow to the enterprise, and if the amount of income can be measured in a reliable way, the amount of revenue from transfer of the right to use assets shall be determined respectively according to the following circumstances:

1) The amount of interest income shall be calculated and determined according to the time and the actual interest rate of the monetary capital of the enterprise used by others.

2) The amount of royalty income shall be calculated and determined according to the fee collection time and method agreed upon in the relevant contract or agreement.

Evidence for Recognizing the Revenue from Transfer of the Right to Use Assets by the Company

Rental income: the revenue shall be recognized after the rental is collected on the date agreed upon in the lease contract (or agreement). If the rental is not received on the date agreed upon in the contract or agreement, but the rental can be recovered and the amount of income can be measured in a reliable way, the revenue shall also be recognized as revenue.

(3) The evidence and method for determining the progress of the project when recognizing the revenue from providing services and the contract revenue from construction according to the percentage of completion method.

If the outcome of a transaction involving the rendering of services can be estimated in a reliable way on the balance sheet date, the revenue from the rendering of services shall be recognized according to the percentage of completion method. The progress of completion for a transaction involving the rendering of services shall be determined according to the measurement of work completed.

The total revenue from the rendering of services shall be determined according to the consideration received or receivable as stipulated in the contract or agreement, unless the consideration received or receivable as stipulated in the contract or agreement is unfair. On the balance sheet date, the revenue from the rendering of services in the current period shall be recognized according to the balance sheet date when the total revenue from the rendering of services is multiplied by the progress of completion minus the accumulated revenue from the rendering of services recognized in previous accounting periods. At the same time, the balance of the estimated total cost for the rendering of services multiplied by the progress of completion minus the cumulative costs recognized in previous accounting periods shall be carried forward to the current period.

If the outcome of a labor service rendering transaction cannot be estimated reliably on the balance sheet date, it shall be dealt with as follows, respectively:

1) If the costs already incurred can be recovered under estimation, the revenue from the rendering of services shall be recognized according to the amount of costs already incurred and the costs of services shall be carried forward at the same amount.

2) If the costs already incurred cannot be recovered under estimation, the costs already incurred shall be recorded in the profits and losses of the current period and the revenue from the rendering of services shall not be recognized.

## **29. Government grants**

(1) Types of government subsidies

Government subsidies refer to the monetary assets and non- monetary assets (excluding the capital invested by the government as the owner) obtained by the Company free of charge from the government. Government subsidies are classified into government subsidies relating to assets and government subsidies relating to income based on the nature of recipients of such grants as specified in the relevant government documents.

If the recipients of the subsidies are not specified in the government documents, the Company shall classify such government subsidies as assets-related or income-related to income based on whether such government subsidies are to be used for purchase or construction or to form long-term assets otherwise.

(2) Recognition of government subsidies

A government subsidy shall be recognized when the conditions attached to the government subsidy can be received.

Government subsidies in the form of monetary assets shall be measured based on the amount received or receivable.

Government subsidies in the form of non- monetary assets shall be measured at their fair values. If the fair value cannot be reliably obtained, it shall be measured at its nominal amount.

(3) Accounting treatment of government subsidies

Government subsidies relating to assets shall be offset against the book value of relevant assets or recognized as deferred income. Where government grants related to assets are recognized as deferred income, such grants shall be included in the profit and loss account by reasonable and systematic stages within the useful life of the relevant assets. Government subsidies measured at their nominal amount shall be recorded directly into the profit and loss account for the current period. Government subsidies relating to income shall be treated as follows respectively: those to be used as compensation for relevant costs, expenses and losses in subsequent periods shall be recognized as deferred income and shall be recorded into the profit and loss account for the current period or used to offset relevant costs in the period in which relevant costs, expenses and losses are recognized; those to be used as compensation for relevant costs already incurred shall be recorded directly into the profit and loss account for the current period or used to offset relevant costs. Government grants relating to routine activities of a company shall be recorded in other income or used to offset relevant costs and expenses in accordance with the nature of business activities. Government unrelated to routine activities of a company shall be recorded in non-operating income.

### **30. Deferred income tax assets/deferred income tax liabilities**

(1) The deferred income tax assets or deferred income tax liabilities shall be calculated and recognized in accordance with the balance between the book value of assets and liabilities and the tax base thereof (if the tax base of items not recognized as assets and liabilities may be determined in accordance with the tax law, the balance between the tax base and the book value thereof shall be calculated and recognized in accordance with the applicable tax rate during the period in which the assets are expected to be recovered or the liabilities are settled).

(2) Deferred income tax assets shall be recognized to the extent of the taxable income which is likely to be obtained from the deductible temporary differences. If, at the balance sheet date, there is any exact evidence showing that enough taxable income is likely to be obtained in future periods to offset the deductible temporary differences, the deferred income tax assets unrecognized in previous accounting periods shall be recognized.

(3) On the balance sheet date, the book value of the deferred income tax assets shall be reviewed and if enough taxable income is likely to be obtained in future periods to offset the benefits of the deferred income tax assets, the book value of the deferred income tax assets shall be written down. When enough taxable income is likely to be obtained, the written-down amount shall be reversed.

(4) The income tax of the current period and deferred income tax of the Company shall be recorded in the current profits and losses as income tax expenses or incomes, but excluding the income tax arising under the following circumstances: merger of enterprises or transactions or events directly recognized in owners' equity.

### **31. Leasing**

#### **(1) Accounting treatment methods for operating leases**

The rentals paid by the Company for renting assets shall be amortized by the straight-line method and recorded in the expenses of the current period without deducting the rent-free period. The initial direct expenses related to leasing transactions paid by the Company shall be recorded in the expenses of the current period.

When the lesser bears the expenses related to leasing which shall be borne by the Company, the Company shall deduct such

expenses from the total rentals, amortize the rentals after the deduction within the lease period and record them in the expenses of the current period.

The rentals collected by the Company for leasing assets shall be amortized by the straight- line method during the entire lease period without deducting the rent-free period. The initial direct expenses related to leasing transactions paid by the Company shall be recorded in the expenses of the current period; if the amount is large, they shall be capitalized and recorded in the proceeds of the current period by stages on the same basis as the lease income during the entire lease period.

When the Company bears the expenses related to leasing which shall be borne by the lessee, the Company shall deduct such expenses from the total rentals and distribute them in the lease period according to the rentals after the deduction.

## (2) Accounting treatment methods for finance leases

Assets under finance leases: The Company shall record the lower of the fair value of the leased assets and the present value of the minimum lease payments in an account on the commencement date of the lease, record the minimum lease payments in an account as the long-term payables in an account, and record the balance between the fair value of the leased assets and the current value of the minimum lease payments in an account as unrecognized finance charges. The Company adopts the effective interest rate method to amortize the unrecognized financing charges during the lease period and record them in the financial charges. The initial direct expenses incurred by the Company shall be recorded in the value of the leased assets.

Assets under finance leases: The Company shall, on the commencement date of the lease, recognize the balance between the sum of the unsecured residual value of the accounts receivable and the current value of the accounts receivable as unrealized finance gains and recognize them in each period in which the rentals are received in the future as lease income. The initial direct expenses incurred by a company which are related to a leasing transaction shall be recorded in the initial measurement of the finance lease accounts receivable.

And the amount of income recognized during the lease period shall be reduced.

## 32. Other important accounting policies and accounting estimates: None

## 33. Changes in significant accounting policies and estimates

### (1) Changes in important accounting policies

Applicable  N/A

Contents Of And Reasons For Changes In Accounting Policies	Approval Procedures	Remark
In accordance with the relevant provisions of the Notice of the Ministry of Finance on Amending and Issuing Forms of General Corporate Financial Statements for 2018 (Cai Kuai [2018] No.15)	Notes and accounts receivable	+576,635,310.02
In accordance with the Notice of the Ministry of Finance on Amending and Issuing the Forms of General Corporate Financial Statements for 2018 (Cai Kuai [2018] No.15)	Notes Receivable	-287,673,609.79
In accordance with the Notice of the Ministry of Finance on Amending and Issuing of General Corporate Financial Statements for 2018 (Cai Kuai [2018] No.15)	Accounts receivable	-288,961,700.23
According to the relevant provisions of the Notice of the Ministry of Finance on Revising and Issuing the Format of General Corporate Financial Statements in	Notes payable and accounts	+178,828,623.18

2018 (Cai Kuai [2018] No.15)	payable	
In accordance with the Notice of the Ministry of Finance on Amending and Issuing of General Corporate Financial Statements for 2018 (Cai Kuai [2018] No.15)	Notes payable	-20,918,600.00
In accordance with the Notice of the Ministry of Finance on Amending and Issuing of General Corporate Financial Statements for 2018 (Cai Kuai [2018] No.15)	Accounts Payable	-157,910,023.18
In accordance with the Notice of the Ministry of Finance on Amending and Issuing of General Corporate Financial Year 2018 (Cai Kuai [2018] No.15)	Other payables	+ 94,000,000.00
According to the relevant provisions of the Notice of the Ministry of Finance on Revising and Issuing the Format of General Corporate Financial Statements in 2018 (Cai Kuai [2018] No.15)	Dividends payable	-94,000,000.00
In accordance with the Notice of the Ministry of Finance on Amending and Issuing of General Corporate Financial Year 2018 (Cai Kuai [2018] No.15)	Management expenses	-34,531,383.24
In accordance with the Notice of Finance on Amending and Issuing of General Corporate Financial Statements for 2018 (Cai Kuai [2018] No.15)	Research and development expenses	+34,531,383.24

This change in accounting policies only affects the items disclosed in the above financial statements but has no impact on the total assets, total liabilities and net assets of the Company at the end of 2017 or net profit of 2017.

## (2) Significant changes in accounting estimates

Applicable  N/A

## 34. Miscellaneous

### Significant accounting judgments and estimates

In the course of applying accounting policies, the Company needs to make judgments, estimates and assumptions about the book value of items that cannot be measured accurately due to the uncertainties inherent in operating activities. These judgments, estimates and assumptions are made on the basis of the past experience of the Company's management and on the basis of other relevant factors. These judgments, estimates and assumptions affect the reported amount of income, expenses, assets and liabilities, and the disclosure of contingent liabilities on the balance sheet date. However, the uncertainties in these estimates may result in actual results that differ from the current estimates of the Company's management, resulting in a repeat of the carrying amount of assets or liabilities that will be affected in the future.

### Major adjustments.

The Company will regularly review the foregoing judgments, estimates and assumptions on an on-going basis. If a change in an accounting estimate affects only the period of the change, the effect of the change is recognized in the period of the change. If a change in an accounting estimate affects both the period of the change and future periods, the effect of the change is recognized in the period of the change and future periods. The key areas in which the Company is required to make judgments, estimates and assumptions about the amounts of items in its financial statements at the balance sheet date are as follows:

#### (1) Provision for bad debts

The Company adopts the allowance method for bad debts losses in accordance with the accounting policy on receivables. Impairment of receivables is based on assessing the collectability of receivables. Identifying impairment of receivables requires



management's judgment and estimates. Differences between the actual results and the original estimate will affect the carrying amount of receivables and the provision for bad debts of receivables during the period in which the estimate is changed.

(2) Provision for decline in value of inventories

The Company shall, in accordance with the inventory accounting policies, measure the inventory at the cost or net realizable value, whichever is lower, and make provision for loss on decline in value of inventories whose cost is higher than the net realizable value, or for obsolete and unmarketable inventories. Impairment of inventories to net realizable value is based on an assessment of the salability of inventories and their net realizable value. To identify impairment of inventories, the management is required to make a judgment and estimate on the basis of obtaining unambiguous evidence and taking into consideration the purpose for holding inventories and the impact of events occurring after the balance sheet date. Any difference between the actual results and the previously estimated results will affect the inventories and the provision for decline in value of inventories and the period in which the estimate is changed.

(3) Held-To-Maturity investment

The Company classifies the qualified non- derivative financial assets with fixed or determinable repayment amount and a fixed maturity date and which are held by the Company for specific purpose and are able to hold until maturity as a held-to-maturity investment. Much judgment is required in carrying out this classification. During the judgment, the Company will assess the willingness and capability of holding such investments until maturity date. Except for special circumstances (for example, an investment with a small amount is sold near the maturity date), if the Company is unable to hold these investments until maturity date, all such investments must be reclassified as a sellable financial asset which shall not be classified as a held-to-maturity investment within the current accounting year as well as the following two complete accounting years. If such circumstance occurs, it may have a significant impact on the values of relevant financial assets listed in the financial statements, and may also affect the risk management strategies of the Company for financial instruments.

(4) Impairment of held-to-maturity investment

The Company's determination on whether the held-to-maturity investment is impaired relies on the judgment of the management to a large extent. The objective evidences proving the impairment include that the issuer has serious financial difficulties, making the financial asset unable to continue trading in the active market or unable to perform the contractual terms (for example, breach of contract on payment of interest or principal), etc. In making this judgment, the Company needs to assess the impact of objective evidences of impairment on the expected future cash flow of the investment.

(5) Impairment of sellable financial assets

The Company's determination on whether the sellable financial assets are impaired relies on the judgment and assumption of management to determine whether the impairment losses need to be recognized in the income statement. In making this judgment and assumption, the Company needs to assess the extent and duration of the fair value of the investment below cost, as well as the financial position and short-term business outlook of the investee, including industry conditions, technological change, credit rating, default rate and counterparty risk.

(6) Provision for impairment of non-financial non-current assets

The Company's determination on the balance sheet date of non- current assets other than financial assets is likely to occur in the event of impairment. For intangible assets with uncertain service life, in addition to the annual impairment test, the impairment test shall also be

conducted when there is any sign of impairment. Other non-current assets other than financial assets, when a table of indications exists

When it is made clear that the carrying amount is irrecoverable, an impairment test shall be conducted.

When the carrying value of an asset or group is higher than the recoverable amount, that is, the net amount of the fair value minus the disposal expenses or the current value of the expected future cash flow, it shows that impairment has occurred.

The net amount of the fair value minus the disposal expenses shall be determined by reference to the price agreed in an arm's length transaction for similar assets or the observed market price, less the incremental costs directly attributable to the disposal of the asset.

When making an estimate of the current value of the future cash flow, important judgments shall be made on the output, selling price, the relevant operating costs of the asset (or group) as well as the discount rate used in the calculation of the current value. In making an estimate of recoverable amount, the Company uses all relevant information available, including projections of output, selling price and related operating costs based on reasonable and substantial assumptions.

The Company tests the goodwill for impairment at least annually. This requires making an estimate of the current value of the future cash flow of the asset group or combination of asset groups that have distributed business reputation. When making an estimate of the current value of future cash flows, the Company needs to make an estimate of the future cash flows generated by the asset group or combination of asset groups, and simultaneously choose an appropriate discount rate to determine the current value of the future cash flows.

#### (7) Depreciation and amortization

The Company shall withdraw depreciation and amortization of investment real estate, fixed assets and intangible assets by the straight-line method within their useful lives after taking into account their residual values. The Company periodically reviews its useful life to determine the amount to be included in the depreciation and amortization expense for each reporting period. Useful life is determined by the Company based on its previous experience of similar assets and in the light of expected technology innovation. Depreciation and amortization expense will be adjusted in future periods if previous estimates change materially.

#### (8) Income Tax

In normal course of business activities, in some transactions of the Company, the final tax treatment and calculation may be uncertain. Whether some items can be disbursed before tax shall require the approval of the competent taxation authority. If the final determination of these tax matters differs from their initially estimated amount, the difference will affect the current income tax and deferred income tax for the period when they are finally determined.

## VI. Tax Matters

### 1. Main tax categories and tax rates

Tax Categories	Tax Basis	Tax Rate
Vat	Taxable income	3%/16%/17%
Urban Maintenance And Construction Tax	Turnover tax payable in the current period	5%/7%
Enterprise Income Tax	Income tax payable in the current period	15%/25%
Education tax surcharge	Turnover tax payable in the current period	3%
Local education surcharge	Turnover tax payable in the current period	2%

#### (1) Value-added tax rate

Unit	Year 2018	Year 2017
Boya Bio-pharmaceutical Group Co., Ltd	3%	3%
Nancheng Jinshan Apheresis Plasma Co., Ltd	3%	3%
Chongren Boya Apheresis Plasma Co., Ltd.	3%	3%
Jinxi Boya Apheresis Plasma Co., Ltd.	3%	3%
Unit	Year 2018	Year 2017
Ganzhou Nankang Boya Apheresis Plasma Co., Ltd	3%	3%
Yuechi Boya Apheresis Plasma Co., Ltd	3%	3%
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	3%	3%
Linshui Boya Apheresis Plasma Co., Ltd.	3%	3%
Beijing Boya Xinnuo Biotechnology Co., Ltd.	3%	3%
Guizhou Tianan Pharmaceutical Co., Ltd.	16%/17%	17%
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	16%/17%	17%
Xinfeng Boya Apheresis Plasma Co., Ltd	3%	3%
Fengcheng Boya Apheresis Plasma Co., Ltd.	3%	3%
Yudu Boya Apheresis Plasma Co., Ltd	3%	3%
Duchang Boya Apheresis Plasma Co., Ltd.	3%	3%
Nanjing Xinbai Pharmaceuticals Co., Ltd.	3%/16%/17%	17%
Nanjing Boya Pharmaceutical Co., Ltd.	16%/17%	17%
Nanjing Xinrui Pharmaceutical Technology Development Co., Ltd.	16%/17%	17%
Guangdong Fuda Pharmaceutical Co., Ltd.	3%/16%/17%	3%/17%
Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd.	3%	—

On January 19, 2009, the Ministry of Finance and the State Administration of Taxation promulgated the Circular on the Application of Low Value-added Tax Rate and Simplified Collection Method to Certain Goods (Cai Shui [2009] No. 9). Paragraph 3 of Article 2 of the Circular stipulates that general taxpayers who sell "biological products made from microorganisms, microbial metabolites, animal toxins, human or animal blood or tissues" may choose to calculate and pay the value-added tax at a rate of 6% under the simplified method, but the input tax may not be deducted. After general taxpayers choose the simplified method to calculate and pay the value-added tax, such method shall not be changed within 36 months. Based on the Circular, Boya Bio-Pharmaceutical and its subordinate plasma collection companies shall calculate and pay value-added tax at a rate of 6% under the simplified method since January 1, 2010, and shall not deduct input tax.

On August 24, 2009, the State Administration of Taxation promulgated the Official Reply on Issues Concerning the Value-added Tax Policies for the Supply of Blood for Non-clinical Use (Guo Shui Han [2009] No. 456). Article 2 of the Circular stipulates that if a plasma collection station, as a general taxpayer of value-added tax, sells human blood for non-clinical use, the taxable amount may be calculated at a rate of 6% under the simplified method, but no special value-added tax invoice may be issued to any other party; it may also be calculated at a rate of value-added tax according to the method for offsetting the input tax against the output tax and the applicable value-added tax rate. After taxpayers choose the method for calculating and paying the value-added tax, such method shall not be changed within 36 months.

On June 13, 2014, the Ministry of Finance and the State Administration of Taxation promulgated the Circular on Simplifying and Consolidating the Value-added Tax Rate Policies (Cai Shui [2014] No. 57). In order to further regulate the tax system and make

tax burdens fair, upon the approval of the Department of State, it is decided to simplify and unify the value-added tax rate, and adjust the value-added tax rate from 6% and 4% to 3%. In July 2014, Boya Bio-Pharmaceutical and its subordinate plasma collection companies start to adopt the simple value-added tax rate of 3%.

As proved by the Nanjing Food and Drug Administration in April 2018, oxytocin, bone peptide injection and other products manufactured by Xinbai Pharmaceuticals belong to biological products made from microorganisms, microbial metabolites, animal toxins, human or animal blood or tissues. Starting from July 1, 2018, Xinbai Pharmaceuticals have chosen to calculate and pay value-added tax at a rate of 3% under the simple method, without deduct input tax.

## (2) Income tax rate

There are taxpayers who pay taxes at different enterprise income tax rates. Explanation of Disclosure

Name Of Tax Payer	Income Tax Rate
Boya Bio-pharmaceutical Group Co., Ltd	15%
Nancheng Jinshan Apheresis Plasma Co., Ltd	25%
Chongren Boya Apheresis Plasma Co., Ltd.	25%
Jinxi Boya Apheresis Plasma Co., Ltd.	25%
Ganzhou Nankang Boya Apheresis Plasma Co., Ltd	25%
Yuechi Boya Dan Blood Collection Plasma Co., Ltd.	25%
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	25%
Linshui Boya Apheresis Plasma Co., Ltd.	25%
Beijing Boya Xinnuo Biotechnology Co., Ltd.	25%
Guizhou Tianan Pharmaceutical Co., Ltd.	15%
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	25%
Xinfeng Boya Apheresis Plasma Co., Ltd.	25%
Fengcheng Boya Apheresis Plasma Co., Ltd.	25%
Yudu Boya Apheresis Plasma Co., Ltd.	25%
Duchang Boya Apheresis Plasma Co., Ltd.	25%
Nanjing Xinbai Pharmaceuticals Co., Ltd.	15%
Nanjing Boya Pharmaceutical Co., Ltd.	25%
Nanjing Xinrui Pharmaceutical Technology Development Co., Ltd.	25%
Guangdong Fuda Pharmaceutical Co., Ltd.	25%
Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd.	25%

## 2. Tax Preferences

Boya Bio-Pharmaceutical, which is a high-tech enterprise accredited by Gan Gao Qi Bian Fa [2011] No.1, the Leading Group for Accreditation and Management of High-tech Enterprises of Jiangxi Province. Valid period shall be from November 12, 2010 to November 11, 2013. In accordance with the Notice of the State Administration of Taxation on Issues Concerning the Implementation of Income Tax Preferences for Hi-tech Enterprises (Guo Shui Han [2009])

No. 203). A high-tech enterprise accredited as qualified may apply for preferential enterprise income tax policies from the year in which the Valid period of its accreditation is issued. The Company shall implement a preferential income tax rate of 15% as of 2010. The Company passed the re-examination on July 8, 2013, and the Valid period shall be from July 8, 2013 to July 7, 2016. The Company

actively reviewed its high-tech enterprise upon expiration of July 2016, passed the re-examination again on November 15, 2016, and obtained the Certificate of High-tech Enterprise No. GF 201636000480 with a Valid period of three years. Tianan Pharmaceutical is a high-tech enterprise, which is jointly accredited by the Department of Science and Technology of Guizhou Province, the Department of Finance of Guizhou Province, the State Taxation Bureau and the Local Taxation Bureau of Guizhou Province. Valid period shall be from 2011

From September 28, 2011 to September 27, 2014. According to the Notice of the State Administration of Taxation on Issues Concerning the Implementation of Preferential Enterprise Income Tax Policies for High-tech Enterprises (Guo Shui Han [2009] No.203), a high-tech enterprise accredited as qualified may apply for preferential enterprise income tax policies from the year in which the Valid period of its accreditation is issued. Tianan Pharmaceutical is entitled to a preferential income tax rate of 15% as of 2011. Tianan Pharmaceutical passed the review on September 11, 2014, with the Valid period from September 11, 2014 to September 11, 2017. It passed the review again on November 13, 2017, and obtained the Certificate of High-tech Enterprise No. GR 201752000216, with the Valid period of three years.

In accordance with the Administrative Measures on Accreditation of High-tech Enterprises issued by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation, Xinbai Pharmaceuticals was jointly accredited as a high-tech enterprise by the Department of Science and Technology of Jiangsu Province, the Department of Finance of Jiangsu Province, the State Administration of Taxation Jiangsu Bureau and the Local Taxation Bureau of Jiangsu Province on May 21, 2012, and obtained the certificate GR 201232000012, with the Valid period ending on May 20, 2015. In 2015, the Hi-tech Enterprise Certificate obtained by Xinbai Pharmaceuticals passed the review prior to its expiration and obtained Hi-tech Enterprise Certificate No. GR 201532000766. Valid period of three years. On November 28, 2018, the Company passed the review again and obtained the Hi-tech Enterprise Certificate No. GR 201832003049, with the Valid period for three years.

### 3. Miscellaneous

## VII. Notes to Items Consolidated Financial Statements

### 1. Monetary funds

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
Cash On Hand	1,012,972.76	903,710.73
Cash At Bank	1,162,285,287.57	490,251,037.58
Other Currency Funds	30,093,418.33	11,318,600.00
Total	1,193,391,678.66	502,473,348.31

Other Note: All other currency funds in the closing balance of monetary funds are deposits of bank acceptance guarantee funds. Except for guarantee funds, there is no mortgage, freezing or other restrictions on use of the closing balance of the monetary funds and no amount deposited offshore or with potential recovery risk.

**2. Financial assets measured at fair value and of which the changes are recorded into profits and losses for the current period: none**

**3. Derivative financial assets: none**

**4. Notes and accounts receivable**

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
Notes Receivable	356,393,706.64	287,673,609.79
Accounts Receivable	542,794,149.70	288,961,700.23
Total	899,187,856.34	576,635,310.02

**(1) Notes receivable**

## 1) Notes receivable

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
Bankers' Acceptance Notes	188,612,316.64	131,246,238.36
Commercial Acceptance Notes	171,205,500.00	156,427,371.43
Provision for bad debts of commercial acceptance notes	-3,424,110.00	
Total	356,393,706.64	287,673,609.79

## 2) Notes receivable that have been pledged by the Company at the end of the period

Unit: Chinese yuan

Items	Ending Pledged Amount
Bankers' Acceptance Notes	42,978,447.80
Total	42,978,447.80

## 3) Notes receivable that have been endorsed or discounted by the Company at the Balance Sheet Date and are not yet due at the Balance Sheet Date.

Unit: Chinese yuan

Items	Ending Confirmation Amount	Ending Confirmation Amount
Bankers' Acceptance Notes	69,895,931.99	
Total	69,895,931.99	

4) Note transferred to the accounts receivable by the Company due to the drawer's nonperformance:  applicable  not applicable**(2) Accounts receivable**

## 1) Disclosure by Category of accounts receivable

Unit: Chinese yuan

Category	Ending Balance				
	Book Balance		Provision For Bad Debts		Book Value
	Amount	Proportion	Amount	Accrual Percentage	
Accounts Receivable That Are Material In Amount And That Are Separately	44,731,269.76	7.78%	3,319,502.68	7.42%	41,411,767.08
Receivables For Which Bad Debt Provision Is Made According To The Combination Of Credit Risk Characteristics	528,735,126.82	91.95%	27,352,744.20	5.17%	501,382,382.62
Accounts Receivable That Are Not Material In Amount But That Are Separately Provided	1,570,346.03	0.27%	1,570,346.03	100.00%	
Total	575,036,742.61	100.00%	32,242,592.91	5.61%	542,794,149.70
	Opening				

Category	Balance				
	Book Balance		Provision For Bad Debts		Book Value
	Amount	Proportion	Amount	Accrual Percentage	
Accounts Receivable That Are Material In Amount And That Are Separately	38,933,619.30	12.57%	5,253,069.15	13.49%	33,680,550.15
Receivables For Which Bad Debt Provision Is Made According To The Combination Of Credit Risk Characteristics	269,247,340.24	86.92%	13,966,190.16	5.19%	255,281,150.08
Accounts Receivable That Are Not Material In Amount But That Are Separately Provided	1,570,346.03	0.51%	1,570,346.03	100.00%	
Total	309,751,305.57	100.00%	20,789,605.34	6.71%	288,961,700.23

Accounts receivable that are material individually and that are separately provided at the end of period:  applicable  N/A

Unit: Chinese yuan

Accounts Receivable (Per Unit)	Ending Balance			
	Accounts Receivable	Provision For Bad Debts	Accrual Percentage	Reasons For Provision
Jiangsu Wanbang Biochemical Pharmaceutical Group Co., Ltd.	31,805,695.82	16,080.60	0.05%	The ratio of 5% of the balance of creditor's rights after deducting the payment payable to the relevant lot of raw materials of the Company
Nanjing Nanda Pharmaceutical Co., Ltd.	5,726,994.13	6,809.82	0.12%	The ratio of 5% of the balance of the creditor's rights of the relevant lot of raw materials of the Company
NCPC International Corporation	3,903,670.00	1,702.45	0.04%	The ratio of 5% of the balance of the creditor's rights of the Company
Minsheng Group Henan Pharmaceutical Co., Ltd.	1,108,555.00	1,108,555.00	100.00%	Anticipated Irrecoverable
Chengdu Luyan Guangfu Pharmaceutical Co., Ltd.	1,097,140.00	1,097,140.00	100.00%	Anticipated Irrecoverable
Hebei Province Supply Centre of Biotechnology Products	1,089,214.81	1,089,214.81	100.00%	Anticipated Irrecoverable
Total	44,731,269.76	3,319,502.68	--	--

Among portfolios, accounts receivable to which the provision for bad debts is made based on the aging analysis:  applicable  N/A

Unit: Chinese yuan

Aging	Ending Balance		
	Accounts Receivable	Provision For Bad Debts	Accrual Percentage
Less than 1 years	522,327,431.80	26,116,371.59	5.00%
1 to 2 years	5,719,369.16	571,936.92	10.00%
2 to 3 years	39,816.95	15,926.78	40.00%
Over 3 years	648,508.91	648,508.91	100.00%
Total	528,735,126.82	27,352,744.20	

Explanatory statement on which the combination is based:

Shandong Wanbang Sainuokang Biochemical Pharmaceutical Co., Ltd. (formerly Zaozhuang Sainuokang Biochemical Co., Ltd.) ("Sainuokang") and Xinbai Pharmaceuticals have entered into the agreement on the joint production of Heparina. The agreement provides that Sainuokang is responsible for the supply of qualified crude products of Heparina while Xinbai Pharmaceuticals shall be responsible for the production of standard Heparina APIs and responsible for the quality of such APIs. Sainuokang is responsible for the sale of Heparina APIs. Since said units are Sainuokang's designated units for the sale of Heparina APIs, Sainuokang is responsible for the receipt

of payment. This portion of the Accounts Receivable is provided for bad debts in the ratio of 5% of the balance of the creditor's rights of the Company after deducting the payment for the relevant batch of raw materials.

Receivables in portfolios: the balance percentage method of bad debts provision is made:  Applicable  Not applicable to the portfolios, and no receivables in which the provision is made otherwise.

2) Information on the provision for bad debts made, recovered or carried back in the current period

The amount of the provision for bad debts in this period is RMB 14,835,991.57. The amount of the provision for bad debts recovered or carried back in this period is RMB 0.00. The amount of the provision for bad debts written off in this period is RMB 3,383,004.00.

3) Information on the receivables actually written-off in the current period

Unit: Chinese yuan

Items	Amount Written Off After The Verification
Receivables actually written-off	3,383,004.00

Information on the important write-off of receivables;

Unit: Chinese yuan

Company Name	Nature Of Receivables	Amount Written Off After The Verification	Reasons For The Write-Off	Verification Procedure Performed	Whether The Payment Is Resulted From Connected Transactions
Hunan Jinzhilu Pharmaceutical Co., Ltd.	Payment for goods	3,119,680.00	Counterparty has been deregistered	Internal Control System	No
Jingdong Sino-American Hospital	Payment for goods	263,324.00	Uncollectible for a long period of time	Internal Control System	No
Total	--	3,383,004.00	--	--	--

4) Are the top five receivables on the basis of party with arrears? Is the Company subject to the disclosure requirements of any special industry: Yes

Pharmaceutical & Biologics Industry

The total amount of the accounts receivables that are collected based on the parties with arrears is RMB 184,832,750.62, accounting for 32.14% of the total accounts receivables ending balance and the total amount of the provision for bad debts corresponding to RMB 7,667,433.34.

5) No accounts receivables the recognition of which is terminated due to transfer of financial assets

6) No accounts receivable transferred and amount of assets or liabilities created by continuous involvement

## 5. Advance payments

### (1) Advance payments by aging

Unit: Chinese yuan

Aging	Ending Balance		Opening Balance	
	Amount	Proportion	Amount	Proportion



Less than 1 years	208,120,637.87	64.17%	136,211,566.61	99.20%
1 to 2 years	115,820,151.69	35.71%	900,629.30	0.66%
2 to 3 years	202,650.50	0.06%	54,851.12	0.04%
Over 3 years	178,528.44	0.06%	134,954.44	0.10%
Total	324,321,968.50	--	137,302,001.47	--

Description of reasons for failure to settle advance payments of significant amounts with age over one year:

Items	Ending Balance	Reasons for failure to settle in time
Guangdong Danxia Bio-Pharmaceutical Co., Ltd.	115,279,771.11	Plasma blending not implemented as raw material plasma
<b>Total</b>	<b>115,279,771.11</b>	

**(2) Top five advances on ending balance Collected by person to whom advance payment is made**

The top five advances on ending balance collected by person to whom advance payment is made at the end of period, that is RMB 320,179,931.75, which accounts for the ratio of the total ending balance to the advanced payment 98.72%.

**6. Other receivables**

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
Other Receivables	7,388,490.92	6,512,704.57
Total	7,388,490.92	6,512,704.57

**(1) Interest receivable**

- 1) Classification of interest receivable: none
- 2) Material overdue interest: none

**(2) Dividend receivable**

- 1) Dividend receivable: none
- 2) Important dividends receivable more than one year old: none

**(3) Other receivables**

- 1) Disclosure by Category of Other receivables

Unit: Chinese yuan

Category	Ending Balance				Book Value
	Book Balance		Provision For Bad Debts		
	Amount	Proportion	Amount	Accrual Percentage	
Other receivables for which the provision for bad debts is made according to the combination of credit risk characteristics	8,553,544.28	100.00%	1,165,053.36	13.62%	7,388,490.92
Total	8,553,544.28	100.00%	1,165,053.36	13.62%	7,388,490.92

Category	Opening Balance				
	Book Balance		Provision For Bad Debts		Book Value
	Amount	Proportion	Amount	Accrual Percentage	
Other receivables for which the provision for bad debts is made according to the combination of credit risk characteristics	7,641,166.04	100.00%	1,128,461.47	14.77%	6,512,704.57
Total	7,641,166.04	100.00%	1,128,461.47	14.77%	6,512,704.57

Other receivables in significant end-of-period single amount and for which bad debts provision is made:  applicable  N/A

Other receivables in respect of portfolios for bad debts provision made based on aging analysis:  applicable  N/A

Unit: Chinese yuan

Aging	Ending Balance		
	Other Receivables	Provision For Bad Debts	Accrual Percentage
Less than 1 years	5,945,964.80	297,298.24	5.00%
1 to 2 years	1,466,592.10	146,659.22	10.00%
2 to 3 years	699,819.13	279,927.65	40.00%
Over 3 years	441,168.25	441,168.25	100.00%
Total	8,553,544.28	1,165,053.36	

Explanatory statement on which the combination is based:

Other receivables in respect of portfolios for which bad debts provision is made

based on the balance percentage method:  Applicable  Not applicable to the

portfolios. Other receivables in respect of bad debts based on other methods:

Applicable  N/A

2) Status of provisions for bad debts made, recovered or reversed in the current period

The amount of bad debts provision to be made in the current period is RMB 36,591.89; and the amount of bad debts provision recovered or reversed in the current period is RMB 0.00.

3) Other receivables that have been actually written-off in the current period: none

4) Other receivables by nature of payments

Unit: Chinese yuan

Nature Of Payment	Ending Book Balance	Opening Book Balance
Deposit	1,580,120.00	235,803.00
Deposit	2,555,268.64	2,566,071.36
Private Placement Expenses		1,818,000.00
Imprest Fund	357,311.33	1,379,210.08
Employee Loan	2,100,000.00	
Miscellaneous	1,960,844.31	1,642,081.60
Total	8,553,544.28	7,641,166.04

5) Other receivables that rank top five in terms of ending balance by party in arrears

Unit: Chinese yuan

Company Name	Nature Of Payment	Ending Balance	Aging	Proportion Of Other Receivables To Total Ending Balance	Provision For Bad Debts Ending Balance
Huang Yi	Employee Loan	1,100,000.00	Less than 1 years	12.86%	55,000.00

Hangzhou Junlan Pharmaceutical Trading Co., Ltd.	Deposit	1,000,000.00	1 - 2 years	11.69%	100,000.00
Ji'an Jiebao Electronics Co., Ltd	Deposit	1,000,000.00	Less than 1 years	11.69%	50,000.00
Hualan Bioengineering Co., Ltd.	Deposit	500,000.00	Less than 1 years	5.85%	25,000.00
Rao Zhen	Employee Loan	450,000.00	Less than 1 years	5.26%	22,500.00
Total	--	4,050,000.00	--	47.35%	252,500.00

6) Receivables Involving Government Grants: none

7) Other receivables that derecognize due to financial asset transfer: none

8) Amount of the assets and liabilities created by transferring other receivables and continuous involvement in the transfer: none

## 7. Inventories

Is the Company required to comply with the disclosure requirements of the real estate industry: No

### (1) Inventory Classification

Unit: Chinese yuan

Items	Ending Balance			Opening Balance		
	Book Balance	Provision For Decline In Price	Book Value	Book Balance	Provision For Decline In Price	Book Value
Raw Materials	234,268,311.48		234,268,311.48	197,697,456.42		197,697,456.42
Products In Process	145,163,385.25		145,163,385.25	125,279,525.42		125,279,525.42
Inventory Goods	223,052,392.52		223,052,392.52	192,498,802.09		192,498,802.09
Working Materials	1,948,303.25		1,948,303.25	2,163,958.80		2,163,958.80
Total	604,432,392.50		604,432,392.50	517,639,742.73		517,639,742.73

### (2) Provision for decline in value of inventories

If there is no net realizable value lower than the book cost of the inventories at the end of the period, it is not necessary to make provision for decline in value of inventories.

### (3) Explanatory statement that Ending Balance of Inventory Includes Amount of Borrowing Costs

There is no amount of borrowing costs to be capitalized in the inventories of the Company and no mortgage or encumbrance on the inventories at the end of the period.

### (4) Completed but unsettled assets resulting from construction contracts at the end of the period: none

## 8. Held for Sale Assets: none

## 9. Non-current assets due within one year: none

## 10. Other current assets

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
To be Credited VAT	18,168,097.91	13,930,473.72

Total	18,168,097.91	13,930,473.72
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**11. Financial Assets Available for Sale****(1) Status of Financial Assets Available for Sale**

Unit: Chinese yuan

Items	Ending Balance			Opening Balance		
	Book Balance	Provision For Impairment	Book Value	Book Balance	Provision For Impairment	Book Value
Equity Instruments Available for Sale:				500,000.00		500,000.00
Measured at Cost				500,000.00		500,000.00
Total				500,000.00		500,000.00

**(2) Period End Financial Assets Available for Sale measured at Fair Value: none****(3) Ending Financial Assets Available for Sale Measured at Cost**

Unit: Chinese yuan

Investees	Book Balance				Provision for Impairment				Percentage of Shares Held in Invested Units	Current Cash Dividend
	Beginning	Current Increase	Current Reduction	End of Period	Beginning	Current Increase	Current Reduction	End of Period		
Jiangxi Renfeng Pharmaceutical Co., Ltd.	500,000.00		500,000.00							
Total	500,000.00		500,000.00						--	

In 2018, the capital contribution to Jiangxi Renfeng Pharmaceutical Co., Ltd. ("Renfeng Pharmaceutical") by Jiangxi Boya Seehot Pharmaceutical Co., Ltd. ("Boya Seehot"), a subsidiary of the Company, in the amount of 500,000 was split into capital contribution to Fuzhou Xinrong Pharmaceutical Co., Ltd. ("Xinrong Pharmaceutical"), and Boya See-hot merged into Xinrong Pharmaceutical by absorption.

**(4) Changes in Impairment of Saleable Financial Assets during the Report Period: none****(5) Explanatory Notes for a serious decline or non-transitory decline in fair value of the Saleable Equity Instruments at the End of Period for which no provision for impairment is made: none****12. Held until maturity****(1) Held until maturity: none****(2) Ending Material Held to Maturity Investments: none****(3) Current Reclassified Held until Maturity: none****13. Long-term Receivables****(1) Long-term Receivables: none****(2) Long-term Receivables Derecognized due to Financial Asset Transfer: none****(3) Amount of the assets and liabilities created by the transfer of long-term receivables and continuous involvement in the transfer: none**

**14. Long-term equity investment**

Unit: Chinese yuan

Investees	Opening Balance	Current Increase Or Decrease Changes							Ending Balance	Impairment Provision Closing Balance
		— Additiona l Investment	Red uction Of Investment	Gains Or Losses On Investments Recognized Under The Equity Method	Other Compr ehensive Income Adjust ment	Othe r Changes In Interest	Declarati on Of Cash Dividend s Or Profits	Provisi on For Impairment		
I. Joint Venture Enterprise										
II. Associated Enterprise										
Zhuji GTJA Investment Partnership Enterprise (L.P.)	49,102,458.64			-752,473.30					48,349,985.34	
Shenzhen GTJA Qianhai Youxiang Investment Partnership (L.P.)	47,809,944.06			-3,554,522.62					44,255,421.44	
Shenzhen GTJA Ruibao Investment Partnership (L.P.)	51,570,806.63			-12,798.88					51,558,007.75	
Subtotal	148,483,209.33			-4,319,794.80					144,163,414.53	
Total	148,483,209.33			-4,319,794.80					144,163,414.53	

**15. Investment Property**

(1) Investment Property using the Cost Measurement Model: none

(2) Investment Property Measured under the Fair Value Method: none

(3) Information about Investment Property without Title Certificates: none

**16. Fixed Assets**

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
Fixed Assets	775,727,434.99	331,032,842.67
Total	775,727,434.99	331,032,842.67

**(1) Fixed Assets**

Unit: Chinese yuan

Items	Premises And Buildings	Machinery Devices	Means Of Transport	Electronics Devices	Other Devices	Total
I. Original Book Value:						
1. Opening Balance	248,238,422.59	256,366,596.27	27,661,711.53	18,935,044.72	35,529,319.39	586,731,094.50

2. Current Increase Amount	218,396,816.63	265,069,624.32	457,864.12	1,124,478.44	10,583,443.63	495,632,227.14
(1) Purchase	59,802,279.89	25,210,710.24	457,864.12	967,243.85	2,407,281.91	88,845,380.01
(2) Transfer of Construction-in-Progress	158,594,536.74	239,858,914.08		157,234.59	8,176,161.72	406,786,847.13
(3) Increase in Business Combination						

3. Current Reduction Amount	40,150.00	5,143,160.93	622,766.00	715,610.61	1,688,985.96	8,210,673.50
(1) Disposal or Abandonment	40,150.00	5,143,160.93	622,766.00	715,610.61	1,688,985.96	8,210,673.50
4. Ending Balance	466,595,089.22	516,293,059.66	27,496,809.65	19,343,912.55	44,423,777.06	1,074,152,648.14
II. Accumulated Depreciation						
1. Opening Balance	64,290,614.25	145,018,136.65	17,043,812.01	12,125,997.08	17,219,691.84	255,698,251.83
2. Current Increase Amount	12,367,187.42	25,223,232.39	4,310,642.47	2,992,512.03	5,433,749.72	50,327,324.03
(1) Withdrawal	12,367,187.42	25,223,232.39	4,310,642.47	2,992,512.03	5,433,749.72	50,327,324.03
3. Current Reduction Amount	21,149.22	4,813,170.70	596,743.70	648,846.09	1,520,453.00	7,600,362.71
(1) Disposal or Abandonment	21,149.22	4,813,170.70	596,743.70	648,846.09	1,520,453.00	7,600,362.71
4. Ending Balance	76,636,652.45	165,428,198.34	20,757,710.78	14,469,663.02	21,132,988.56	298,425,213.15
III. Provision for Impairment						
1. Opening Balance						
2. Current Increase Amount						
(1) Withdrawal						
3. Current Reduction Amount						
(1) Disposal or Abandonment						
4. Ending Balance						
IV. Book Value						
1. Ending Book Value	389,958,436.77	350,864,861.32	6,739,098.87	4,874,249.53	23,290,788.50	775,727,434.99
2. Opening Book Value	183,947,808.34	111,348,459.62	10,617,899.52	6,809,047.64	18,309,627.55	331,032,842.67

There was no evidence of impairment is found for the fixed assets at the end of the period, so it was not necessary to make an impairment provision. The fixed assets were not idled temporarily, the fixed assets were not leased by finance lease, the fixed assets were not leased by operation lease, and the fixed assets were not pledged or mortgaged at the end of the period.

(2) Fixed assets idle temporarily: none

(3) Information on the fixed assets leased by finance lease: none

(4) Fixed assets leased by operation lease: none

(5) Information on Fixed Assets without Title Certificates

Unit: Chinese yuan

Items	Book Value	Reasons For Failure To Obtain Title Certificates
Plasma Station Building (Nankang Plasma Station)	6,026,744.37	In Process
Factor Building (Boya Bio-Pharmaceutical)	19,573,035.61	In Process
R&D Building (Tianan Pharmaceutical)	8,337,207.95	In Process
Total	33,936,987.93	

(6) Fixed assets clearance: none

## 17. Construction-in-Progress

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
Construction-in-Progress	79,299,306.42	397,282,885.85
Total	79,299,306.42	397,282,885.85

(1) Construction-in-Progress

Unit: Chinese yuan

Items	Ending Balance			Opening Balance		
	Book Balance	Provision For Impairment	Book Value	Book Balance	Provision For Impairment	Book Value
Ceftriaxone Project	14,000,000.00		14,000,000.00	14,000,000.00		14,000,000.00
Boya Seehot Pharmaceutical Industry Project	25,933,428.48		25,933,428.48	238,068,764.71		238,068,764.71
Coagulation Factor Production R&D Building	3,338,998.76		3,338,998.76	94,311,984.16		94,311,984.16
Thousand Ton Blood Product Intelligent Factory Construction Project	13,089,828.37		13,089,828.37	4,676,251.19		4,676,251.19
Management Platform of Apheresis Plasma Station	4,600,000.00		4,600,000.00	4,600,000.00		4,600,000.00
Xinfeng Plasma Station Construction Project				8,446,000.00		8,446,000.00
Duchang Plasma Station Construction Project	229,783.00		229,783.00	51,168.00		51,168.00
Renovation of Nankang Station				5,594,229.37		5,594,229.37
Renovation of Chongren Plasma Station	9,160,386.44		9,160,386.44			
Renovation and Expansion of Xinbai Workshop	3,935,611.37		3,935,611.37	21,775,642.39		21,775,642.39
Miscellaneous Works	5,011,270.00		5,011,270.00	5,758,846.03		5,758,846.03
Total	79,299,306.42		79,299,306.42	397,282,885.85		397,282,885.85

(2) Changes in Major Construction-in-Progress Projects at Current Period

Unit: Chinese yuan

Project name:	Budget	Opening balance	Current Increase Amount	Fixed Assets Transfer Amount in Current Period	Current Other Reduction Amount	Ending Balance
Ceftriaxone Project	35,000,000.00	14,000,000.00				14,000,000.00
Boya Seehot Pharmaceutical Industrial Project	200,000,000.00	238,068,764.71	58,430,715.29	270,566,051.52		25,933,428.48
Coagulation Factor Production R&D Building Project	96,400,000.00	94,311,984.16		88,629,330.51	2,343,654.89	3,338,998.76
Thousand Ton Blood Product Intelligent Factory Construction Project	1,360,115,000.00	4,676,251.19	8,413,577.18			13,089,828.37
Total	1,691,515,000.00	351,057,000.06	66,844,292.47	359,195,382.03	2,343,654.89	56,362,255.61
Project name:	Proportion of Cumulative Investment to Budget	Construction Schedule	Cumulative Amount to Capitalisation of Interest	Of which: Amount to Be Capitalised	Current Interest Capitalization Rate	Source of Funds
Ceftriaxone Project	40.00%	40.00%				Proceeds Raised
Boya Seehot Pharmaceutical Industrial Project	148.25%	-	26,082,900.00	14,277,328.76	24.43%	Self-Financing and Raised
Coagulation Factor Production R&D Building Project	97.83%	97.83%				Proceeds Raised
Thousand Ton Blood Product Factory Construction Project	0.96%	0.96%				Self-Financing and Raised
Total	--	--	26,082,900.00	14,277,328.76		--

Ceftriaxone Project is the Proposal on Using Overraised Funds to Purchase Technology of Ceftriaxone Tablets and Raw Materials Project reviewed and adopted at the 25th meeting of the fourth board of directors of the Company, and the board of directors of the Company approves that the Company may purchase "Ceftriaxone Tablets, Raw Materials Project Technology and New Drug Certificate and Relevant Intellectual Property" with Overraised Funds in the amount of RMB 350,000,000. The ending balance refers to progress payment made for technology transfer in accordance with the Agreement.

Boya Seehot Pharmaceutical Industrial Project refers to the Proposal on Establishing a Wholly-owned Sun Company and Building a Pharmaceutical Industrial Project Using Raised Funds at the 9th meeting of the fifth board of directors of the Company, which uses Raised Funds], amounting to RMB 50 million to increase the capital of its wholly-owned subsidiary Jiangxi Boya Pharmaceutical Investment Co., Ltd., and the raised funds will be used to establish a wholly-owned sun company, Jiangxi Boya Seehot Pharmaceutical Co., Ltd., in Fuzhou. Boya Seehot Pharmaceutical Co., Ltd. plans to invest RMB 20,000,000 to build a pharmaceutical industrial project in Fuzhou so as to undertake the production of ceftriaxone and other pharmaceutical products. In 2018, the pharmaceutical industrial project to be built in Fuzhou reached usable status and was converted into fixed assets, and the period-end balance was for workshops, plants and devices to be installed that failed to reach usable status.

The R&D building for the production of coagulation factor products is a proposal on Building a R&D Building for the



Production of Coagulation Factor Products with the Balance of Raised Funds and Self-owned Funds deliberated and adopted at the 15th meeting of the fifth board of directors of the Company. The Company built the R&D building for the production of coagulation factor products with the balance of the funds raised in 2012 IPO and self-owned funds. The total budget funds for this project are RMB 96.40 million, of which the balance of raised funds is RMB 46.0763 million and self-owned funds is RMB 50.3237 million. In December 2015, the Company raised supporting funds by way of private placement, and used the project of building a R&D building for the production of coagulation factor products with the supporting funds of RMB 50 million to replace its own funds. In November 2017, the human fibrinogen production workshop involved in the R&D building for the production of coagulation factor products project may be officially put into operation after it has passed the GMP certification. Amount of human fibrinogen production workshop. RMB 11.0536 million is transferred into fixed assets. In July 2018, the remaining RMB 88.6293 million of the R&D building for the production of coagulation factor products will reach the usable state and be transferred into fixed assets. The ending balance refers to the emergency processing pool that fails to reach the usable state.

The 5th meeting of the sixth board of directors of the Company and the second extraordinary general meeting of shareholders of the Company in 2017 have deliberated and adopted the Proposal on the Plan for the Private Placement of Shares by the Company. The total proceeds raised from the private placement of A shares to specific investors shall not exceed RMB 1,000 million, which shall be used for the "Construction Project of Thousand-Ton Blood Product Intelligent Factory" after deducting the issuance costs. It is estimated that the total investment of the project is RMB 1,360.115 million, The net amount of the raised funds is less than the proposed investment amount of the project, and such amount shall be obtained by the Company from its own funds or by other means of financing.

**(3) Provision for the impairment reserves of construction in process in current period: none**

**(4) Project materials: none**

## **18. Productive Biological Assets**

**(1) Productive Biological Assets Using the Cost Measurement Model: none**

**(2) Productive Biological Assets Using the Fair Value Measurement Model: none**

**19. Oil and Gas Assets: none**

## **20. Intangible Assets**

**(1) Description of Intangible Assets**

Unit: Chinese yuan

Items	Land-Use Right	Patent Rights	Non-Patented Technology	Software	Total
I. Original Book Value					
1. Opening Balance	85,971,952.29	38,704,835.00	4,668,940.00	5,286,947.84	134,632,675.13
2. Current Increase Amount	39,718,330.34	4,989,337.21	9,025,432.18	2,026,621.67	55,759,721.40
(1) Purchase	39,718,330.34	4,989,337.21	4,620,320.27	2,026,621.67	51,354,609.49
(2) Internal Research and Development			4,405,111.91		4,405,111.91
(3) Increase in Business Combination					
3. Current Reduction Amount				11,774.50	11,774.50

(1) Disposal					
(2) Other Reductions				11,774.50	11,774.50
4. Ending Balance	125,690,282.63	43,694,172.21	13,694,372.18	7,301,795.01	190,380,622.03
II. Accumulated Amortization					
1. Opening Balance	9,556,673.23	4,159,598.77	3,620,758.56	3,131,116.63	20,468,147.19
2. Current Increase Amount	2,178,792.63	2,682,710.71	646,815.55	1,052,887.89	6,561,206.78
(1) Withdrawal	2,178,792.63	2,682,710.71	646,815.55	1,052,887.89	6,561,206.78
3. Current Reduction Amount					
(1) Disposal					
4. Ending Balance	11,735,465.86	6,842,309.48	4,267,574.11	4,184,004.52	27,029,353.97
III. Provision for Impairment					
1. Opening Balance					
2. Current Increase Amount					
(1) Withdrawal					
3. Current Reduction Amount					
(1) Disposal					
4. Ending Balance					
IV. Book Value					
1. Ending Book Value	113,954,816.77	36,851,862.73	9,426,798.07	3,117,790.49	163,351,268.06
2. Opening Book Value	76,415,279.06	34,545,236.23	1,048,181.44	2,155,831.21	114,164,527.94

Intangible assets formed through internal research and development of the Company at the end of the period accounted for 2.31% of the balance of intangible assets. It was not required to make provision for impairment if there was no net realizable value of the intangible assets at the end of period.

## (2) Information on Land Use Right without Title Certificate

Unit: Chinese yuan

Items	Book Value	Reasons For Failure To Obtain Title Certificate
Land of Xinzhuang Village, Gaoxin Community, Wudang District, Guiyang – Tianan Pharmaceutical	26,308,665.00	In Process

## 21. Development Expenditures

Unit: Chinese yuan

Items	Opening Balance	Current Increase Amount		Current Reduction Amount			Ending Balance
		Internal Development Expenditure	Miscellaneous	Confirmed As Intangible Assets	Transfer-In Current Profit And Loss	Miscellaneous	
Human Coagulation Factor I	19,815,527.88	4,176,591.85					23,992,119.73
Human Prothrombin Complex	7,588,202.85	4,922,721.65					12,510,924.50
Boya Seehot Drug Processing for Diabetes	2,439,605.15	1,965,506.76		4,405,111.91			
Industrialization Technology for Boya Seehot Intermediates	5,601,022.35	5,046,461.45					10,647,483.80

Generic Consistency Evaluation	7,564,386.79	7,116,351.40				14,680,738.19
Re-evaluation of Injection		7,353,392.06				7,353,392.06
Development of Acarbose		2,589,534.46				2,589,534.46
Total	43,008,745.02	33,170,559.63		4,405,111.91		71,774,192.74

## 22. Goodwill

### (1) Book Value of Goodwill

Unit: Chinese yuan

Name of Investee or matters forming goodwill	Opening balance	Current Increase		Current Reduction		Ending Balance
		Formed by Business Combination	Miscellaneous	Disposal	Miscellaneous	
Tianan Pharmaceutical	126,747,644.00					126,747,644.00
Xinbai Pharmaceuticals	371,026,199.46					371,026,199.46
Fuda Pharmaceutical	166,068,135.32					166,068,135.32
Total	663,841,978.78					663,841,978.78

### (2) Provision for Impairment of Goodwill

Unit: Chinese yuan

Name Of Investee Or Matters Forming Goodwill	Opening Balance	Current Increase		Current Reduction		Ending Balance
		Withdrawal	Miscellaneous	Disposal	Miscellaneous	
Tianan Pharmaceutical						
Xinbai Pharmaceuticals						
Fuda Pharmaceutical						

Information relating to the Group of Assets or Combination of Group of Assets where Business Goodwill Lies

Composition of Group Assets or Combination of Group Assets	Tianan Pharmaceutical Asset Group	Xinbai Pharmaceuticals Asset Group	Fuda Pharmaceuticals
Carrying Value of Group Assets or Combination of Group Assets	159,719,973.83	225,417,824.43	169,634,937.25
Book Value of Goodwill	126,747,644.00	371,026,199.46	166,068,135.32
Value of Goodwill Unrecognized Vested in Minority Interest	101,273,159.80		36,453,980.92
Containing Value of Goodwill Unrecognized Vested in Minority Interest	228,020,803.80	371,026,199.46	202,522,116.24
Carrying Value of Group Assets or Combination of Group Assets Containing Business Goodwill	387,740,777.63	596,444,023.89	372,157,053.49
Is the asset group or combination of group assets consistent with the asset group or combination of group assets determined in the impairment test of business reputation on the purchase date and in the previous years	Consistent	Consistent	Consistent

Tianan Pharmaceutical Co., Ltd., Xinbai Pharmaceuticals and Fuda Pharmaceutical Co., Ltd. are independent in business and can generate cash flow independently. They treat each company as an asset group. The composition scope of the group assets or the combination of group assets is included in the operating long-term assets and working capital.

Recognition Methods of explaining the process of goodwill impairment test, key parameters (such as growth rate in the forecast period, growth rate in the stable period, profit rate, discount rate and forecast period, etc.) and good will impairment losses:

In accordance with the provisions of the Accounting Standards for Business Enterprises No. 8 - Asset Impairment, no matter whether there is any sign of impairment, the goodwill formed by merger of enterprises shall be subject to impairment test every year. If any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets.

Since the Company has no intention to sell Tianan Pharmaceutical Asset Group, Xinbai Pharmaceuticals Asset Group and Fuda Pharmaceutical Asset Group, there is no agreed price for sale; moreover, it is difficult to find the same or similar transaction cases in the open market that are identical or similar to those of Tianan Pharmaceutical Asset Group, Xinbai Pharmaceuticals Asset Group and Fuda Pharmaceutical Asset Group, the management of the Company is unable to reliably estimate the net amount of the fair value of the asset group minus the disposal expenses based on the materials and information obtained. Therefore, the recoverable amount of Tianan Pharmaceutical Asset Group, Xinbai Pharmaceuticals Asset Group and Fuda Pharmaceutical Asset Group shall be determined according to the current value of the future cash flow as predicted by the asset groups. The management shall, on the basis of the financial budget for the coming five years (2019 - 2023), predict the future cash flow, and the discount rate used to calculate the current value shall be the pre-tax discount rate, which can reflect the specific risks of the relevant asset group.

#### 1) Important Assumptions and Bases

##### A. Important Assumptions and Bases

On-going concern assumption: it is assumed that, after the base date of valuation, the evaluated unit can continue to operate and all the assets of the enterprise can continue to be used for the original purpose; Transaction assumption: it is assumed that all the assets to be evaluated have been in the process of transaction, and the valuation is made on the basis of the transaction conditions of the assets to be evaluated in a simulated market;

Open market assumption: it is assumed that the assets traded or planned to be traded in the market shall have equal status to each other and each party has the opportunity and time to obtain sufficient market information so as to make rational judgments on the function, purpose and transaction price of the assets. The open market assumption is based on that the assets may be traded in the market in a public manner.

##### B. Specific Assumptions

There is no major change in the current laws, regulations and policies of the state or in the macro-economic situation of the state; There is no major change in the political, economic and social environment of the regions where the parties to the transaction are located;

Assume that, on the basis of the current management methods and management proficiency, the business scope and methods of the entity to which the asset group belongs shall keep consistent with the current direction. The operators of the Company shall be responsible, the management of the Company shall be able to take their positions, there is no obviously adverse change in the core team, and the Company has fully abided by all the relevant laws and regulations; assume that the qualifications such as the specific administrative license, franchise qualification or specific contract project of the entity to which the asset group belongs can be continued upon expiration and the market practice of the relevant qualifications has not taken place changes; assume that the accounting policies to be adopted by the entity to which the asset group belongs in the future are basically consistent with the accounting policies it adopts in the preparation of the report, and that there is no major adverse effect on the evaluated entity due to

force majeure or unforeseeable factors.

2) Key Parameters:

Composition of the asset group or the combination of asset group	Tianan Pharmaceuticals Asset Group	Xinbai Pharmaceuticals Asset Group	Fuda Pharmaceuticals Asset Group
Discount Rate (pre-tax)	12.72%	12.35%	11.35%

3) Completion of Performance Commitment

As of December 31, 2018, the performance commitment of Xinbai Pharmaceuticals is as follows:

Company Name	Year	Net profits attributable to the owner of the parent company after deducting non-operational profits and losses (RMB10,000)			
		Commitment	Realized	Difference	Completion Rate
Xinbai Pharmaceuticals	Year 2015	3,500.00	3,516.59	16.59	100.47%
	Year 2016	4,500.00	4,511.96	11.96	100.27%
	Year 2017	5,500.00	5,529.14	29.14	100.53%
	Accumulated in 2015 ~ 2017	13,500.00	13,557.69	57.69	100.43%

23. Long-term Amortized Expenses

Unit: Chinese yuan

Items	Opening Balance	Current Increase Amount	Current Amortization Amount	Other Reduction Amount	Ending Balance
Decoration Works	12,425,382.95	2,956,238.15	3,129,038.61		12,252,582.49
Plasma Station Expansion	50,299,999.88		6,799,999.88		43,500,000.00
Rent Fee	207,978.14	299,530.00	365,373.92		142,134.22
Training Fee	1,680,000.00		1,260,000.00		420,000.00
Consultancy Fee	294,000.00		42,000.00	252,000.00	
Car Rent	477,935.86		122,026.13		355,909.73
Total	65,385,296.83	3,255,768.15	11,718,438.54	252,000.00	56,670,626.44

Other Remark: Plasma station expansion projects will be amortized equally over 10 years over the expected benefit period.

24. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Deferred Income Tax Assets not Subject to Offset

Unit: Chinese yuan

Items	Ending Balance		Opening Balance	
	Deductible Temporary Variation	Deferred Income Tax Assets	Deductible Temporary Variation	Deferred Income Tax Assets
Provision For Impairment Of Assets	36,831,756.27	6,316,510.75	21,918,066.81	4,010,679.09
Unrealized Profits From Intercompany Transactions	29,652,629.58	4,879,125.60	20,902,840.49	3,647,167.93
Accrued Expenses	29,155,814.61	4,373,372.19	35,500,000.00	5,325,000.00
Unpaid Remuneration	3,850,560.38	577,584.06	11,581,922.03	1,737,288.30
Total	99,490,760.84	16,146,592.60	89,902,829.33	14,720,135.32

Deferred income tax assets that are not presented net after offset.

**(2) Deferred Income Tax Liabilities not Subject to Offset**

Unit: Chinese yuan

Items	Ending Balance		Opening Balance	
	Taxable Temporary Difference	Deferred Income Tax Liabilities	Taxable Temporary Difference	Deferred income tax liabilities
Appraisal Appreciation of Assets of Tianan Pharmaceutical Not Under Common Control	9,679,660.00	1,451,949.01	11,209,092.56	1,681,363.89
Appraisal Appreciation of Assets of Xinbai Pharmaceuticals Merger Not Subject to Common Control	38,655,905.83	5,798,385.87	40,700,721.91	6,105,108.28
Accelerated depreciation of fixed assets	61,387.44	15,346.86	71,605.06	17,901.27
Total	48,396,953.27	7,265,681.74	51,981,419.53	7,804,373.44

**(3) Deferred Income Tax Assets or Liabilities Net After Set-off**

Unit: Chinese yuan

Items	Deferred Income Tax Assets And Liabilities Ending Offset Amount	Deferred Income Tax Assets Or Liabilities After Set-Off Ending Balance	Opening Offset Amount Of Deferred Income Tax Assets And Liabilities	Opening Balance Of Deferred Income Tax Assets Or Liabilities After Offset
Deferred income tax assets		16,146,592.60		14,720,135.32
Deferred income tax liabilities		7,265,681.74		7,804,373.44

**(4) Detailed List of Unrecognized Deferred Income Tax Assets**

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
Deductible Loss	25,986,617.34	29,170,061.63
Total	25,986,617.34	29,170,061.63

No deductible loss is recognized as a deferred income tax asset due to uncertainty that adequate taxable income will be available in the future.

**(5) The Deductible Loss of an Unrecognized Deferred Income Tax Asset will Fall Due in the Following Year**

Unit: Chinese yuan

Year	Ending Amount	Opening Amount	Remark
Year 2018		451,513.65	
Year 2019	134,867.91	2,085,852.79	
Year 2020	4,585,893.94	6,919,755.84	
Year 2021	8,905,367.46	11,813,140.19	
Year 2022	5,849,924.13	7,899,799.16	
Year 2023	6,510,563.90		
Total	25,986,617.34	29,170,061.63	--

**25. Other Non-Current Assets**

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
Advance payment for engineering devices	17,710,380.21	48,627,540.84
Advance Payment for Technology Transfer	37,574,498.45	35,844,337.36
Advance Payment for the Premises and Land		52,250,000.00
Total	55,284,878.66	136,721,878.20

**26. Short-Term Loan****(1) Classification of Short-term Loans**

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
Credit Borrowing	95,000,000.00	55,000,000.00
Total	95,000,000.00	55,000,000.00

**(2) Overdue but Unpaid Short-term Loans: none****27. Financial Indebtedness Measured at Fair Value Through Profit and Loss: none****28. Derivative Financial Indebtedness: none****29. Notes Payable and Account Payable**

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
Notes payable	82,771,895.45	20,918,600.00
Accounts Payable	194,782,067.95	157,910,023.18
Total	277,553,963.40	178,828,623.18

**(1) Notes Payable**

Unit: Chinese yuan

Kind	Ending Balance	Opening Balance
Bankers' Acceptances	82,771,895.45	20,918,600.00
Total	82,771,895.45	20,918,600.00

The aggregate amount of the Note Payable that is due but unpaid at the end of the period is RMB 0.00.

**(2) Accounts Payable**

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
Less than 1 years	181,467,686.41	150,560,200.05
1 to 2 years	8,463,433.20	4,743,210.78
2 to 3 years	2,993,478.88	828,386.25

Over 3 years	1,857,469.46	1,778,226.10
Total	194,782,067.95	157,910,023.18

**(3) Material Accounts Payable That are More Than One Year Old;**

Unit: Chinese yuan

Items	Ending Balance	Reason For Outstanding Or Carry Forward
Jiangxi Dingshun Construction Engineering Co., Ltd.	3,043,961.18	Last payment for quality assurance
Shanghai Dongfulong Dehui Purifying Air Conditioning Engineering & Installation Co., Ltd.	1,138,653.65	Last payment for quality assurance
Jiangsu Sanjiang Mechanical & Electrical Engineering Co., Ltd.	1,126,180.40	Last payment for quality assurance
Jiangxi Chuanze Construction Co., Ltd.	962,000.00	Last payment for quality assurance
Nanchang Helisi Biotechnology Co., Ltd.	614,305.00	Last payment for quality assurance
Zhejiang Jianan Technology Limited Co., Ltd.	555,755.00	Last payment for quality assurance
Total	7,440,855.23	--

**30. Advance Payment****(1) Listing of Payments Received in Advance**

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
Less than 1 years	22,373,665.34	26,594,093.87
1 to 2 years	365,796.53	1,020,181.95
2 to 3 years	13,575.02	258,752.67
Over 3 years	208,732.86	89,334.66
Total	22,961,769.75	27,962,363.15

**(2) Important Advance Payments More Than One Year with Age**

Unit: Chinese yuan

Items	Ending Balance	Reason for Outstanding or Carry Forward
Guangzhou Zhining Pharmaceutical Co., Ltd.	160,191.03	Delayed delivery by customers
Total	160,191.03	--

**(3) Final unfinished items resulting from construction contracts at the end of period: none****31. Employee Remuneration Payable****(1) List of Compensation Payable**

Unit: Chinese yuan

Items	Opening balance	Current Increase	Current Reduction	Ending Balance
I. Short-term remuneration	63,216,062.91	229,272,895.30	235,037,302.24	57,451,655.97
II. Post-employment Benefits –	396,269.76	15,648,689.73	15,734,328.55	310,630.94



Defined Contribution Plan				
Total	63,612,332.67	244,921,585.03	250,771,630.79	57,762,286.91

**(2) Listing of Short-term Compensation**

Unit: Chinese yuan

Items	Opening balance	Current Increase	Current Reduction	Ending Balance
1. Wages, Bonuses, Allowances and Subsidies	58,770,602.11	196,687,372.16	199,739,014.49	55,718,959.78
2. Employee welfare		16,159,971.30	16,159,971.30	
3. Social Security Contribution	76,291.10	7,228,364.90	7,160,887.57	143,768.43
Including: Medical insurance premium	68,440.21	6,079,751.48	6,018,797.46	129,394.23
Work-related Injury Insurance Premium	2,290.89	574,964.56	570,068.35	7,187.10
Maternity Insurance Premium	5,560.00	573,648.86	572,021.76	7,187.10
4. Housing Fund	142,200.12	7,369,549.94	7,297,157.06	214,593.00
5. Trade Union Funds and Employee Educational Fund	3,735,052.58	1,827,637.00	4,615,254.82	947,434.76
Miscellaneous	491,917.00		65,017.00	426,900.00
Total	63,216,062.91	229,272,895.30	235,037,302.24	57,451,655.97

Salary, bonus, allowances and subsidies at the end of the period are mainly accrued staff bonuses but not paid.

**(3) List of Establishment of Contribution Plan**

Unit: Chinese yuan

Items	Opening balance	Current Increase	Current Reduction	Ending Balance
1. Basic Pension Insurance	373,391.93	15,262,465.92	15,346,791.89	289,065.96
2. Unemployment Insurance Premium	22,877.83	386,223.81	387,536.66	21,564.98
Total	396,269.76	15,648,689.73	15,734,328.55	310,630.94

**32. Taxes Payable**

Unit: Chinese yuan

Items	Ending Balance	Opening balance
VAT	17,083,148.50	22,771,004.21
Enterprise Income Tax	61,110,248.69	44,117,586.61
Individual Income Tax	642,975.79	577,695.17
Urban Maintenance and Construction Tax	1,120,097.85	1,543,527.19
Property Tax	769,864.34	603,475.81
Land Use Tax	457,765.88	432,545.35
Education Surcharge	905,698.54	1,200,556.88
Stamp Duties	1,013,142.34	476,075.37
Miscellaneous	448.06	3,078.92

Total	83,103,389.99	71,725,545.51
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**33. Other Payables**

Unit: Chinese yuan

Items	Ending Balance	Opening balance
Interest payable	795,813.50	
Dividends payable		94,000,000.00
Other payables	208,391,958.29	202,883,653.05
Total	209,187,771.79	296,883,653.05

**(1) Interest Payable**

Unit: Chinese yuan

Items	Ending Balance	Opening balance
Interest by Installment Payment and Interest on Long-term Loan Due and Repaid	795,813.50	
Total	795,813.50	

Significant overdue interest: none

**(2) Dividends Payable**

Unit: Chinese yuan

Items	Ending Balance	Opening balance
Dividends of Guangdong Fuda Outstanding Dividends paid by Guangdong Forte to original shareholders prior to the acquisition		94,000,000.00
Total		94,000,000.00

Other explanatory notes, including important dividends payable which have not been paid for more than 1 year. The reason for non-payment shall be disclosed: none

**(3) Other Payables**

## 1) Other payables by nature of amount

Unit: Chinese yuan

Items	Ending Balance	Opening balance
Market Service Fee	159,608,682.63	129,768,176.57
Deposit	23,233,180.20	23,784,881.13
Oar Station Expansion Payment Payable		2,000,000.00
Equity Acquisition Price Payable	18,512,737.22	38,682,187.99
Miscellaneous	7,037,358.24	8,648,407.36
Total	208,391,958.29	202,883,653.05

## 2) Important other payables with aging more than one year;

Unit: Chinese yuan

Items	Ending Balance	Reason for Outstanding or Carry Forward
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Shandong Wanbang Sainuokang Biochemical Pharmaceutical Co., Ltd.	500,000.00	Deposit Not Refunded
Tong Baoyan	400,400.00	Deposit Not Refunded
Liu Zhongmin	380,000.00	Deposit Not Refunded
Dachang Hui Autonomous County Tongan Pharmaceutical Materials Co., Ltd.	340,000.00	Deposit Not Refunded
Li Hong	326,501.04	Deposit Not Refunded
Nian Shuhua	300,000.00	Deposit Not Refunded
Total	2,246,901.04	--

**34. Held to Be Sold: None****35. Non-current Liabilities Due Within One Year**

Unit: Chinese yuan

Items	Ending Balance	Opening balance
Long-term loans maturing within one year	61,500,000.00	22,145,000.00
Total	61,500,000.00	22,145,000.00

**36. Other Current Liabilities: none****37. Long-term Loan****(1) Classification of Long-term Loans**

Unit: Chinese yuan

Items	Ending Balance	Opening balance
Pledge Loan	110,000,000.00	130,000,000.00
Guaranteed Loan	190,000,000.00	270,000,000.00
Credit Borrowing	150,000,000.00	50,000,000.00
Total	450,000,000.00	450,000,000.00

Unit of Loan	Type of Loan	Commencement Date of Loan	Termination Date of Loan	Interest Rate	2018/12/31	Those maturing within one year	Returned over one year
Fuzhou Branch of Industrial and Commercial Bank of China	Pledge Loan	2017/11/23	2022/11/20	4.75%	83,000,000.00	7,000,000.00	76,000,000.00
Fuzhou Branch	Pledge Loan	2017/12/11	2022/11/20	4.75%	38,500,000.00	4,500,000.00	34,000,000.00
Agricultural Bank of China Fuzhou Branch	Credit Borrowing	2018/1/15	2021/1/14	4.76%	60,000,000.00	—	60,000,000.00
Agricultural Bank of China Fuzhou Branch	Credit Borrowing	2018/1/17	2021/1/16	4.76%	40,000,000.00	—	40,000,000.00
Agricultural Bank of China Fuzhou Branch	Credit Borrowing	2018/6/27	2021/6/26	4.99%	50,000,000.00	—	50,000,000.00
Fuzhou Branch of Industrial and Commercial Bank of	Guarantee	2017/3/14	2022/3/12	4.75%	240,000,000.00	50,000,000.00	190,000,000.00

China							
<b>Total</b>	—	—	—	—	<b>511,500,000.00</b>	<b>61,500,000.00</b>	<b>450,000,000.00</b>

In November 2017, the Company entered into a merger and acquisition loan contract with Fuzhou Branch of Industrial and Commercial Bank of China Co., Ltd., the target for the merger and acquisition is Guangdong Fuda Pharmaceutical Co., Ltd. with a total loan of RMB 130 million and a term of five years commencing from the date of the initial drawdown. Where the Company provides guarantee for the equity of the target company in Guangdong Fuda Pharmaceutical Co., Ltd. after the equity of the target company has been transferred, the Company shall timely go through the guarantee registration formalities in accordance with relevant laws and the requirements of banks. As of December 31, 2018, the Company has completed the relevant security registration procedures.

In March 2017, the sun company, Jiangxi Boya Seehot Pharmaceutical Co., Ltd., a company, entered into a fixed asset loan contract with Fuzhou Branch of Industrial and Commercial Bank of China Co., Ltd., in the amount of RMB 270 million with a term of five years commencing from the date of the actual drawdown. The loan shall be for the purpose of project construction. The Company shall provide joint and several liability guarantee for the loan.

### 38. Bonds Payable

(1) Bonds Payable: none

(2) Increase or Decrease in the Bonds Payable (excluding preferred shares, perpetual bonds and other financial instruments classified as Financial Indebtedness): none

(3) Description of Transfer Conditions and Transfer Time of Convertible Bonds: none

(4) Description of other financial instruments classified as Financial Indebtedness: none

### 39. Long Term Payables

(1) Long Term Payables by Nature of Sum: none

(2) Special Payables: none

### 40. Long-term Employee Remuneration Payable

(1) Long-term Employee Remuneration Payable: none

(2) Changes in Defined Benefit Plan: none

### 41. Estimated Liabilities: none

### 42. Deferred Income

Unit: Chinese yuan

Items	Opening balance	Current Increase	Current Reduction	Ending Balance	Cause of formation
Government Grants	11,369,304.22	30,140,000.00	3,229,293.22	38,280,011.00	Receipt of Financial Appropriation
Total	11,369,304.22	30,140,000.00	3,229,293.22	38,280,011.00	--

Projects involving government grants:

Unit: Chinese yuan

Liabilities items	Opening balance	Amount of this Period of Additional Grant	Amount Included in Non-operating Revenue in Current Period	Amount Included in Other Income in Current Period	Amount Offset Cost in Current Period	Other Changes	Ending Balance	Related to the Assets/Related to the Income
Biological Agents Industrialization Project	1,250,000.00			600,000.00			650,000.00	Related to the Assets
GMP Revamp Project	1,752,000.00			219,000.00			1,533,000.00	Related to the Assets
Interest discount for Boya Seehot Pharmaceutical Industrial Project Loan	1,759,297.22					-1,759,297.22		Related to the Assets
Comprehensive Formulation Building Construction Project	1,208,007.00			150,996.00			1,057,011.00	Related to the Assets
Thousand Ton Blood Product Smart Factory Project	1,700,000.00						1,700,000.00	Related to the Assets
Coagulation Factors Deep-depth Development and Industrialization of Products	3,000,000.00						3,000,000.00	Related to the Assets
Items								
Subsidy for Devices for R&D and Engineering Test	500,000.00						500,000.00	Related to the Assets
Development Project for Key Intermediates	200,000.00	140,000.00					340,000.00	Related to the Assets
Financial Subsidy for Technical Revamp (R&D Building Project for Production of		30,000,000.00		500,000.00			29,500,000.00	Related to the Assets

Coagulation Factors Project)								
Total	11,369,304.22	30,140,000.00		1,469,996.00		-1,759,297.22	38,280,011.00	

## Other Remarks:

The Company passed the State GMP certification in January 2010 and put into production. According to the Circular of National Development and Reform Commission (2009) No. 3039, the Project was put into production.

The amount received from Fuzhou Municipal Bureau of Finance for the construction of the project is RMB 6 million, and the Company distributed equally within the service life of the relevant assets and record them in the profit and loss account for the current period in RMB 600,000.

In order to implement the Several Opinions of the State Council on Further Promoting Better and Faster Economic and Social Development of Guizhou Province (Guo Fa [2012] No. 2), the GMP transformation project in Guiyang Municipality

Quickened the capability of transforming science and technology into real productive forces and accelerated the industrialization of high-tech achievements. The first batch of annual production of 1.5 billion pieces (pieces) was received on August 8, 2014,

The investment subsidy for the industrialization of GMP production line of high-tech was RMB 490,000. On September 4, 2014, the investment subsidy for the industrialization of high-tech was received from the second batch of GMP production line of 1.5 billion pieces (pieces). On December 30, 2015, the Company received from the third batch of annual investment subsidy of 1.5 billion pieces (pieces) of GMP production line of RMB 1 million. The Company shall distribute equally within the service life of relevant assets and record them in the profit and loss account for the current period of RMB 219,000.

The interest subsidy for the loan of Seehot Pharmaceutical Industry Project refers to that the Administrative Committee of Fuzhou Hi-tech Industrial Park appropriated RMB 22.145 million to Fuzhou Development Industrial Investment Co., Ltd. for the economic development of the Development Zone. Fuzhou Development Industrial Investment Co., Ltd. entrusted the Fuzhou Rural Commercial Bank Co., Ltd. to provide loans to Jiangxi Boya Seehot Pharmaceutical Co., Ltd., at the same time, the Bureau of Finance of Fuzhou Hi-tech Industrial Park granted corresponding interest subsidy. The loan interest subsidy received in the current period shall directly offset the capitalized interest expenditure according to the revised Accounting Standards for Business Enterprises No.16 — Government Grants, and shall no longer be included in deferred income. The Boya Seehot Pharmaceutical Industry Project, which has reached service condition in the current period, is transferred from construction in progress into fixed assets, and the balance at the beginning of the period, in the amount of RMB 1,759,300, is transferred is directly offset against the book value of the fixed assets being transferred to a fixed asset.

The project of comprehensive preparation building construction is the investment subsidy for the project of comprehensive preparation building construction for strategic emerging industry development projects issued by the Administrative Committee of Nanjing Economic and Technological Development Zone in accordance with the Notice on Issuing the Special Fund Projects and Fund Plan for Guiding Emerging Industries in Nanjing in 2015 (Ning Cai Qi [201] No.688). On January 15, 2016, the Company officially received the investment subsidy of RMB 1.51 million, which shall be evenly distributed within the useful life of the relevant assets, and shall be included in the current profit and loss of RMB 1.51 million.

The project of One-Ton Blood Product Intelligent Factory is the investment subsidy for the project of One-Ton Blood Product Intelligent Factory released by Fuzhou Hi-tech Industrial Development Zone according to the document Fu Gao Xin Ban Chao Zi [2017]

No.438. In October 2017, the Company officially received the investment subsidy of RMB 1.7 million.

The project of deep development and industrialization of blood coagulation factor products is the project development subsidy for the project of deep development and industrialization of blood coagulation factor products issued by Fuzhou Hi-tech Industrial Development Zone in accordance with the Notice of the Department of Science and Technology of Jiangxi Province on Issuing the Third Batch of Provincial Science and Technology Plan Projects in 2017 (Gan Ke Fa Ji Zi [2017] No.174). In December 2017, the Company officially received the development subsidy of 3 million yuan for the project.

The subsidy for R&D and engineering test devices is within the provincial budget of Fuzhou Municipal Development and Reform Commission according to the Jiangxi Provincial Development and Reform Commission on Issuing the Innovation Capacity Development Project of Jiangxi Province in 2016

The Notice on Investment in Infrastructure and Additional Protection (Gan Fa Gai Gao Ji [2016] No.1074) has issued the fund for the project of building innovation capacity to purchase R&D and test facilities.

The key starins intermediate development project is the project development subsidy for key statins intermediate development project issued by Fuzhou High-tech Zone according to the Notice of Jiangxi Provincial Department of Science and Technology on Issuing the First Batch of Provincial Science and Technology Projects in 2017 (Gan Ke Fa Ji Zi [2017] No.174). In December 2017, Fuzhou High-tech Zone formally received the development subsidy for the project in the amount of RMB 200,000. In January 2018, Fuzhou High-tech Zone according to the Notice of Fuzhou Municipal Bureau of Science and Technology on Issuing the Projects and Patents in 2017 Municipal Science and Technology Plan (Fu Ke Ji Zi [2017] No.24) issued the development subsidy for the second batch of the project, in the amount to RMB 140,000.

The subsidy for technological transformation fund is the subsidy for technological transformation released by Fuzhou High-tech Industrial Development Zone according to the document Fu Gao Gao Jin Ban Chao Zi [2018] No.588. The subsidy is specifically used for the R&D building project for the production of blood coagulation factor products and the subsidy for investment in fixed assets of the project.

#### 43. Other Non-current Liabilities: no

#### 44. Share Capital

Unit: Chinese yuan

	Opening Balance	Increase Or Decrease In Current Change (+, -)					Ending Balance
		Issuance Of New Shares	Stock Bonus	Conversion Of Shares Of Common Reserve Fund	Miscellaneous	Subtotal	
Total Number of Shares	401,077,201.00	32,247,662.00				32,247,662.00	433,324,863.00

Other Notes: According to the resolutions of the second extraordinary general meeting of the Company in 2017 and the Approval Reply Regarding the Private Placement of Shares by Boya Bio-pharmaceutical Group Co., Ltd (Zheng Jian Xu Ke [2018] No.117) issued by China Securities Regulatory Commission, the Company made a private placement of 32,247,662 ordinary A shares in RMB. Issuance price per share

RMB 31.01. The share capital of the Company after issuance will be 433,324,863 shares. The new shares were listed on 32,247,662 shares were listed on April 20, 2018.

**45. Other Equity Instruments**

(1) Basic information on preferred shares, perpetual bonds and other financial instruments outstanding as at the end of closing: none

(2) Statement of Changes in Preferred Shares, Perpetual Bonds and Other Financial Instruments Outstanding as at the End of Period: none

**46. Capital Reserves**

Unit: Chinese yuan

Items	Opening Balance	Current Increase	Current Reduction	Ending Balance
Capital premium (share premium)	1,052,144,744.91	957,008,336.62	68,628,419.23	1,940,524,662.30
Other Capital Reserves	6,341,969.36			6,341,969.36
Total	1,058,486,714.27	957,008,336.62	68,628,419.23	1,946,866,631.66

Other Description, including increases or decreases in this period and reasons for changes:

Pursuant to the resolution of the second extraordinary general meeting of shareholders' meeting of the Company in 2017 and the Reply of the CSRC on Approving the Non-public Offering of Stocks by Boya Bio-pharmaceutical Group Co., Ltd (Zheng Jian Xu Ke [2018] No.117), a company makes a non-public offering of 32,247,662 ordinary shares of RMB 31.01 at a price of RMB 31.01, which raises a total amount of RMB 999,999,998.62, with issuance expenses of RMB 10,744,000.00 deducted. The net amount of proceeds actually raised from a non-public offering of stocks is RMB 989,255,998.62, of which included in the share capital of RMB 32,247,662, and included in the capital reserve (Capital Premium) of RMB 957,008,336.62. The above proceeds shall be verified by Jiangsu Gongzheng Tianye Certified Public Accountants (Special General Partnership) and the Capital Verification Report (Su Gong W [2018] B041) was issued on April 9, 2018. The current decrease of capital premium (stock premium) by RMB 68,628,419.23 is mainly caused by the adjustment to capital premium (stock premium) due to the difference between the acquisition price of minority interests in the current period and the amount of minority interests on the acquisition date. For details, please refer to the transaction of "interests in other entities" in a subsidiary in which the shares of owners' interests in other entities change and the subsidiary still controls the subsidiary.

**47. Treasury Shares**

Unit: Chinese yuan

Items	Opening balance	Current Increase	Current Reduction	Ending Balance
Share Award Plan Holding Treasury Shares		45,890,427.23		45,890,427.23
Total		45,890,427.23		45,890,427.23

Other Description, including increase or decrease in the current period and reasons for the change:

The Company has adopted the Proposal on Repurchase of Shares of the Company at the 20th meeting of the sixth board of directors and the second interim shareholders' meeting of 2018; the Company intends to use its own funds to repurchase some A-shares of Public Public Shares of the Company at the price of no more than RMB40 per share, provided that the repurchase period shall be within 6 months from the date when the repurchase is examined and approved by the shareholders' meeting, provided that the amount shall be no less than RMB 100 million and no more than RMB 200 million. The repurchased shares will be used mainly for



subsequent employee stock ownership plans or equity incentive plans, and shall not be excluded: corporate bonds convertible into shares issued by a listed company, and other circumstances or a combination of the foregoing permitted under laws and regulations as necessary to maintain the value of the Company and shareholders' equity.

#### 48. Other Comprehensive Income: none

#### 49. Special Reserve: none

#### 50. Surplus Reserves

Unit: Chinese yuan

Items	Opening balance	Current Increase	Current Reduction	Ending Balance
Legal surplus Reserves	100,449,353.97	39,994,900.57		140,444,254.54
Total	100,449,353.97	39,994,900.57		140,444,254.54

#### 51. Undistributed Profits

Unit: Chinese yuan

Items	Current Issue	Previous Period
Undistributed Profit before Adjustment at the End of Previous Period	865,733,116.11	565,044,421.19
Subsequent Opening Undistributed Beginning	865,733,116.11	565,044,421.19
Plus: Net Profits attributable to owners of the parent company	469,174,808.30	356,588,468.22
Withdrawal of Discretionary Surplus Reserve	39,994,900.57	29,161,293.20
Common Dividends Payable	64,998,729.45	26,738,480.10
Closing Undistributed Profits	1,229,914,294.39	865,733,116.11

Breakdown of undistributed profit at the beginning of the adjustment period:

- 1) Due to retroactive adjustment made in the Accounting Standard for Business Enterprises and the relevant new regulations thereof, the opening undistributed profit is RMB 0;
- 2) The opening undistributed profit is RMB 0 due to change in accounting policies;
- 3) The opening undistributed profit is RMB 0 due to the correction of a material accounting error;
- 4) The opening undistributed profit is RMB 0 due to change in the merger scope due to the same control;
- 5) The aggregate of other adjustments affect the opening undistributed profit of RMB 0.

#### 52. Operating Revenue & Operating Costs

Unit: Chinese yuan

Items	Current Amount Incurred		Amount Incurred in the Previous Period	
	Revenues	Costs	Revenues	Costs
Principal Business	2,450,728,455.51	927,024,845.29	1,459,983,883.42	491,235,667.99
Other Business	576,386.54	56,962.50	537,973.09	
Total	2,451,304,842.05	927,081,807.79	1,460,521,856.51	491,235,667.99

#### 53. Taxes and Surcharges

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred in the Previous Period
Urban Maintenance And Construction Tax	9,101,054.06	6,965,850.52
Education Surcharge	7,247,171.09	5,567,648.47
Property Tax	2,639,712.73	2,257,067.67
Land Use Tax	2,186,318.28	2,004,820.59
Vehicle And Vessel Use Tax	44,835.60	29,447.80
Stamp Duties	1,546,860.02	923,850.35
Environmental Taxes	22,095.62	
Integrated Fund	62,019.36	48,872.71
Total	22,850,066.76	17,797,558.11

**54. Sales Expenses**

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred In The Previous Period
Salary and Remuneration	42,300,568.29	26,760,027.77
Office Expenses	8,977,670.18	4,249,786.26
Travel Expenses	6,626,783.07	5,498,135.46
Transportation Expenses	9,909,454.58	7,840,441.79
Depreciation	754,633.61	141,215.50
Rent	2,467,333.81	762,279.46
Business Entertainment Expenses	5,419,964.25	3,130,621.08
Market Service Fee	675,221,674.78	327,611,751.54
Miscellaneous	2,781,640.40	1,602,557.13
Total	754,459,722.97	377,596,815.99

**55. Management Expenses**

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred in the Previous Period
Salary and Remuneration	61,610,278.49	72,626,964.11
Depreciation Expenses	10,607,407.75	9,354,069.13
Amortization of Long-term Prepaid Expenses	7,074,711.36	5,704,184.06
Amortization of Intangible Assets	4,815,196.51	4,676,411.11
Office Expenses	18,281,537.47	12,613,145.15
Membership Dues	604,742.00	289,785.08
Business Entertainment Expenses	7,968,973.80	7,460,580.13
Advertising and Promotion Expenses	127,543.03	335,454.99
Intermediaries Fees	4,743,973.27	2,712,229.94
Travel Expenses	5,306,340.13	5,909,589.42
Miscellaneous	8,357,510.26	5,122,411.82
Total	129,498,214.07	126,804,824.94

**56. Research and Development Expenses**

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred in the Previous Period
Direct materials	13,173,404.44	7,251,792.13
Salary and Remuneration	14,708,250.34	16,516,743.70
Depreciation and amortization	2,947,303.38	2,147,461.24
External research and development costs	10,425,176.72	134,126.83
Testing expenses	1,510,674.06	339,880.80
Miscellaneous	2,292,259.40	8,141,378.54
Total	45,057,068.34	34,531,383.24

**57. Finance Costs**

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred in the Previous Period
Interest Expense	23,866,043.64	1,538,780.15
Less: Interest Income	16,592,049.49	10,921,355.60
Bank acceptance Discounting Interest	111,763.52	
Exchange Gains or Losses	-0.01	
Handling Fee	259,022.53	384,801.95
Total	7,644,780.19	-8,997,773.50

**58. Asset Impairment Losses**

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred in the Previous Period
I. Bad debts losses	18,296,693.46	8,870,780.94
Total	18,296,693.46	8,870,780.94

**59. Other Income**

Unit: Chinese yuan

Source of other proceeds	Current Amount Incurred	Amount Incurred in the Previous Period
Government Grants	3,968,162.62	2,535,537.95
Total	3,968,162.62	2,535,537.95

## Details of Government Grants

Grant Items	Current Amount Incurred	Amount Incurred in the Previous Period	Related to the Assets/Related to the Income
Biological Agents Industrialization Project	600,000.00	600,000.00	Related to the Assets
GMP Revamp Project	219,000.00	219,000.00	Related to the Assets
Comprehensive Formulation Building Construction Project	150,996.00	150,996.00	Related to the Assets
Fund Subsidy for Technical	500,000.00	—	Related to the Assets

Transformation			
Government Incentive Support Funds	2,498,166.62	1,565,541.95	Related to the Income
<b>Total</b>	<b>3,968,162.62</b>	<b>2,535,537.95</b>	

## Schedule of Government Incentives and Subsidies Included in Other Incomes in 2018:

Approved Authority	Approval Documents and Approval Number	Amount	Related to the Assets/Related to the Income
Department of Science and Technology of Jiangxi Province	Notice of Department of Science and Technology of Jiangxi Province on Issuing the First Batch of Provincial Science and Technology Projects in 2018 Gan Ke Fa Ji Zi [2018] No. 107	300,000.00	Related to the Income
Department of Finance of Jiangxi Province	Notice on Issuing Special Funds for Provincial Talent Development – Subsidy for Science and Technology Talent Subsidy Fucaihag Index [2018] No. 10	200,000.00	Related to the Income
Bureau of Science and Technology of Fuzhou City	Circular on Issuing the 2017 City-level Scientific and Technological Program and Patent Program Fu Ke Ji Zi [2017] No. 24	140,000.00	Related to the Income
Fuzhou Hi-Tech Industries Development Zone	Copy Notice of the Party and Government Office of Fuzhou Hi-Tech Zone Fu Xue Ban Copy Zi [2018] 213 Electricity Subsidy	109,000.00	Related to the Income
Large Enterprise Taxation Administration of Guangzhou Local Taxation Bureau	Direct appropriation	773,643.76	Related to the Income
Guiyang Municipal Commission of Industry and Information Technology	Circular on Granting Participation Subsidies to Pharmaceutical Enterprises in Guiyang City for Attending such Exhibitions as the 79th National Drug Fair [2018] No.57	57,600.00	Related to the Income
Guiyang Municipal Bureau of Finance and Science and Technology Bureau	Circular on Carrying out the 2017 Post-Input R&D Subsidies for Enterprises in Guiyang City Zhu Ke Tong [2018] No.60	190,000.00	Related to the Income
Guizhou Provincial Department of Finance and Economic and Informatization Commission of Guizhou Province	Notice on Issuing the 2018 Special Fund for Development of Industry and Information Technology (the III Batch of Technological Innovation Projects) Qian Cai Gong [2018] No. 126	500,000.00	Related to the Income
Labor and Employment Service Bureau of Fuzhou City	Employment Stabilization Subsidy	227,922.86	Related to the Income
<b>Total</b>		<b>2,498,166.62</b>	

## Schedule of Government Incentives and Subsidies to be Included in Other Incomes in 2017:

Approved Authority	Approval Documents and Approval Number	Amount	Related to the Assets/Related to the Income
Department of Science and Technology of Jiangxi Province	Notice of Department of Finance of Jiangxi Provincial Science and Technology Department on Issuing the Fourth Batch of Special Funds Budget and Projects for Science and Technology Program in 2016 Gan Cai Wen [2016] No. 99	500,000.00	Related to the Income
Fuzhou Hi-Tech Industries	Notification of Fuzhou Hi-Tech Industries Development Zone Management Committee on Enterprise Assessment in	100,000.00	Related to the Income

Development Zone	2016 Fu Gao Xin Fa [2017] No. 3 Electricity Subsidy		
Finance Bureau of Fuzhou City	Circular on Assigning Subsidy Funds for the Establishment of Academician Workstations Fu Zheng Cai Zhi (2016) No. 31	100,000.00	Related to the Income
Finance Bureau of Fuzhou City	Circular of the Fuzhou Municipal Finance Bureau on Issuing the Special City-level Energy Conservation Fund for 2016 Fu Cai Jing Zhi [2017] No.4 Energy Conservation Subsidies for Electricity Consumption	150,000.00	Related to the Income
Labor and Employment Service Bureau of Fuzhou City	Employment Stabilization Subsidy	75,829.13	Related to the Income
Science & Technology Department of Jiangxi Province	Notice of Science & Technology Department on Issuing the First Batch of Provincial Science & Technology Program in 2017 Gan Ke Fa Ji Zi [2017] No. 63	200,000.00	Related to the Income
Labor and Employment Service Bureau of Fuzhou City	Employment Stabilization Subsidy	8,609.53	Related to the Income
Social Insurance Management Centre of Nanjing	Employment Stabilization Subsidy	137,507.79	Related to the Income
Yuechi County Employment Service Administration Bureau	Employment Stabilization Subsidy	13,300.00	Related to the Income
Chongren County Employment Service Administration Bureau	Employment Stabilization Subsidy	12,595.50	Related to the Income
Science and Technology Bureau of Guiyang City	Circular on Carrying out the Funding for the Research and Experimental Development of Enterprises in Hangzhou City Zhu Ke Tong [2017] No.67	267,700.00	Related to the Income
<b>Total</b>		<b>1,565,541.95</b>	

**60. Investment Income**

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred in the Previous Period
Gains From Long-Term Equity Investments	-4,319,794.80	-5,959,153.79
Investment Proceeds From Disposal Of Long-Term Equity Investment		19,325,035.92
Investment Income Generated by Wealth Management Products	18,733,945.59	873,995.06
Total	14,414,150.79	14,239,877.19

**61. Income on Changes in Fair Value: none****62. Proceeds from Disposal of Assets**

Unit: Chinese yuan

Source of Proceeds from Disposal of Assets	Current Amount Incurred	Amount Incurred in the Previous Period
Proceeds from Disposal of Fixed Assets	-262,727.39	-102,369.14
Total	-262,727.39	-102,369.14

**63. Non-operating income**

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred in the Previous Period	Amount Included in Non-recurring Profit and Loss in the Current Period
Government Grants	11,714,000.00	9,952,450.00	11,714,000.00
Non-current Asset Impairment and Retirement Proceeds	2,436.00		2,436.00
Miscellaneous	1,434,259.92	373,273.40	1,434,259.92
Total	13,150,695.92	10,325,723.40	13,150,686.92

Government Grants Recorded in the Profit and Loss for the Current Period:

Unit: Chinese yuan

Approved Authority	Approval Documents and Approval Number	Amount	Related to the Assets/Related to the Income
Fuzhou Municipal People's Government	Decision of Fuzhou Municipal People's Government on Fuzhou City 2017 Science and Technology Award Fu Fu Fa (2017) No. 31	20,000.00	Related to the Income
Fuzhou Hi-Tech Industries Development Zone	Copy of the Party and Government Office of Fuzhou Hi-Tech Zone No. Fu Gao Xin Ban Chao Zi [2018] 150	7,342,000.00	Related to the Income
Fuzhou Hi-Tech Industries Development Zone	Copy of the Party and Government Office of Fuzhou Hi-Tech Zone No. Fu Gao Xin Ban Chao Zi [2018] 148	202,900.00	Related to the Income
Fuzhou Hi-Tech Industries Development Zone	Copy of the Party and Government Office of Fuzhou Hi-Tech Zone Fu Gao Xin Ban Chao Zi [2018] No. 213	2,690,000.00	Related to the Income
Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Copy of the Party and Government Office of Fuzhou Hi-Tech Zone Fu Gao Xin Ban Chao Zi [2018] No. 72	458,000.00	Related to the Income
Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Copy of the Party and Government Office of Fuzhou Hi-Tech Zone Fu Gao Xin Ban Chao Zi [2018] No. 213	33,000.00	Related to the Income
Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Notice on Issuing the 2017 Jiangxi Provincial Foreign Trade & Economic Cooperation Development Special Fund (the Fifth Batch) Fu Cai Jing Refer to [2018] No. 13	15,100.00	Related to the Income
Science and Technology Bureau of Fuzhou City	Notice on Granting Funds for Projects of 2018 Municipal-level Technology Plan Fu Cai Jiao [2018] No. 30	200,000.00	Related to the Income
Management Committee of Nanjing Economic and Technological Development Zone	Direct Appropriation for Intellectual Property Subsidy Award	2,000.00	Related to the Income
Science and Technology Commission, Finance Bureau	Notice on Issuing the 2018 Sci-Tech Development Plan and Sci-Tech Appropriation Target in Nanjing (the Twentieth Batch) Making Public and Cashing Award Certificated by Gao Enterprise Ning Ke[2018] No. 418 and Ning Cai Jiao [2018] No. 984	250,000.00	Related to the Income

Guiyang Municipal Bureau of Finance and Guiyang Municipal Commission of Industry and Information Technology	Circular on Issuing the Fund for the Cultivation of Large Varieties of the Pharmaceutical Industry under the "Giant Plan" for Pharmaceutical Enterprises in Guiyang City for the Work of "Entrepreneurship and Innovation City Demonstration" Zhu Cai Qi [2017] No.89 and Circular on Issuing the Special Central Fund for the "Entrepreneurship and Innovation City Demonstration" for Small and Micro Enterprises in Zhu Cai Qi [2017] No.100		400,000.00	Related to the Income
Bureau of Finance of Linshui County	Directly Appropriating Bounty for Preferential Policies on Investment Promotion		101,000.00	Related to the Income
<b>Total</b>			<b>11,714,000.00</b>	
Breakdown of Government Subsidies Included in Non-operating Income in 2017				
Approved Authority	Approval Documents and Approval Number		Amount	Related to the Assets/Related to the Income
Fuzhou Hi-Tech Industries Development Zone	Copy of the Party and Government Office of Fuzhou Hi-Tech Zone	Fu Gao Xin Ban Chao Zi [2017] No. 63	4,930,500.00	Related to the Income
Fuzhou Hi-Tech Industries Development Zone	Copy of the Party and Government Office of Fuzhou Hi-Tech Zone	Fu Gao Xin Ban Chao Zi [2017] No. 65	407,100.00	Related to the Income
Department of Science and Technology of Jiangxi Province	Decision of Jiangxi Provincial People's Government on Jiangxi Province's Science and Technology Award 2016 Gan Fu Fa [2017] No. 22		30,000.00	Related to the Income
Fuzhou Hi-Tech Industries Development Zone	Copy of the Party and Government Office of Fuzhou Hi-Tech Zone	Fu Gao Xin Ban Chao Zi [2017] No. 64	763,350.00	Related to the Income
Fuzhou Hi-Tech Industries Development Zone	Copy of the Party and Government Office of Fuzhou Hi-Tech Zone	Fu Gao Xin Ban Chao Zi [2017] No. 123	770,000.00	Related to the Income
Bureau of Science and Technology of Fuzhou City	Science and Technology Top Award	Direct appropriation	200,000.00	Related to the Income
Bureau of Science and Technology of Fuzhou City	Circular on Holding the First Innovation Competition of Fuzhou City "Talent Cup" [2017] No. 1		50,000.00	Related to the Income
Nanjing Development Zone Management Committee	Circular on Issuing the 2016 Special Fund Projects and Fund Plan for Guiding Emerging Industries in Nanjing Municipality Ning Jing Xin Tou Zi [2016] No.376, Ning Cai Qi [2016] No.721		300,000.00	Related to the Income
Nanjing Development Zone Management Committee	Notice on Issuing the 2016 Science and Technology Innovation Bonds Plan and Funding Targets (the first batch) Ning Ke [2016] No. 355 and Ning Cai Jiao [2016] No. 880		100,000.00	Related to the Income
Nanjing Development Zone Management Committee	Notice on Issuing the 2017 Science and Technology Development Plan and Science and Technology Funding Targets (the eleventh batch) Ning Ke [2017] No. 192, Ning Cai Jiao [2017] No. 479 and Ning Qi Zheng Zi [2013] No. 235		41,500.00	Related to the Income
Accounting Center of Wudang District	Notice on 2016 Guizhou Industry and Information Technology Development Special Fund Plan (the Fourth Batch of Big Data Industry and Information Technology) Qian Cai Gong [2016] No. 140		1,100,000.00	Related to the Income
Department of Science & Technology of Guizhou Province	Task Letter of Guizhou Science and Technology Plan Project (Task) Qian Ke He Support [2017] 2846		200,000.00	Related to the Income
Accounting Center of Wudang District	Guiyang Municipal Bureau, Finance Guiyang Municipal Industry and Information Technology Commission Notice on Guiyang Subsidy Funds for Pharmaceutical Enterprise's Giant Plan, Cultivation of a Large Category of Pharmaceutical Industry and Construction of Pharmaceutical Industry Platform Zhu Cai Qi [2016] No. 88		200,000.00	Related to the Income
Accounting Center of Wudang District	Notice on 2017 Guizhou Industry and Information Technology Development Fund Plan (the First Batch of Technology Innovation Project) Qian Cai Gong [2017] No. 62		500,000.00	Related to the Income

Accounting Center of Wudang District	Direct appropriation	300,000.00	Related to the Income
NDRC	Direct appropriation	30,000.00	Related to the Income
NDRC	Direct appropriation	30,000.00	Related to the Income
<b>Total</b>		<b>9,952,450.00</b>	

#### 64. Non-Operating Expenses

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred in the Previous Period	Amount Included in Non-recurring Profit and Loss in the Current Period
Donation	5,102,852.01	8,787,946.00	5,102,852.01
Non-current Asset Damage and Scrap Losses	84,213.25	36,809.37	84,213.25
Miscellaneous	255,575.99	246,544.09	255,575.99
<b>Total</b>	<b>5,442,641.25</b>	<b>9,071,299.46</b>	<b>5,442,641.25</b>

#### 65. Income Tax Expense

##### (1) Income Tax Expense Table

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred In The Previous Period
Current Income Tax Expense	89,129,642.15	76,470,034.69
Deferred income tax expense	-1,965,148.98	-10,791,152.77
<b>Total</b>	<b>87,164,493.17</b>	<b>65,678,881.92</b>

##### (2) Adjustment Process of Accounting Profits and Income Tax Expense

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred In The Previous Period
Total Profit	572,244,129.16	430,610,068.74
Income Tax Expense at Legal/Applicable Tax Rates	85,836,619.37	64,591,510.31
Effect of Subsidiaries Applying Different Tax Rates	4,464,095.83	523,511.04
Effect of Adjustment to Income Tax in Previous Periods	15,045.00	456,894.07
Effect of Non-Deductible Costs, Expenses and Losses	1,524,112.20	1,105,825.92
Influence of Deductible Losses of Deferred Income Tax Assets Unconfirmed in the Prior Period	-2,412,968.55	-864,313.33
Effect of Deductible Temporary Difference or Deductible Loss of Deferred Income Tax Assets Which Are Not Recognized in the Current Period	1,627,640.98	1,974,949.79
Effect of Additional Deduction	-4,722,817.61	-2,310,696.32
Non-taxable Investment Gains under the Equity Method	647,969.22	201,200.44



Other Effects	184,796.73	
Income Tax Expense	87,164,493.17	65,678,881.92

**66. Other Comprehensive Income: none****67. Cash Flow Statement Items****(1) Other Cash Received in Relation to Operating Activities**

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred in the Previous Period
Deposit Interest	16,592,049.49	10,921,355.60
Government Grants and Appropriations	44,352,166.62	11,517,991.95
Other Correspondences	3,073,593.06	7,691,321.74
Income from Interest of the Entrusted Loan		471,698.13
Total	64,017,809.17	30,602,367.42

**(2) Other Payments in Relation to Operating Activities**

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred in the Previous Period
Out of Pocket Expenses	744,174,291.76	295,948,529.79
Disbursements for Donations	5,102,852.01	8,787,946.00
Bank Fees	259,022.53	384,801.95
Other Correspondences	13,429,348.45	5,255,254.09
Total	762,965,514.75	310,376,531.83

**(3) Other Cash Received in Relation to Investing Activities**

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred in the Previous Period
Wealth Management Products	1,384,723,945.59	217,073,995.06
Entrusted Loan		52,460,000.00
Recovery of Borrowings Given to Units or Individuals	24,980,000.00	
Investment Government Grants		5,400,000.00
Total	1,409,703,945.59	274,933,995.06

**(4) Other Cash Payments in Relation to Investment Activities**

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred in the Previous Period
Entrusted Loan		37,460,000.00
Borrowing to Units or Individuals	24,980,000.00	
Wealth Management Products	1,365,990,000.00	166,200,000.00
Total	1,390,970,000.00	203,660,000.00

**(5) Other Cash Received in Relation to Financing Activities**

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred in the Previous Period
Discount Interest for Project Loans	710,485.42	1,234,891.32
Total	710,485.42	1,234,891.32

Other explanation of cash Receipts relating to Financing Activities: Discount interest for Project Loans refers to the discount interest subsidies granted by Fuzhou Bureau of Finance for long-term loans to Jiangxi Boya Seehot Pharmaceutical Co., Ltd., and in the current term, the capitalized interest expense shall be directly written down according to the amended Accounting Standard for Business Enterprises No. 16 - Government Grants.

**(6) Other Cash Payments in Relation to Financing Activities**

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred in the Previous Period
Cash Paid for Repurchase of Treasury Shares	45,890,427.23	
Private Placement Expenses		1,818,000.00
Total	45,890,427.23	1,818,000.00

**68. Supplementary Materials for Cash Flow Statement****(1) Supplementary Materials for Cash Statement**

Unit: Chinese yuan

Supplementary Materials	Current Amount	Previous Amount
1. Reconciliation of Net Profits to Cash Flows from Operating Activities:	--	--
Net profits	485,079,635.99	364,931,186.82
Plus: Reserve for Impairment of Assets	18,296,693.46	8,870,780.94
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	50,327,324.03	40,939,581.14
Amortization of Intangible Assets	4,985,530.19	4,749,661.14
Amortization of Long-term Prepaid Expenses	11,718,438.54	7,906,801.64
Losses on Disposal of Fixed Assets, Intangible Assets and other Long-Term Assets (insert income with symbol "-")	262,727.39	102,369.14
Obsolescence Losses on Fixed Assets (insert income with symbol "-")	81,777.25	36,809.37
Finance Charges (insert income with symbol "-")	23,866,043.64	1,538,780.15
Loss on Investments (insert income with symbol "-")	-14,414,150.79	-14,239,877.19
Decrease in deferred income tax assets (insert increase with symbol "-")	-1,426,457.28	-10,112,249.35
Increase in deferred income tax liability (insert decrease with symbol "-")	-538,691.70	-678,903.42
Decrease in inventories (insert increase with symbol "-")	-86,792,649.77	-122,104,310.21
Decrease in operating receivables (insert increase with symbol "-")	-574,575,648.45	-460,810,708.30
Increase in operating payables (insert decrease with symbol "-")	118,032,153.97	155,053,924.00
Net cash flow from operating activities	34,902,726.47	-23,816,154.13
2. Material investment and financing activities not involving cash receipts and payments:	--	--

3. Net changes in cash and cash equivalents:	--	--
Ending balance of cash	1,163,298,260.33	491,154,748.31
Less: Opening balance of cash	491,154,748.31	420,005,560.54
Net increase in cash and cash equivalents	672,143,512.02	71,149,187.77

(2) Net Cash of Acquisition Subsidiaries Paid in Current Period: none

(3) Net Cash of Disposal Subsidiaries Received in Current Period: None

(4) Composition of Cash and Cash Equivalents

Unit: Chinese yuan

Items	Ending Balance	Opening balance
I. Cash	1,163,298,260.33	491,154,748.31
Including: Cash on hand	1,012,972.76	903,710.73
Bank deposits available for payment at any time	1,162,285,287.57	490,251,037.58
Other funds available for payment at any time		
Amounts Available for Payment from Central Bank Deposits		
Interbank deposits		
Interbank Offer		
II. Cash Equivalents		
Including: Debt Investment with maturing within three months		
III. Ending balance of Cash and Cash Equivalents	1,163,298,260.33	491,154,748.31
Where: Restricted use of cash and cash equivalents by Parent or Intra-Group Subsidiaries		

69. Item Notes to Statement of Changes in Ownership Equity: None

70. Assets with Restricted Ownership or Use Rights

Unit: Chinese yuan

Items	Ending Book Value	Restricted Reasons
Monetary Funds	30,093,418.33	Cash deposit for bankers' acceptances
Notes Receivable	42,978,447.80	Pledge issued bankers' acceptance notes
Total	73,071,866.13	--

71. Foreign Currency Items:

(1) Foreign Currency Items: None

(2) Description of Offshore Business Entities, including for material offshore business entities, their principal place of business, bookkeeping base currency and the basis of selection shall be disclosed. In case of a change in the bookkeeping base currency, the reasons for: none

72、Hedging: None

73、Government Grants

**(1) Basic Information of Government Grants**

Unit: Chinese yuan

Categories	Amount	Presented Items	Amount included in profit and loss for the current period
Government grants included in other income	3,968,162.62	See note 7/Note 59 Other income for details	3,968,162.62
Government grants included in non-operating income	11,714,000.00	See note 7/Note 63 Non-operating income for details.	11,714,000.00
Total	15,682,162.62		15,682,162.62

**(2) Return of Government Grants: None****74. Others: None****VIII Change to Scope of Merger****1. Merger not Under Common Control****(1) Business merger not under common control during the current period: None****(2) Combined costs and goodwill: None****(3) Identifiable assets or liabilities of the Acquiree as of the Purchase Date: None****(4) Gains or losses arising from the re-measurement to fair value of the equity held prior to the purchase date: None****(5) Description that the merger consideration or the fair value of the identifiable assets or liabilities of the acquiree cannot be reasonably determined on the purchase date or at the end of the current period of the Merger: None****(6) Other Descriptions: None****2. Business Merger Under Common Control:****(1) Business merger under common control during the current period: None****(2) Merger Costs: None****(3) Book value of the merged party's assets and liabilities on the merger date: None****3. Reverse purchase: None****4. Disposal of subsidiaries**

Is there any circumstance in which a single disposal of investment in a subsidiary will result in loss of control over the subsidiary:  Yes  No

Unit: Chinese yuan

Name of Subsidiary	Disposal price of equity interests	Disposal ratio of equity interests	Disposition of equity interests	Point in time of loss of control	Basis for Determination of Point in Time of Loss of Control	Difference between the disposal price and the share of net assets of the subsidiary entitled to	Percentage of Remaining Equity Interest as of the date of loss of control	Book Value of Remaining Equity Interest as of the date of loss of control	Fair Value of Remaining Equity Interest as of the date of loss of control	Re-measurement of gains or losses on the Remaining Equity at Fair Value	Method for the Determination of and Major Assumptions of Remaining Equity Interest	Amount of other comprehensive income relating to the equity investment of Atom
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					1	which the disposal investment corresponds to the consolidated financial statements					as of the date of loss of control	that is transferred into investment gains or losses
Nanjing Xinrui Pharmaceutical Technology Development Co., Ltd.		100.00%	Deregistration	Year 2018 Month 06 Date 29	Deregistration							

During the reporting period, Nanjing Xinrui Pharmaceutical Technology Development Co., Ltd. was deregistered.

During the reporting period, Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd., a newly-owned subsidiary, has a registered capital of RMB 5 million. Is there any circumstance in which the investment in the subsidiary is disposed of step by step through multiple transactions and control over the subsidiary will be lost in the current period?  Yes  No

#### 5. Change in Scope of Merger for Other Reasons

Specify the change in the scope of merger resulting from other reasons (for example, newly established subsidiaries, liquidated subsidiaries, etc.) and the relevant information: none

#### 6. Others: none

### IX. Interest in other Persons

#### 1. Interest in Subsidiaries

##### (1) Composition of the Enterprise Group

Name Of Subsidiary	Principal Business Place	Jurisdiction Of Incorporation	Nature Of Business	Shareholding Percentage		Method Of Acquisition
				Direct	Indirect	
Nancheng Jinshan Apheresis Plasma Co., Ltd	Jinshankou Industrial Park, Nancheng County, Jiangxi Province	Jinshankou Industrial Park, Nancheng County, Jiangxi Province	Human Apheresis Plasma	100.00%		New Establishment

Chongren Boya Apheresis Plasma Co., Ltd.	Area C, Industrial Park, Chongren County, Jiangxi Province	Area C, Industrial Park, Chongren County, Jiangxi Province	Plasma, Hepatitis B Special Free Plasma, Rabies Special Free Plasma, Raw Materials	100.00%		New Establishment
Jinxi Boya Apheresis Plasma Co., Ltd.	Xiugu Zhong Avenue, Jinxi County, Fuzhou City, Jiangxi Province 85 No.	Xiugu Zhong Avenue, Jinxi County, Jiangxi Province 85 No.	Plasma, Hepatitis B Special Free Plasma, Rabies Special Free Plasma, Raw Materials	100.00%		New Establishment
Ganzhou Nankang Boya Apheresis Plasma Co., Ltd	No. 6, Area A, Railway Station Office, Dongshan Subdistrict, Nankang District, Ganzhou City, Jiangxi Province	No. 6, Area A, Railway Station Office, Dongshan Subdistrict, Nankang District, Ganzhou City, Jiangxi Province	Apheresis Plasma	100.00%		New Establishment
Yuechi Boya Apheresis Plasma Co., Ltd	No. 2, Yuzhu Road, Industrial Park, Jiulong Town, Guang 'an City, Sichuan Province	No. 2, Yuzhu Road, Industrial Park, Jiulong Town, Guang 'an City, Sichuan Province	Apheresis Plasma	100.00%		New Establishment
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	Huiquan Road, Fuzhou Hi-tech Industrial Development Zone, Fuzhou City, Jiangxi Province 333	Huiquan Road, Fuzhou City, Jiangxi Province 333	Medical project investment; investment management; investment consulting; economic and trade consulting; enterprise management consulting; pharmaceutical technology development; pharmaceutical technology transfer; pharmaceutical technology services; pharmaceutical technology consulting; exhibitions; conference services; market research	100.00%		New Establishment
Linshui Boya Apheresis Plasma Co., Ltd.	Economic Development of Adjacent Water County	Economic Development of Adjacent Water County	Apheresis Plasma	100.00%		New Establishment
Plasma Co., Ltd.	Chengnan Industrial Park, District No. 75, Zone 2	Chengnan Industrial Park, District No. 75, Zone 2				

Beijing Boya Xinnuo Biotechnology Co., Ltd.	No.3 Building, 88 Ke Chuang Sixth Street, Economic and Technological Development Zone, Beijing Room 709, F/7	No.3 Building, 88 Ke Chuang Sixth Street, Economic and Technological Development Zone, Beijing Room 709, F/7	Biotechnology development, technology consulting, technology services, technology transfer	100.00%		New Establishment
Guizhou Tianan Pharmaceutical Co., Ltd.	No. 25 Hi-Tech Road, Wudang District, Guiyang City, Guizhou Province	No. 25 Hi-Tech Road, Wudang District, Guiyang City, Guizhou Province	Production and sale of tablets and hard capsules import and export trade	34.095%	55.586%	Acquisitions
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	Gao Xin Sixth Road, Fuzhou Hi-Tech Industrial Development Zone, Fuzhou City, Jiangxi Province 333 No.	Gao Xin Sixth Road, Fuzhou Hi-Tech Industrial Development Zone, Fuzhou City, Jiangxi Province 333	Production and sale of pharmaceutical products, APIs and pharmaceutical intermediates; technology development, technology consulting, technology transfer, technical services		100.00%	New Establishment
Xinfeng Boya Apheresis Plasma Co., Ltd	No. 28 Chengxin Avenue, Industrial Park, Xinfeng County, Ganzhou City, Jiangxi Province	No. 28 Chengxin Avenue, Industrial Park, Xinfeng County, Ganzhou City, Jiangxi Province	Plasma, HBV Special Exemption Plasma, Rabies Special Exemption Plasma, and Tetanus Immune Plasma, shall be collected as raw materials	100.00%		New Establishment
Fengcheng Boya Apheresis Plasma Co., Ltd.	Fengcheng Meilin Town Hospital	Fengcheng Meilin Town Hospital	Plasma, HBV Special Exemption Plasma, Rabies Special Exemption Plasma, and Tetanus Immune Plasma, shall be collected as raw materials	100.00%		New Establishment
Yudu Boya Apheresis Plasma Co., Ltd	Longmen Road, Gongjiang Town, Yudu County, Ganzhou City, Jiangxi Province	Longmen Road, Gongjiang Town, Yudu County, Ganzhou City, Jiangxi Province	Raw materials Plasma, raw materials for hepatitis B antibody, raw materials for rabies antibody, and raw materials for tetanus antibody.	100.00%		New Establishment
Duchang Boya Apheresis Plasma Co., Ltd.	Furong Shan Industrial Park, Duchang County, Jiujiang City, Jiangxi	Furong Shan Industrial Park, Duchang County, Jiujiang City, Jiangxi	Raw material plasma, human hepatitis B immune plasma, human rabies immune plasma,	100.00%		New Establishment

	Province	Province	tetanus immune plasma, human tetanus immune plasma			
Nanjing Xinbai Pharmaceuticals Co., Ltd.	No. 68, Xingang Avenue, Economic & Technological Development Zone	No. 68, Xingang Avenue, Economic & Technological Development Zone	Production and Sale of Pharmaceutical Products	99.999%	0.001%	Acquisitions
Nanjing Boya Pharmaceutical Co., Ltd.	No. 68, Xingang Avenue, Economic & Technological Development Zone	No. 68, Xingang Avenue, Economic & Technological Development Zone	Drug Sales; Road Freight Transportation	100.00%		Acquisitions
Guangdong Fuda Pharmaceutical Co., Ltd.	91, Chigangjude Middle Road, Haizhu District, Guangzhou F/9, No.93 Room 901-905	91, Chigangjude Middle Road, Haizhu District, Guangzhou F/9, No.93 Room 901-905	Pharmaceutical Distribution	75.00%		Acquisitions
Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd.	Huiquan Road, Fuzhou Hi-Tech Industrial Development Zone, Fuzhou, Jiangxi Province 333	Huiquan Road, Fuzhou Hi-Tech Industrial Development Zone, Fuzhou, Jiangxi Province 333	Consulting services for development, promotion and transfer of pharmaceutical technology	100.00%		New Establishment

Explanation of difference between the shareholding percentage in the subsidiaries and voting rights: the shareholding percentage of the Company in the subsidiaries and the proportion of power rights were consistent, and there was no inconsistency between the shareholding percentage and voting rights.

Evidence for holding half or less than half of voting rights but still controlling the invested company or holding more than half of voting rights but not controlling the invested company: the Company has no right to hold half of or less than half of voting rights but still control the invested company or hold more than half of voting rights but not control the invested company.

## (2) Major Non-wholly-owned Subsidiaries

Unit: Chinese yuan

Name Of Subsidiary	Shareholding Percentage Of Minority Shareholders	Current Profits Or Losses Attributable To Minority Shareholders	Dividend Declared To Minority Shareholders In The Current Period	Ending Minority Interest Balance
Linshui Boya Apheresis Plasma Co., Ltd.		90,191.36		
Guizhou Tianan Pharmaceutical Co., Ltd.	10.319%	8,224,727.89		34,011,986.86
Xinfeng Boya Apheresis Plasma Co., Ltd		86,451.62		
Fengcheng Boya Apheresis Plasma Co., Ltd.		162,464.41		
Yudu Boya Apheresis Plasma Co., Ltd		-7,724.65		



Duchang Boya Apheresis Plasma Co., Ltd.		-97,902.68		
Guangdong Fuda Pharmaceutical Co., Ltd.	25.00%	7,446,619.74	5,000,000.00	31,863,700.25
<b>Total</b>		<b>15,904,827.69</b>		<b>65,875,687.11</b>

Explanation for the Shareholding Percentages of the Minority Shareholders of the Subsidiaries Different from Voting Rights: the shareholding percentage of the minority shareholders of the Subsidiaries was the same as that of the Minority Shareholders, and there was no inconsistency in the shareholding percentage with voting right.

Other Notes: To optimize the shareholding structure of the Company, the Company shall acquire the minority interests in neighboring water plasma stations, Xinfeng plasma stations, Fengcheng Plasma Station, Yudu plasma station and Duchang Plasma Station in the current period at a total amount of RMB 60,000,000. As of December 31, 2018, the Company has completed the procedures for the change of shareholding in the aforesaid plasma stations and after the completion of such change, the Company will hold directly 100% equity in the aforesaid plasma stations

### (3) Major Financial Information of Significant Non-Wholly-Owned Subsidiaries

Unit: Chinese yuan

Name Of Subsidiary	Ending Balance					
	Current Assets	Non- Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities
Linshui Boya Apheresis Plasma Co., Ltd.						
Guizhou Tianan Pharmaceutical Co., Ltd.	315,581,386.50	116,748,835.01	432,330,221.51	99,739,817.91	2,984,949.01	102,724,766.92
Xinfeng Boya Apheresis Plasma Co., Ltd.						
Fengcheng Boya Apheresis Plasma Co., Ltd.						
Yudu Boya Apheresis Plasma Co., Ltd.						
Duchang Boya Apheresis Plasma Co., Ltd.						
Guangdong Fuda Pharmaceutical Co., Ltd.	260,908,472.41	4,571,642.43	265,480,114.84	138,009,966.98	15,346.86	138,025,313.84
<b>Total</b>	<b>576,489,858.91</b>	<b>121,320,477.44</b>	<b>697,810,336.35</b>	<b>237,749,784.89</b>	<b>3,000,295.87</b>	<b>240,750,080.76</b>
Name Of Subsidiary	Opening Balance					
	Current Assets	Non- Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities
Linshui Boya Apheresis Plasma Co., Ltd.	1,506,785.50	26,117,919.31	27,624,704.81	7,769,527.83		7,769,527.83
Guizhou Tianan Pharmaceutical Co., Ltd.	265,895,038.21	88,042,794.52	353,937,832.73	81,259,449.20	3,433,363.89	84,692,813.09
Xinfeng Boya Apheresis Plasma Co., Ltd.	1,428,324.74	10,174,993.64	11,603,318.38	6,273,663.62		6,273,663.62
Fengcheng Boya Apheresis Plasma Co., Ltd.	4,032,869.36	1,668,864.94	5,701,734.30	662,246.84		662,246.84
Yudu Boya Apheresis Plasma Co., Ltd.	6,628,039.45	2,528,069.51	9,156,108.96	1,577,054.09		1,577,054.09
Duchang Boya Apheresis Plasma Co., Ltd.	8,477,951.56	3,586,647.62	12,064,599.18	8,984,756.01		8,984,756.01

Guangdong Fuda Pharmaceutical Co., Ltd.	264,591,895.27	4,456,792.61	269,048,687.88	202,543,477.29	17,901.27	202,561,378.56
<b>Total</b>	<b>552,560,904.09</b>	<b>136,576,082.15</b>	<b>689,136,986.24</b>	<b>309,070,174.88</b>	<b>3,451,265.16</b>	<b>312,521,440.04</b>

Unit: Chinese yuan

Name Of Subsidiary	Current Amount Incurred			
	Operating Revenue	Net Profits	Total Comprehensive Income	Cash Flows From Operating Activities
Linshui Boya Apheresis Plasma Co., Ltd.				
Guizhou Tianan Pharmaceutical Co., Ltd.	319,515,729.30	60,360,434.95	60,360,434.95	-76,528,558.78
Xinfeng Boya Apheresis Plasma Co., Ltd.				
Fengcheng Boya Apheresis Plasma Co., Ltd.				
Yudu Boya Apheresis Plasma Co., Ltd.				
Duchang Boya Apheresis Plasma Co., Ltd.				
Guangdong Fuda Pharmaceutical Co., Ltd.	554,550,933.84	30,967,491.68	30,967,491.68	60,966,160.38
<b>Total</b>	<b>874,066,663.14</b>	<b>91,327,926.63</b>	<b>91,327,926.63</b>	<b>-15,562,398.40</b>
Name Of Subsidiary	Amount Incurred In The Previous Period			
	Operating Revenue	Net Profits	Total Comprehensive Income	Cash Flows From Operating Activities
Linshui Boya Apheresis Plasma Co., Ltd.	25,291,398.05	16,149.28	16,149.28	188,283.31
Guizhou Tianan Pharmaceutical Co., Ltd.	246,039,459.36	48,896,592.26	48,896,592.26	8,271,730.74
Xinfeng Boya Apheresis Plasma Co., Ltd.	18,566,044.65	406,407.48	406,407.48	2,975,975.68
Fengcheng Boya Apheresis Plasma Co., Ltd.	20,690,108.75	-762,367.39	-762,367.39	-5,035,344.80
Yudu Boya Apheresis Plasma Co., Ltd.	24,755,242.72	794,098.40	794,098.40	-3,522,825.37
Duchang Boya Apheresis Plasma Co., Ltd.	13,813,258.21	-2,140,921.90	-2,140,921.90	503,422.68
Guangdong Fuda Pharmaceutical Co., Ltd.	85,127,100.45	3,009,425.57	3,009,425.57	-13,238,932.97
<b>Total</b>	<b>434,282,612.19</b>	<b>50,219,383.70</b>	<b>50,219,383.70</b>	<b>-9,857,690.73</b>

**(4) Major Restrictions on Use of Assets and Repayment of Debts of the Enterprise Group: No****(5) Financial or Other Support Provided to the Consolidated Structured Entity Included in the Consolidated Financial Statements: none****2 · Transactions Involving Changes in Ownership Shares in Subsidiaries and Still Controlling Subsidiaries****(1) Explanations of Changes in Subsidiaries' Ownership Shares**

In June 2018, the Company acquired 20% equity interest in Linshui Boya Apheresis Plasma Co., Ltd., held by a minority shareholder, Fuzhou Junyue Consulting Service Co., Ltd., at the price of RMB 12 million.

In June 2018, the Company acquired 20% equity interest in Xinfeng Boya Apheresis Plasma Co., Ltd., held by a minority shareholder, Beijing Seehotngshan Investment Management Co., Ltd., at the price of RMB 12 million.

In June 2018, the Company acquired 20% equity interest in Fengcheng Boya Apheresis Plasma Co., Ltd., held by Beijing Seehotngshan Investment Management Co., Ltd, a minority shareholder, at the price of RMB 12 million.

In June 2018, the Company acquired 20% equity interest in Yudu Boya Apheresis Plasma Co., Ltd., held by a minority shareholder, Beijing Puyuerong Investment Co., Ltd., at the price of RMB 12 million.

In June 2018, the Company acquired 20% equity interest in Duchang Boya Apheresis Plasma Co., Ltd., held by a minority shareholder, Puyuerong Investment Co., Ltd., at the price of RMB 12 million.

In August 2018, the Company acquired 6.325% equity interest in Guizhou Tianan Pharmaceutical Co., Ltd., held by Lv Kejian a minority shareholder, at the price of RMB 34.8151 million.

In January 2018, the Company and Mr. Liu Jianguo invested in Guangdong Fuda Pharmaceutical Co., Ltd. in cash by way of RMB 50,000,000, of which the Company's increased capital by RMB 35,400,000, and Liu Jianguo's increased capital by RMB 14,600,000. Upon completion of the capital increase, the registered capital of Guangdong Fuda Pharmaceutical Co., Ltd. was increased from RMB 30 million to RMB 80million and the Company's equity interest in Guangdong Fuda Pharmaceutical Co., Ltd. was reduced from 82% to 75%.

## (2) Impact of the Transaction on Minority Interests and Ownership Interests Attributable to the Parent Company

Unit: Chinese yuan

Items	Linshui Boya Apheresis Plasma Co., Ltd.	Fengcheng Boya Apheresis Plasma Co., Ltd.	Xinfeng Boya Apheresis Plasma Co., Ltd.	Yudu Boya Apheresis Plasma Co., Ltd.	Duchang Boya Apheresis Plasma Co., Ltd.	Guizhou Tianan Pharmaceutical Co., Ltd.	Guangdong Fuda Pharmaceutical Co., Ltd.
Purchase Cost/Disposal Consideration	12,000,000.00	12,000,000.00	12,000,000.00	12,000,000.00	12,000,000.00	34,815,060.00	35,400,000.00
Cash		12,000,000.00	12,000,000.00	12,000,000.00	12,000,000.00	28,302,322.78	35,400,000.00
Fair Value of Non-cash Assets	12,000,000.00					6,512,737.22	
Total Purchase Cost/Disposal Consideration	12,000,000.00	12,000,000.00	12,000,000.00	12,000,000.00	12,000,000.00	34,815,060.00	35,400,000.00
Less: Shares of Subsidiaries' Net Assets Pro rata to Equity Interest Acquired/Disposed	4,061,226.76	1,570,361.90	1,552,382.58	1,908,086.32	918,065.95	19,025,882.10	32,550,635.16
Difference	7,938,773.24	10,429,638.10	10,447,617.42	10,091,913.68	11,081,934.05	15,789,177.90	2,849,364.84
INCLUDING: Adjustment to Capital Reserves	7,938,773.24	10,429,638.10	10,447,617.42	10,091,913.68	11,081,934.05	15,789,177.90	2,849,364.84

## 3. Interests in Arrangements for Cooperative Operation or Associates

(1) Important Joint Ventures or Associates: none

(2) Major Financial Information of an Important Joint venture: No.

(3) Major Financial Information of Important Associates: none

(4) Consolidated Financial Information of Unimportant Joint Ventures and Associates

Unit: Chinese yuan

	Ending Balance/Amount Incurred In The Current Period	Opening Balance/Amount Incurred In The Period
Joint Venture:	--	--

The Aggregate, Pro Rata To Shareholding Percentages:	--	--
Associates:	--	--
Total Book Value Of Investments	144,163,414.53	148,483,209.33
The Aggregate, Pro Rata To Shareholding Percentages:	--	--
- Net Profits	-4,319,794.80	-5,606,290.30
- Total Comprehensive Income	-4,319,794.80	-5,606,290.30

(5) Explanation of Material Restrictions on Ability of Joint Venture or Associates to Transfer Funds to the Company: None

(6) Excessive Losses Incurred by Joint Ventures or Associates: no

(7) Unconfirmed Commitments Relating to the Investments of JVCO: None

(8) Contingent Liabilities Relating to Investments by Joint Venture or Associates: none

4. Important Joint Operations: none

5. Interest in Unconsolidated Structured Entity: none

6. Others: none

**X. Risks Relating to Financial Instrument: none of them**

## **XI. Disclosure of Fair Value**

1. Ending fair value of the assets and liabilities measured by fair value 2. Continuing and discontinuing Level 1 fair value for the determination of the market value of items measured by fair value: none

3. Continuing and discontinuing Level 2 fair value measurement items, valuation techniques and qualitative and quantitative information adopted: none

4. Continuing and discontinuing Level 3 fair value measurement items, qualitative and quantitative information adopted for valuation techniques and key parameters: none

5. Continuous Level 3 fair value measurement items, information on reconciliation between beginning and ending book value and sensitivity analysis of unobservable parameter: none

6. Continuous fair value measurement items: If any conversion occurs between levels during this period, reason for the conversion and policy to determine the time point of the conversion: none

7. Changes of valuation techniques during this period and reasons for such change: none

8. Fair value of financial assets and financial liabilities which are not measured by fair value: none

9. Others: none

## **XII. Associated Parties and Connected Transactions**

### **1. Information of the Parent Company**

Name Of Parent Company	Jurisdiction Of Incorporation	Nature Of Business	Registered Capital	Percentage Of Parent Company's Shareholding In The Company	Percentage Of Parent Company's Voting Rights On The Company
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Shenzhen GTJA Investment Group Company Limited	1501 Tianli Central Business Plaza, East of Houhai Avenue, Nanshan District, Shenzhen	Investment Management Business	RMB 283,200,000	30.95%	30.95%
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Introduction of the Company's parent company: GTJA Group is mainly engaged in direct investment in high and new technology industries and other technological innovation enterprises, entrusted to manage and operate venture capital of other venture capital companies, investment consulting business, and directly invests or participates in the construction of business incubator.

As of the date of this report, the shareholding structure of the Controlling Shareholder in GTJA Group is as follows:

Name	Capital Contribution (RMB 10,000)	Proportion
Suzhou Delai Electric Co., Ltd.	6,293.3271	22.2222%
Shenzhen Yangguang Jiarun Investment Co., Ltd.	5,000.0000	17.6554%
Shenzhen Susuda Investment Co., Ltd.	3,802.0000	13.4251%
Shenzhen Jiaxing Herun Investment Co., Ltd.	3,600.0000	12.7119%
Shenzhen Bandaowan Investment Partnership (L.P.)	2,780.6718	9.8188%
Xiamen GTJA Jingying Investment Partnership (L.P.)	2,360.0000	8.3333%
Suzhou GTJA Jingying Investment Partnership (L.P.)	2,360.0000	8.3333%
Xiamen Hefeng Jiarun Investment Partnership (L.P.)	2,124.0011	7.5000%
Total	28,320.0000	100.00%

The shareholding structure of GTJA Group is relatively decentralized, no single shareholder can actually and independently control GTJA Group directly or indirectly. GTJA Group has no controlling shareholder or actual controller. Therefore, the Company has no actual controller. Shenzhen GTJA Investment Group Company Limited is the parent company and the ultimate parent company of the Company. The ultimate controller of this enterprise is Shenzhen GTJA Investment Group Co., Ltd.

## 2. Information about its Subsidiaries

For information about its subsidiaries, please refer to the annotation "Interests in Subsidiaries".

## 3. Information about its Joint Ventures and Associates

For information about important joint ventures and associates of this enterprise, please refer to the annotation "Interests in Joint Ventures and Associates".

Other joint ventures and associates with balances formed from related-party transactions with their own headquarters in the current period or from related-party transactions with their own headquarters in the previous period are as follows: No

## 4. Information about other Related Parties

Name Of Other Related Parties	Relationship Between Other Related Parties And This Company
Jiangxi Xinxing Biotechnology Development Co., Ltd.	Shareholders of the Company
Nanchang Dazheng Chuyuan Investment Co., Ltd.	Shareholders of the Company
Shenzhen Ronghua Investment Co., Ltd.	Company Shareholders/Company Controlling Shareholder Control Company
Xu Jianxin	Shareholders of the Company/Directors of the Company

Fuzhou Borui Pharmaceutical Investment Center (L.P.)	Partnership Controlled by Executive Officers of the Company
Shenzhen Chuangrong Investment Consulting Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Beijing GTJA Assets Management Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Shenzhen Rongke Investment Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Jiangsu Kunshan GTJA Venture Capital Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Kunshan JGTJA Venture Capital Management Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Chengdu GTJA Yinke Xiangfu Investment Management Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Shenzhen Rongyuan Venture Capital Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Ruijie Software Technology (Hong Kong) Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Hefei Jiarong Venture Capital Management Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Hangzhou GTJA Equity Investment Management Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Shenzhen GTJA Yonghui Investment Partnership (L.P.)	Company Controlled by the Controlling Shareholder of the Company
Shenzhen GTJA Selected Hengfu Investment Partnership (L.P.)	Partnership Managed by the Shareholder of the Company
Shenzhen GTJA Ruijia Investment Partnership (L.P.)	Partnership Managed by the Shareholder of the Company
Shenzhen GTJA Ruifu Investment Partnership (L.P.)	Partnership Managed by the Shareholder of the Company
Shanghai GTJA Yikang Investment Partnership (L.P.)	Partnership Managed by Shareholder/Controlling Shareholder of the Company
Shenzhen GTJA Hongrui Investment Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Fuzhou Jiayi Investment Partnership (L.P.)	Company Shareholder/Company Executive Control Company
GTJA Boya Asset Management Plan	Management Plan for the Establishment of Company's Shareholder/Controlling Shareholder of the Company
Guangdong Danxia Biology Pharmaceutical Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company

## 5. Details of Connected Transactions

### (1) Related Party Transactions for Purchase and Sale of Goods, Provision and Acceptance of Services

Table of Goods Purchased/Labor Received

Unit: Chinese yuan

Affiliate	Contents Of Affiliated Transactions	Current Amount Incurred	Approved Transaction Line	Whether The Transaction Limit Is Exceeded	Amount Incurred In The Previous Period
Guangdong Danxia Bio-Pharmaceutical Co., Ltd.	Purchase and Allocated Plasma and Plasma Components	202,363,550.41	825,000,000.00	No	115,279,771.11

#### Description of Related Party Transactions for Purchase and Sale of Goods, Provision and Receipt of Services

The 6th meeting of the board of directors and the 3rd extraordinary general meeting of shareholders in 2017 have deliberated and approved the "Proposal on Purchase and Allocation of Plasma, Plasma Components and Related Party Transactions of Guangdong Danxia Bio-Pharmaceutical Co., Ltd.". For the purposes of making full use of plasma resources and alleviating the

shortage of blood products, the Company and Guangdong Danxia Bio-Pharmaceutical Co., Ltd., as an enterprise invested by Shenzhen GTJA Investment Group Co., Ltd., intended to purchase and allocate plasma and plasma components from Danxia Biology. It is expected that no more than 100 tons of raw plasma and no more than 180 tons of raw plasma will be purchased and allocated within 24 months for the production of static injection of human immunoglobulin,

No more than 400 tons of raw plasma for the production of human fibrinogen components with a total amount of no more than RMB 402 million;

On April 15, 2019, the Company held the 23rd meeting of the 6th Board of Directors, at which the Company reviewed and approved the Proposal on Purchase of Raw Plasma from Guangdong Danxia Bio-Pharmaceutical Co., Ltd. and Related Transactions, under which the Company agreed to purchase no more than 500 tons of raw plasma from Guangdong Danxia Bio-Pharmaceutical Co., Ltd. at the price of no more than RMB 1.65 million per ton and a value of no more than RMB 825 million. The Company and Danxia Biology would enter into the Raw Plasma Supply Framework Agreement, in which the Company agreed to terminate the Framework Agreement on Allocation and Sale of Plasma and Plasma Components with Danxia Biology in May 2017 and agreed to purchase Raw Plasma from Danxia Biology within 24 months following the effectiveness of this Agreement. Such proposal was still subject to the consideration and approval of the shareholders' general meeting. As of the date of issuance of the audit report, the Company failed to hold the shareholders' general meeting.

**(2) Affiliated Entrusted Management/c]Contracting, Entrusted Management/Outsourcing: none**

**(3) Related Lease: none**

**(4) Related Guarantee: none**

**(5) Funding by Affiliates: none**

**(6) Transfer of Assets and Debt Restructuring of Affiliates: none**

**(7) Key Management Staff Remuneration**

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred in the Previous Period
Key Management Staff Remuneration	8,975,000.00	4,110,000.00

**(8) Other Related Party Transactions**

The 17th meeting of the sixth board of directors, the 14th meeting of the sixth board of supervisors, and the first extraordinary general meeting of shareholders in 2018 have deliberated and adopted the Proposal on Jointly Establishing Investment Funds and Related-party Transactions with Affiliated Parties. In order to realize the Company's development strategy, integrate the resources of the pharmaceutical industry, enhance comprehensive competitiveness, and give full play to the professional investment team and financing channel resources of its controlling shareholder, Shenzhen GTJA Investment Group Co., Ltd. (hereinafter referred to as "GTJA Group"), the Company and its holding subsidiary, Jiangxi Boya Pharmaceutical Investment Co., Ltd. (or other holding companies designated by the Company), jointly established an investment fund, Tianjin Xingze Ruicheng Investment Partnership (Limited Partnership) (hereinafter referred to as "Ruicheng Investment"), with RMB 100 million self-owned capital at Beijing GTJA

Asset Management Co., Ltd., a subsidiary of GTJA Group and other parties.

In June 2018, the Company and its subsidiary, Fuzhou Boxin Pharmaceutical Technology (hereinafter referred to as Fuzhou Boxin) Co., Ltd., used RMB 100,000,000 in cash to subscribe for Ruicheng Investment RMB 100,000,000 of the registered capital of Ruicheng Investment. In July 2018, the name of Ruicheng Investment was changed to Tianjin GTJA Haihe Yifu Health Industry Investment Partnership (L.P.) ("GTJA Haihe"). In November 2018, upon friendly consultations among the partners of GTJA Haihe, the Company and its wholly-owned subsidiary, Fuzhou Boxin Pharmaceutical Technology (hereinafter referred to as the "Company"), exit from the investment fund and entered into the Exit Agreement.

## 6. Receivables and Payables from Affiliates

### (1) Items Receivable

Unit: Chinese yuan

Project name:	Affiliate	Ending Balance		Opening balance	
		Book Balance	Provision for bad debts	Book Balance	Provision for bad debts
Advance Payment – Payment for Goods	Guangdong Danxia Bio-Pharmaceutical Co., Ltd.	317,643,321.52		115,279,771.11	

### (2) Payable Items: none

## 7. Affiliates Undertake to: None

## 8. Others: none

## XIII. Shares Payment

### 1. Shares Payment in general: none

### 2. Equity-settled share-based payments: none

### 3. Shares payments settled in cash: none

### 4. Alteration or Termination of Shares Payment: none

### 5. Others: none

## XIV. Commitments and Contingencies

### 1. Important covenants: none

### 2. Contingencies

#### (1) Important Contingencies Existing on the Balance Sheet Date: none

#### (2) The Company shall also State Any Important Contingent Matters that Need to be Disclosed: No

### 3. Others: none

## XV. Events after Balance Sheet Date

### 1. Important Non-adjusting Events: none

### 2. Distribution of Profits

Unit: Chinese yuan



Profits or Dividends to be Distributed	64,998,729.45
--	---------------

The 2018 profit distribution plan of the Company was: based on the total number of 433,324,863 in share capital at the end of 2018, to distribute cash dividends in the amount of RMB 1.50 (inclusive) for every 10 shares and the total amount of cash dividends in the amount of RMB 64,998,729.45. No bonus shares shall be issued or converted into share capital in the year. As a result of implementing a share repurchase, as of the disclosure date of this announcement, the Company has repurchased 7,026,300 shares, based on the share capital of 426,298,563 shares after deducting the number of shares in the repurchase special account, cash dividends in the amount of RMB 1.5247 (inclusive) shall be distributed for every 10 shares based on the principle that the total amount of dividends remains unchanged.

### 3. Sales Returns: none

### 4. Other Matters After the Balance

Sheet Date Note: No XVI · Other

### Important Matters: none

#### 1. Correction of Accounting Errors in the Prior Period: none

(1) Retrospective Restatement: none

(2) Future Applicable Law: none

#### 2. Debt Restructuring: none

#### 3. Asset Exchange: none

(1) Exchange of Non-monetary Assets: none

(2) Other Asset Exchange: none

#### 4. Annuity Plan: none

#### 5. Discontinued Operations: none

#### 6. Division Information

##### (1) Basis for Determination of Reporting Segment and Accounting Policy

The Company reporting division is mainly divided into blood product business, diabetes pharmaceutical business, biochemical pharmaceutical business, pharmaceutical distribution business and other businesses. The relevant accounting policies shall be consistent with those of the parent company.

##### (2) Reporting Segment Financial Information

Unit: Chinese yuan

Items	Blood Product Business	Diabetes Pharmaceutical Business	Biochemical Pharmaceutical Business	Pharmaceutical Distribution Business	Other Business	Inter-segment offset	Total
Total Assets	4,471,485,244.32	432,330,221.51	548,198,212.14	265,480,114.84	646,293,890.74	1,290,637,505.50	5,073,150,178.05

Total Debt	909,653,334.20	102,724,766.92	214,415,697.58	138,025,313.84	383,368,741.33	445,572,979.29	1,302,614,874.58
Operating Revenue	903,744,438.15	319,515,729.30	702,041,990.79	554,550,933.84	5,468,590.90	34,016,840.93	2,451,304,842.05
Operating Costs	294,815,888.01	51,007,690.13	138,986,606.56	471,011,595.51	849,664.22	29,589,636.64	927,081,807.79
Net Profits	327,684,849.31	60,360,434.95	65,405,320.59	30,967,491.68	1,436,278.97	774,739.51	485,079,635.99
Net Profit Attributable To Owners Of The Parent Company	327,451,369.25	52,135,707.06	65,405,320.59	23,520,871.94	1,436,278.97	774,739.51	469,174,808.30
Net Profit Attributable To Minority Shareholders	233,480.06	8,224,727.89	—	7,446,619.74	—	—	15,904,827.69
Comprehensive Income	327,684,849.31	60,360,434.95	65,405,320.59	30,967,491.68	1,436,278.97	774,739.51	485,079,635.99
Ownership Vested In Parent	327,451,369.25	52,135,707.06	65,405,320.59	23,520,871.94	1,436,278.97	774,739.51	469,174,808.30
Total Comprehensive Income Of							
Total Comprehensive Income Attributable To Minority Shareholders	233,480.06	8,224,727.89	—	7,446,619.74	—	—	15,904,827.69

(3) If the Company does not have a reporting division, or if the Company fails to disclose the total assets and liabilities of each reporting division, it shall state the reasons: none

(4) Other Notes: none

7. Other Important Transactions and Matters Affecting the Decision of Investors: none

8. Others: none

## XVII. Notes to Key Items of Parent Company Financial Statements

### 1. Notes and Accounts Receivable

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
Notes Receivable	338,090,503.59	303,840,828.37
Accounts receivable	265,945,636.87	62,427,846.67
Total	604,036,140.46	366,268,675.04

#### (1) Notes Receivable

##### 1) Notes Receivable Classified

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
Bankers' acceptance notes	170,714,833.59	88,942,784.94
Commercial acceptance notes	170,791,500.00	214,898,043.43
Provision for bad debts of trade acceptance notes	-3,415,830.00	
Total	338,090,503.59	303,840,828.37

## 2) Notes Receivable Pledged by the Company at the end of Period

Unit: Chinese yuan

Items	Ending Pledged Amount
Bankers' acceptance notes	42,978,447.80
Total	42,978,447.80

## 3) Notes receivable that have been endorsed or discounted by the Company at the Balance Sheet Date and are not yet due at the Balance Sheet Date.

Unit: Chinese yuan

Items	Ending Confirmation Amount	Ending Confirmation Amount
Bankers' acceptance notes	26,763,503.68	
Total	26,763,503.68	

## 4) Note to be transferred to the receivables by the Company at the end of period: none

## (2) Accounts Receivable

## 1) Disclosure by Category of Accounts Receivable

Unit: Chinese yuan

Category	Ending Balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion	Amount	Accrual Percentage	
Accounts receivable that are material in amount and that are separately	3,294,909.81	1.16%	3,294,909.81	100.00%	
Receivables for which bad debt provision is made according to the combination of credit risk characteristics	280,082,567.22	98.29%	14,136,930.35	5.05%	265,945,636.87
Accounts receivable that are not material in amount but that are separately provided	1,570,346.03	0.55%	1,570,346.03	100.00%	
Total	284,947,823.06	100.00%	19,002,186.19	6.67%	265,945,636.87
Category	Opening balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion	Amount	Accrual Percentage	
Accounts receivable that are material in amount and that are separately	5,236,489.81	7.22%	5,236,489.81	100.00%	
Receivables for which bad debt provision is made according to the combination of credit risk characteristics	65,717,312.28	90.61%	3,289,465.61	5.01%	62,427,846.67
Accounts receivable that are not material in amount but that are separately provided	1,570,346.03	2.17%	1,570,346.03	100.00%	
Total	72,524,148.12	100.00%	10,096,301.45	13.92%	62,427,846.67

Accounts receivable that are material individually and that are provided at the end of period:  applicable  N/A

Unit: Chinese yuan

Ending Balance
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Accounts receivable (per unit)	Accounts receivable	Provision for bad debts	Accrual Percentage	Reasons for Provision
Minsheng Group Henan Pharmaceutical Co., Ltd.	1,108,555.00	1,108,555.00	100.00%	Anticipated Irrecoverable
Chengdu Luyan Guangfu Pharmaceutical Co., Ltd.	1,097,140.00	1,097,140.00	100.00%	Anticipated Irrecoverable
Hebei Province Supply Centre of Biotechnology Products	1,089,214.81	1,089,214.81	100.00%	Anticipated Irrecoverable
Total	3,294,909.81	3,294,909.81	--	--

Among portfolios, accounts receivable to which the provision for bad debts is made based on the aging analysis:  Applicable  Not Applicable

Unit: Chinese yuan

Aging	Ending Balance		
	Accounts receivable	Provision for bad debts	Accrual Percentage
Less than 1 years	277,426,527.07	13,871,326.35	5.00%
1 to 2 years	2,656,039.95	265,604.00	10.00%
Total	280,082,567.02	14,136,930.35	

Statement on which the combination is based:

Receivables in portfolios for which the balance percentage method is adopted to

withdraw the provision for bad debts:  Applicable  Not Applicable

Receivables in portfolios for which the provision for bad debts is adopted to

withdraw the provision for bad debts:  Applicable  Not Applicable

2) Information on the provision for bad debts made, recovered or reversed in the current period

The amount of the provision for bad debts in this period to be provided for in this period is RMB 12,025,564.74; the amount of the provision for bad debts recovered or reversed in this period is RMB 0 and the amount of the provision for bad debts written off in this period is RMB 3,119,680.00.

3) Information on accounts receivable that have been actually written off in the current period

Unit: Chinese yuan

Items	Amount written off after verification
Accounts receivable that are actually written off	3,119,680.00

Information on write-off of accounts receivable:

Unit: Chinese yuan

Company Name	Nature Of Accounts Receivable	Write-Off Amount	Reasons For Write-Off	Write-Off Procedure Performed	Whether The Payment Is Resulted From Connected Transactions
Hunan Jinzhilu Pharmaceutical Co., Ltd.	Payment for goods	3,119,680.00	Counterparty has been deregistered	Internal Control System	No
Total	--	3,119,680.00	--	--	--

Notes of accounts receivable write-off:

4) Accounts receivable that are collected by party with arrears and that are ranked in the top five in the ending balance;

The total amount of accounts receivable that are collected by party with arrears and that are ranked in the top five in the reporting period is RMB 145,994,874.00, which accounts for 51.24% of the percentage of total accounts receivable ending balances, and the total amount of the provision for bad debts made correspondingly is RMB 7,299,743.70.

5) Accounts receivable whose recognition is terminated due to financial asset transfer: none

6) Amount of the assets and liabilities created by the transfer of accounts receivable and continuous involvement in the transfer: none

## 2. Other Receivables

Unit: Chinese yuan

Items	Ending Balance	Opening Balance
Other receivables	147,813,486.17	46,764,227.64
Total	147,813,486.17	46,764,227.64

### (1) Interest receivable

1) Category of interest receivable: none

2) Material overdue interest: none

### (2) Dividends receivable

1) Dividends receivable: none

2) Important dividends receivable that are more than one year old: none

### (3) Other receivables

1) Disclosure by Category of other receivables

Unit: Chinese yuan

Category	Ending Balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion	Amount	Accrual Percentage	
Other receivables for which the provision for bad debts is made according to the combination of credit risk characteristics	148,230,242.38	100.00%	416,756.21	0.28%	147,813,486.17
Total	148,230,242.38	100.00%	416,756.21	0.28%	147,813,486.17
Category	Opening balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion	Amount	Accrual Percentage	
Other receivables for which the provision for bad debts is made according to the combination of credit risk characteristics	47,032,061.45	100.00%	267,833.81	0.57%	46,764,227.64
Total	47,032,061.45	100.00%	267,833.81	0.57%	46,764,227.64

Other receivables that are significant individually and provide for bad debts individually:  Applicable  Not Applicable

Other receivables that are provided for in accordance with aging analysis:  Applicable  Not Applicable

Unit: Chinese yuan

Aging	Ending Balance		
	Other Receivables	Provision For Bad Debts	Accrual Percentage

Less than 1 years	3,801,364.45	190,068.22	5.00%
	3,801,364.45	190,068.22	5.00%
1 to 2 years	1,254,510.88	125,451.09	10.00%
	1,254,510.88	125,451.09	10.00%
2 to 3 years	107,819.13	43,127.65	40.00%
	107,819.13	43,127.65	40.00%
Over 3 years	58,109.25	58,109.25	100.00%
	58,109.25	58,109.25	100.00%
Total	5,221,803.71	416,756.21	
	5,221,803.71	416,756.21	
Aging	Opening Balance		
	Other Receivables	Provision For Bad Debts	Accrual Percentage
Less than 1 years	4,138,525.29	206,926.26	5.00%
	4,138,525.29	206,926.26	5.00%
1 to 2 years	118,819.13	11,881.91	10.00%
	118,819.13	11,881.91	10.00%
2 to 3 years	18,972.68	7,589.07	40.00%
	18,972.68	7,589.07	40.00%
Over 3 years	41,436.57	41,436.57	100.00%
	41,436.57	41,436.57	100.00%
Total	4,317,753.67	267,833.81	
	4,317,753.67	267,833.81	

Other receivables that are provided for as a percentage of balance in the portfolio:

Applicable  Not Applicable; Other receivables that are provided for by other

methods in the portfolio:  Applicable  Not Applicable

Other receivables that are provided for bad debts in accordance with affiliate portfolios within the consolidated scope

Project Name:	Ending Balance		Opening Balance	
	Book Balance	Provision For Bad Debts	Book Balance	Provision For Bad Debts
Linshui Boya Apheresis Plasma Co., Ltd.	5,467,749.99		5,467,749.99	
Yuechi Boya Apheresis Plasma Co., Ltd.	17,006,190.07		17,006,190.07	
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	60,549,208.21		10,859,543.91	
Duchang Boya Apheresis Plasma Co., Ltd.	1,914,783.00		1,844,783.00	
Fengcheng Boya Apheresis Plasma Co., Ltd.	238,751.00		238,751.00	
Xinfeng Boya Apheresis Plasma Co., Ltd.	8,661,332.04		2,887,657.75	
Nancheng Jinshan Apheresis Plasma Co., Ltd. Guangchang Apheresis Plasma Station	2,434,183.98		2,434,183.98	
Chongren Boya Apheresis Plasma Co., Ltd. Lean Apheresis Plasma Station	2,736,240.38		1,975,448.08	
Guangdong Fuda Pharmaceutical Co., Ltd.	44,000,000.00		—	
Total	143,008,438.67		42,714,307.78	

2) Information on provisions for bad debts made, recovered or reversed in the current period

The amount of bad debts provision to be made in this period is RMB 148,922.40; and the amount of bad debts provision recovered or reversed in this period is RMB 0.

3) Other receivables actually written-off in this period: none

4) Other receivables classified by nature of payments

Unit: Chinese yuan

Nature Of Payments	Closing Book Balance	Opening Book Balance
Temporary Borrowings of Subsidiaries	143,008,438.67	42,714,307.78
Deposit	1,386,100.00	
Deposit	1,213,000.00	1,125,900.00
Private Placement Expenses		1,818,000.00
Imprest Fund	43,634.10	508,152.41
Employee Loans	2,100,000.00	
Miscellaneous	479,069.61	865,701.26
Total	148,230,242.38	47,032,061.45

5) Other receivables ranked in top five in terms of ending balance by debtor

Unit: Chinese yuan

Company Name	Nature of payment	Ending Balance	Aging	Proportion of other receivables to total ending balance	Provision for Bad Debts Ending Balance
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	Temporary Borrowings of Subsidiaries	60,549,208.21	Less than 1 years	40.85%	
Guangdong Fuda Pharmaceutical Co., Ltd.	Temporary Borrowings of Subsidiaries	44,000,000.00	Less than 1 years	29.68%	
Yuechi Boya Apheresis Plasma Co., Ltd.	Temporary Borrowings of Subsidiaries	17,006,190.07	Over 3 years	11.47%	
Xinfeng Boya Apheresis Plasma Co., Ltd.	Temporary Borrowings of Subsidiaries	8,661,332.04	Less than 2 years	5.84%	
Linshui Boya Apheresis Plasma Co., Ltd.	Temporary Borrowings of Subsidiaries	5,467,749.99	1 - 2 years	3.69%	
Total	--	135,684,480.31	--	91.54%	

6) Receivables Involving Government Grants: none

7) Other receivables the recognition of which is terminated due to financial asset transfer: none

8) The amount of the assets and liabilities created by transferring other receivables and continuous involvement in the transfer: none

### 3. Long-term Equity Investment

Unit: Chinese yuan

Items	Ending Balance			Opening Balance		
	Book Balance	Provision For Impairment	Book Value	Book Balance	Provision For Impairment	Book Value
Investment in Subsidiaries	1,471,114,418.00		1,471,114,418.00	1,339,899,358.00		1,339,899,358.00
Investment in Joint Ventures, Joint Venture	144,163,414.53		144,163,414.53	148,483,209.33		148,483,209.33
Total	1,615,277,832.53		1,615,277,832.53	1,488,382,567.33		1,488,382,567.33

#### (1) Investment in Subsidiaries

Unit: Chinese yuan

Investees	Opening balance	Current Increase	Current Reduction	Ending Balance	Current Provision	Impairment Provision
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					for Impairment	Closing Balance
Nancheng Jinshan Apheresis Plasma Co., Ltd.	10,000,000.00			10,000,000.00		
Chongren Boya Apheresis Plasma Co., Ltd.	4,592,915.00			4,592,915.00		
Jinxi Boya Apheresis Plasma Co., Ltd.	5,780,143.00			5,780,143.00		
Ganzhou Nankang Boya Apheresis Plasma Co., Ltd.	3,830,000.00			3,830,000.00		
Yuechi Boya Apheresis Plasma Co., Ltd.	5,000,000.00			5,000,000.00		
Beijing Boya Xinnuo Biotechnology Co., Ltd.	10,000,000.00			10,000,000.00		
Linshui Boya Apheresis Plasma Co., Ltd.	28,000,000.00	12,000,000.00		40,000,000.00		
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	250,000,000.00			250,000,000.00		
Xinfeng Boya Apheresis Plasma Co., Ltd.	8,000,000.00	12,000,000.00		20,000,000.00		
Fengcheng Boya Apheresis Plasma Co., Ltd.	8,000,000.00	12,000,000.00		20,000,000.00		
Yudu Boya Apheresis Plasma Co., Ltd.	8,000,000.00	12,000,000.00		20,000,000.00		
Duchang Boya Apheresis Plasma Co., Ltd.	8,000,000.00	12,000,000.00		20,000,000.00		
Nanjing Xinbai Pharmaceuticals Co., Ltd.	620,000,000.00			620,000,000.00		
Guizhou Tianan Pharmaceutical Co., Ltd.	147,576,300.00	34,815,060.00		182,391,360.00		
Guangdong Fuda Pharmaceutical Co., Ltd.	218,120,000.00	35,400,000.00		253,520,000.00		
Nanjing Boya Pharmaceutical Co., Ltd.	5,000,000.00			5,000,000.00		
Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd.		1,000,000.00		1,000,000.00		
<b>Total</b>	<b>1,339,899,358.00</b>	<b>131,215,060.00</b>		<b>1,471,114,418.00</b>		

**(2) Investment in Joint Ventures and Joint Ventures**



Unit: Chinese yuan

Investment Units	Opening Balance	Current Increase Or Decrease Or Changes							Ending Balance	Impairment Provision Closing Balance
		— Additional Investment	Reduction Of Investment	Gains Or Losses On Investments Recognized Under The Equity Method	Other Comprehensive Income Adjustment	Other Changes In Interest	Declaration Of Cash Dividends Or Profits	Provision For Impairment		
I. Joint Venture Enterprise										
II. Associated Enterprise										
Zhuji Gaote	49,102,458.64			-752,473.30						48,349,985.34
Jiarui 'an Investment Partnership (L.P.)										
Shenzhen GTJA Qianhai Youxiang Investment Partnership (L.P.)	47,809,944.06			-3,554,522.62						44,255,421.44
Shenzhen GTJA Ruibao Investment Partnership (L.P.)	51,570,806.63			-12,798.88						51,558,007.75
Subtotal	148,483,209.33			-4,319,794.80						144,163,414.53
Total	148,483,209.33			-4,319,794.80						144,163,414.53

(3) Other Notes: None

## 4. Operating Revenue &amp; Operating Costs

Unit: Chinese yuan

Items	Current Amount Incurred		Amount Incurred in the Previous Period	
	Revenues	Costs	Revenues	Costs
Principal Business	903,520,058.65	311,914,140.31	742,445,177.49	255,846,632.00
Other Business	224,379.50	52,113.29	7,762.60	
Total	903,744,438.15	311,966,253.60	742,452,940.09	255,846,632.00

## 5. Investment Income

Unit: Chinese yuan

Items	Current Amount Incurred	Amount Incurred in the Previous Period
Gains From Long-Term Equity Investments	-4,319,794.80	-5,606,290.30
Income on Investments in Bank Financial Products	18,511,205.48	
Dividend Income Of Subsidiaries	64,999,500.00	29,999,700.00
Total	79,190,910.68	24,393,409.70

6. Others: none

## XVIII. Supplementary Information

### 1. Statement of Non-recurring Profit and Loss for the Current Period

Applicable  Not Applicable

Unit: Chinese yuan

Items	Amount
Gains Or Losses On Disposal Of Non- Current Assets	-262,727.39
Government subsidies recorded in the profit and loss for the current period (excluding those government subsidies closely related to the business of the enterprise and enjoyed by the enterprise in accordance with the national unified standard or fixed amount)	15,682,162.62
Other profit and loss items consistent with the Definition of Non-recurring Profit and Loss	-4,005,945.33
Entrusted Loans and Proceeds Acquired by a Bank	18,733,945.59
Investment Income on Disposal of Long-term Equity Investment	
Less: Income Tax Impact	4,472,598.23
Impact of Minority Interests	221,932.98
Total	25,452,904.28

The Company shall give reasons for the non-recurring profit and loss items as defined in the Interpretative Announcement of Information Disclosure by Companies Offering Securities to the Public No. 1—Non-recurring Profit and Loss and for defining the non-recurring profit and loss items listed in the Interpretative Announcement of Information Disclosure by Companies Offering Securities to the Public No. 1—Non-recurring Profit and Loss as Recurring Profit and Loss,  Applicable  Not Applicable

### 2. Return on Net Assets and Earnings Per Share

Profit for the Reporting Period	Weighted Average Return on Net Assets	Earnings Per Share	
		Basic Earnings Per Share (Yuan/share)	Diluted Share (Yuan/share)
Net profits attributable to shareholders of the Company	14.44%	1.11	1.11
Net profits attributable to shareholders of the Company's ordinary shares after deducting non-recurring profit and loss	13.66%	1.05	1.05

Weighted Average Return on Net Assets

Project name:	Code	Year 2018
Net profits		469,174,808.30

Net profits net profits net of non-recurring profits and losses	P0	443,721,904.02
Net profits for the Reporting Period	NP	469,174,808.30
Opening net assets	E0	2,425,746,385.35
New net assets arising from capital increase in invested companies by Other Shareholders during the Report Period	Ei1	—
Cumulative Months from the next month following the increase of the net assets to the end of the Reporting Period	Mi1	—
New Net Assets from Issuance of New Shares during the Report Period	Ei2	989,255,998.62
Cumulative Months from the next month following the increase of the net assets to the end of the Reporting Period	Mi2	8
Distributions dividends during the Reporting Period	Ej	64,998,729.45
Cumulative Number of Month following the reduction of net assets to the end of the reporting Period	Mj	7
Decrease of Minority Interests in Reporting Period Net Assets 1	Ek1	49,989,876.49
Accumulative Months from the following month after the decrease of net assets to the end of the Reporting Period 1	Mk1	6
Decrease of Net Assets from Acquisition of Minority Interests during the Reporting Period	Ek2	2,849,364.84
Accumulative Months from the following month after the decrease of net assets to the end of the Period 2	Mk2	11
Decrease of Net Assets from Acquisition of Minority Interests during the Reporting Period 3	Ek3	15,789,177.90
Accumulative Number of Net Assets to the Period from the End of the Reporting Period 3	Mk3	4
Decrease of Net Assets from Share Repurchase during the Reporting Period 4	Ek4	45,890,427.23
Accumulative Months from the Month after the decrease of Net Assets 4	Mk4	—
Months of Reporting Period	M0	12
<b>Weighted Average Return on Net Assets (%)</b>		<b>14.44</b>
<b>Weighted Average Return on Net Assets after Deducting Non-recurring Profits and Losses (%)</b>		<b>13.66</b>

Weighted Average Return on Net Assets =  $P0 / (E0 + NP \div 2 + Ei \times Mi \div M0 - Ej \times Mj \div M0 \pm Ek \times Mk \div M0)$

### 3. Difference of Accounting Data under Domestic and Foreign Accounting Standards

(1) Difference between the net profits and net assets in the financial statements disclosed in accordance with IAS and PRC GAAP: None

(2) Difference between the net profits and net assets in accordance with foreign accounting standards and that disclosed in accordance with PRC GAAP at the same time: None

(3) Reason for difference of accounting data under domestic and foreign accounting standards. If difference adjustment is made to the data audited by overseas auditing institutions, the name of the overseas auditing institutions shall be indicated: None

4. Others: None

**3. Audited Consolidated Financial Statements For The Year Ended 31 December  
2019**

## Section XII

### Financial Reports

#### I. Audit Report

Text of Audit Report

#### II. Financial Statements

Unit of the financial notes: Chinese yuan

##### 1. Consolidated Balance Sheet

Prepared by: Boya Bio-pharmaceutical Group Co., Ltd

December 31, 2019

Unit: Chinese yuan

Item	December 31, 2019	December 31, 2018
Current Assets:		
Monetary Funds	568,749,271.48	1,193,391,678.66
Settlement Provision		
Lending Money		
Transactional Financial Assets		
Financial Assets Measured At Fair Values And Of Which The Changes Are Recorded As Current Profits And Losses		
Derivative Financial Assets		
Notes Receivable	164,431,443.50	356,393,706.64
Accounts Receivable	615,098,656.58	542,794,149.70
Receivables Financing	190,612,082.01	
Advance Payment	836,380,835.00	324,321,968.50
Premium Receivable		
Reinsurance Receivable		
Reinsurance Contract Reserve Receivable		
Other Receivables	39,312,820.16	7,388,490.92
Including: Interest Receivable		
Dividends Receivable		
Purchase Of Resale Financial Assets		
Inventories	621,400,248.25	604,432,392.50
Contract Assets		
Holdings Of Assets For Sale		
Non-Current Assets Maturing Within One Year		
Other Current Assets	16,998,035.48	18,168,097.91
Total Current Assets	3,052,983,392.46	3,046,890,484.83

## Full text of 2019 Annual Report of Boya Bio-pharmaceutical Group Co., Ltd

Non-Current Assets:		
Advance Of Loans And Advances		
Debt Investment		
Financial Assets Available For Sale		
Other Investments		
Investments Held Until Maturity		
Long-Term Receivables		
Long-Term Equity Investments	133,340,087.97	144,163,414.53
Other Equity Instruments Investment		
Other Non-Current Financial Assets		
Investment Properties		
Fixed Assets	720,254,464.50	775,727,434.99
Construction-In-Progress	94,546,219.67	79,299,306.42
Productive Biological Assets		
Oil And Gas Assets		
Access Assets		
Intangible Assets	175,614,920.13	163,351,268.06
Development Expenditures	105,099,110.42	71,774,192.74
Goodwill	663,841,978.78	663,841,978.78
Long-Term Deferred Expenses	55,907,389.96	56,670,626.44
Deferred Income Tax Assets	26,001,986.81	16,146,592.60
Other Non-Current Assets	229,101,050.48	55,284,878.66
Total Non-Current Assets	2,203,707,208.72	2,026,259,693.22
Total Assets	5,256,690,601.18	5,073,150,178.05
Current Liabilities:		
Short-Term Borrowing	256,832,525.00	95,000,000.00
Loans Borrowed From The Central Bank		
Borrowed Monies		
Transactional Financial Indebtedness		
Financial Liabilities Measured At Fair Values Through Current Profits And Losses		
Derivative Financial Indebtedness		
Notes Payable	78,723,975.84	82,771,895.45
Accounts Payable	171,949,104.39	194,782,067.95
Advance Receipts	15,142,194.49	22,961,769.75
Contractual Liabilities		
Sale Of Repurchased Financial Assets		
Absorption Of Deposits And Interbank Deposits		
Agency Payment For Securities Purchase And Sale		
Underwriting Monies Of Securities		
Staff Remuneration Payable	70,901,724.36	57,762,286.91
Taxes Payable	50,355,916.30	83,103,389.99
Other Payables	215,047,702.25	209,187,771.79
Where: Interest Payable		

## Full text of 2019 Annual Report of Boya Bio-pharmaceutical Group Co., Ltd

Dividends Payable		
Charges And Commission Payable		
Reinsurance Accounts Payable		
Holdings Of Indebtedness To Be Sold		
Non-Current Liabilities Due Within One Year	97,556,154.75	61,500,000.00
Other Current Liabilities		
Total Current Liabilities	956,509,297.38	807,069,181.84
Non-Current Liabilities:		
Reserve For Insurance Contracts		
Long-Term Borrowing	269,000,000.00	450,000,000.00
Bonds Payable		
Where: Preferred Shares		
Perpetual Debt		
Lease Liabilities		
Long-Term Payables		
Long-Term Remuneration Payable		
Estimated Liabilities		
Deferred Income	35,765,015.00	38,280,011.00
Deferred Income Tax Liabilities	6,829,571.27	7,265,681.74
Other Non-Current Liabilities		
Total Non-Current Liabilities	311,594,586.27	495,545,692.74
Total Liabilities	1,268,103,883.65	1,302,614,874.58
Ownership Interest:		
Share Capital	433,324,863.00	433,324,863.00
Other Equity Instruments		
Where: Preferred Shares		
Perpetual Debt		
Capital Reserves	1,946,866,631.66	1,946,866,631.66
Less: Treasury Shares	199,963,593.69	45,890,427.23
Other Comprehensive Income		
Special Reserves		
Surplus Reserves	176,059,400.15	140,444,254.54
Provision For Risks		
Undistributed Profits	1,555,447,227.36	1,229,914,294.39
Total Ownership Interest Vested In Parent Company	3,911,734,528.48	3,704,659,616.36
Minority Interest	76,852,189.05	65,875,687.11
Total Ownership Interest	3,988,586,717.53	3,770,535,303.47
Total Indebtedness And Ownership Interest	5,256,690,601.18	5,073,150,178.05

Legal Representative: Liao Xinxin Person in charge of accounting: Tu Yanshi Head of Accounting: Wei Yuanxin

**2. Balance Sheet of the Parent Company**

Unit: Chinese yuan

Item	December 31, 2019	December 31, 2018
<b>Current Assets:</b>		
Monetary Funds	516,241,124.57	1,128,406,586.19
Transactional Financial Assets		
Financial Assets Measured At Fair Values And Of Which The Changes Are Recorded As Current Profits And Losses		
Derivative Financial Assets		
Notes Receivable	164,431,443.50	338,090,503.59
Accounts Receivable	324,515,738.83	265,945,636.87
Receivables Financing	140,907,901.16	
Advance Payment	836,513,881.40	340,730,129.40
Other Receivables	318,625,517.62	147,813,486.17
Including: Interest Receivable		
Dividends Receivable		
Inventories	448,970,639.68	423,726,476.30
Contract Assets		
Holdings Of Assets For Sale		
Non-Current Assets Maturing Within One Year		
Other Current Assets		
<b>Total Current Assets</b>	<b>2,750,206,246.76</b>	<b>2,644,712,818.52</b>
<b>Non-Current Assets:</b>		
Debt Investment		
Financial Assets Available For Sale		
Other Debt Investments		
Investments Held Until Maturity		
Long-Term Receivables		
Long-Term Equity Investments	1,604,454,505.97	1,615,277,832.53
Other Equity Instruments Investments		
Other Non-Current Financial Assets		
Investment Properties		
Fixed Assets	154,828,694.18	172,050,052.18
Construction-In-Progress	42,959,611.40	38,734,813.50
Productive Biological Assets		
Oil And Gas Assets		
Access Assets		
Intangible Assets	12,588,049.07	11,835,300.26
Development Expenditures	43,833,493.79	36,503,044.23
Goodwill		
Long-Term Deferred Expenses	40,730,036.24	45,230,297.37
Deferred Income Tax Assets	9,952,350.67	8,376,172.11
Other Non-Current Assets	195,563,860.72	9,992,492.91
<b>Total Non-Current Assets</b>	<b>2,104,910,602.04</b>	<b>1,938,000,005.09</b>



Full text of 2019 Annual Report of Boya Bio-pharmaceutical Group Co., Ltd

Total Assets	4,855,116,848.80	4,582,712,823.61
Current Liabilities:		
Short-Term Borrowing	200,257,858.33	95,000,000.00
Transactional Financial Indebtedness		
Financial Liabilities Measured At Fair Values Through Current Profits And Losses		
Derivative Financial Indebtedness		
Notes Payable	74,807,095.28	29,671,375.46
Accounts Payable	80,274,965.52	60,169,115.43
Advance Receipts	1,295,419.58	16,290,439.91
Contractual Liabilities		
Staff Remuneration Payable	20,862,134.19	28,129,333.43
Taxes Payable	22,876,728.56	58,137,631.34
Other Payables	451,816,267.66	331,214,151.03
Where: Interest Payable		
Dividends Payable		
Holdings Of Indebtedness To Be Sold		
Non-Current Liabilities Due Within One Year	17,246,010.42	11,500,000.00
Other Current Liabilities		
Total Current Liabilities	869,436,479.54	630,112,046.60
Non-Current Liabilities:		
Long-Term Borrowing	159,000,000.00	260,000,000.00
Bonds Payable		
Where: Preferred Shares		
Perpetual Debt		
Lease Indebtedness		
Long-Term Payables		
Long-Term Remuneration Payable		
Estimated Liabilities		
Deferred Income	32,350,000.00	35,350,000.00
Deferred Income Tax Liabilities		
Other Non-Current Liabilities		
Total Non-Current Liabilities	191,350,000.00	295,350,000.00
Total Liabilities	1,060,786,479.54	925,462,046.60
Ownership Interest:		
Share Capital	433,324,863.00	433,324,863.00
Other Equity Instruments		
Where: Preferred Shares		
Perpetual Debt		
Capital Reserves	2,122,716,277.43	2,122,716,277.43
Less: Treasury Shares	199,963,593.69	45,890,427.23
Other Comprehensive Income		
Special Reserves		
Surplus Reserves	176,059,400.15	140,444,254.54

Undistributed Profits	1,262,193,422.37	1,006,655,809.27
Total Ownership Interest	3,794,330,369.26	3,657,250,777.01
Total Indebtedness And Ownership Interest	4,855,116,848.80	4,582,712,823.61

### 3. Consolidated income statement

Unit: Chinese yuan

Item	Year 2019	Year 2018
I. Gross Operating Revenue	2,908,769,255.35	2,451,304,842.05
Where: Operating Revenue	2,908,769,255.35	2,451,304,842.05
Interest Income		
Premiums Earned		
Handling Fees And Commission Income		
II. Total Operating Cost	2,395,722,269.30	1,886,591,660.12
Where: Operating Cost	1,124,418,425.84	927,081,807.79
Interest Expense		
Handling Fees And Commission Expenses		
Surrender Value		
Net Loss Expenses		
Net Reserve For Insurance Liability Contracts		
Expense For Policy Dividends		
Reinsurance Expenses		
Taxes And Charges	21,071,398.46	22,850,066.76
Sales Expenses	962,813,604.74	754,459,722.97
Management Expenses	177,270,052.53	129,498,214.07
Research and Development Expenses	92,758,004.28	45,057,068.34
Finance Expenses	17,390,783.45	7,644,780.19
Where: Interest Expense	30,760,165.32	23,977,807.16
Interest Income	13,932,954.40	16,592,049.49
Plus: Other Income	8,893,291.82	3,968,162.62
Investment Income (Loss To Be Inserted With "-")	130,686.24	14,414,150.79
Including: Income On Investments In Associates And Joint Ventures	-3,948,300.93	-4,319,794.80
Termination Recognition Income On Financial Assets Measured At Amortized Cost		
Exchange Income (Loss To Be Inserted With Sign "-")		
Net Exposure Hedging Income (Loss To Be Inserted With Sign "-")		
Income From Changes In Fair Value (Loss To Be Inserted With Sign "-")		
Credit Impairment Loss (Loss To Be Inserted With Sign)	-7,729,203.26	
Asset Impairment Loss (Loss To Be Inserted With Sign "-")	-1,663,324.60	-18,296,693.46
Proceeds On Disposal Of Assets (Loss To Be Inserted With Sign "-")	1,437,350.71	-262,727.39
III. Operating Profit (Loss To Be Inserted With Sign "-")	514,115,786.96	564,536,074.49

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Plus: Non-Operating Income	10,398,164.54	13,150,695.92
Less: Non-Operating Expenses	4,475,615.36	5,442,641.25
IV. Total Profits (Total Losses Shall Be Filled With The Symbol "-")	520,038,336.14	572,244,129.16
Less: Income Tax Expense	77,915,058.28	87,164,493.17
V. Net Income (Net Loss To Be Inserted With Sign "-")	442,123,277.86	485,079,635.99
(I) Classification By Continuity Of Operation		
1. Net Profit From Continuing Operations (Net Loss To Be Inserted With Sign "-")	442,123,277.86	485,079,635.99
2. Net Profit From Discontinued Operations (Net Loss To Be Inserted With Sign "-")		
(II) Classification By Ownership		
1. Net Profit Attributable To Owners Of The Parent Company	426,146,775.92	469,174,808.30
2. Minority Profits Or Losses	15,976,501.94	15,904,827.69
VI. Net After-Tax Of Other Comprehensive Income		
Net After-Tax Of Other Comprehensive Income Attributable To Owners Of The Parent Company		
(I) Other Comprehensive Income That Cannot Be Reclassified As Profit Or Loss		
1. Re-measurement Of Changes In Defined Benefit Plan		
2. Other Comprehensive Income That Cannot Be Realizable Under The Equity Method		
3. Changes In Fair Value Of Other Equity Instrument Investments		
4. Changes In Fair Value Of The Enterprise's Own Credit Risk		
5. Miscellaneous		
(II) Other Comprehensive Income To Be Reclassified As Profit Or Loss		
1. Other Comprehensive Income Available For Gains Or Losses Under The Equity Method		
2. Changes In Fair Value Of Other Debt Investments		
3. Profits Or Losses On Changes In Fair Value Of Saleable Financial Assets		
4. Amount Included In Other Comprehensive Income In The Reclassification Of Financial Assets		
5. Investments Held Until Maturity Have Been Reclassified As Saleable Financial Assets Profit Or Loss		
6. Provision For Other Debt Investment Credit Impairment		
7. Cash Flow Hedging Reserve		
8. Translation Of Foreign Currency Financial Statements		
9. Miscellaneous		
Net After-Tax Of Other Comprehensive Income Attributable To Minority Shareholders		
VII. Total Comprehensive Income	442,123,277.86	485,079,635.99
Total Comprehensive Income Attributable To Owners Of The Parent Company	426,146,775.92	469,174,808.30
Total Comprehensive Income Attributable To Minority Shareholders	15,976,501.94	15,904,827.69

VIII. Earnings Per Share:		
(I) Basic Earnings Per Share	1.000	1.110
(II) Diluted Earnings Per Share	1.000	1.110

In the case of a merger of enterprises under common control during the period, the net profit of the merged party (parties) before the merger is: RMB 0 and the net profit of the merged party (parties) for the prior period is: RMB 0.

Legal Representative: Liao Xinxin Person in charge of accounting: Tu Yanshi Head of Accounting: Wei Yuanxin

#### 4. Income statement of parent company

Unit: Chinese yuan

Item	Year 2019	Year 2018
I. Operating Revenue	1,034,439,254.28	903,744,438.15
Less: Operating Costs	358,377,524.23	311,966,253.60
Taxes And Charges	5,230,854.09	5,055,438.61
Sales Expenses	213,745,002.09	107,033,189.48
Management Expenses	64,671,960.72	58,229,627.57
Research and Development Expenses	65,636,147.65	22,444,362.99
Finance Expenses	7,572,826.21	12,749,262.98
Where: Interest Expense	20,196,965.64	24,833,158.72
Interest Income	12,982,892.98	12,157,785.84
Plus: Other Income	7,217,772.87	2,688,405.33
Investment Income (Loss To Be Inserted With "-")	74,988,820.99	79,190,910.68
Including: Income On Investments In Associates And Joint Ventures	-3,948,300.93	-4,319,794.80
Termination Recognition Gain On Financial Assets Measured At Amortized Cost (Losses To Be Inserted With "-")		
Net Exposure Hedging Gain (Loss To Be Inserted With "-")		
Income From Changes In Fair Value (Loss To Be Inserted With Sign "-")		
Credit Impairment Loss (Loss To Be Inserted With "-")	-6,579,282.24	
Asset Impairment Loss (Loss To Be Inserted With "-")		-15,590,317.14
Proceeds On Disposal Of Assets (To Be Inserted With "-")	288.67	4,710.38
II. Operating Profit (Loss To Be Inserted With "-")	394,832,539.58	452,560,012.17
Plus: Non-Operating Income	8,303,187.24	10,257,100.00
Less: Non-Operating Expenses	3,991,757.20	5,016,136.12
III. Total Profits (Total Losses Shall Be Filled With The Symbol "-")	399,143,969.62	457,800,976.05
Less: Income Tax Expense	42,992,513.57	57,851,970.36
IV. Net Profit (Net Loss Shall Be Filled With "-")	356,151,456.05	399,949,005.69
(I) Net Profit From Continuing Operations (Net Loss To Be Inserted With "-")	356,151,456.05	399,949,005.69
(II) Net Profit From Discontinued Operations (Net Loss To Be Filled With "-")		
V. Net After-Tax Amount Of Other Comprehensive Income		
(I) Other Comprehensive Income That Cannot Be Reclassified As Profit Or Loss		

1. Re-measurement Of Changes In Defined Benefit Plan		
2. Other Comprehensive Income That Cannot Be Realizable Under The Equity Method		
3. Changes In Fair Value Of Other Equity Instrument Investments		
4. Changes In Fair Value Of Enterprise's Own Credit Risk		
5. Miscellaneous		
(II) Other Comprehensive Income To Be Reclassified As Profit Or Loss		
1. Other Comprehensive Income Available For Gains Or Losses Under The Equity Method		
2. Changes In Fair Value Of Other Debt Investments		
3. Gains And Losses On Changes In Fair Value Of Saleable Financial Assets		
4. Amount Included In Other Comprehensive Income After Reclassification Of Financial Assets		
5. Investments Held Until Maturity Have Been Reclassified As Saleable Financial Assets		
Profit Or Loss		
6. Provision For Other Debt Investment Credit Impairment		
7. Cash Flow Hedging Reserve		
8. Translation Difference Of Foreign Currency Financial Statements		
9. Miscellaneous		
VI. Total Comprehensive Income	356,151,456.05	399,949,005.69
VII. Earnings Per Share:		
(I) Basic Earnings Per Share		
(II) Diluted Earnings Per Share		

## 5. Consolidated Cash Flow Statement

Unit: Chinese yuan

Item	Year 2019	Year 2018
I. Cash Flow Generated From Operating Activities:		
Cash Received From Goods Sold And Services Rendered	2,666,079,314.97	2,096,434,558.93
Net Increase In Customer Deposits And Interbank Deposits		
Net Increase In Borrowing From Central Bank		
Net Increase Of Borrowed Funds From Other Financial Institutions (Omitted)		
Cash Received From Premium Received On Original Insurance Contracts		
Net Cash Received From Reinsurance		
Net Increase Of Policyholder Deposits And Investment Amounts		
Cash To Collect Interests, Charges And Commissions		
Net Increase In Funds Borrowed		
Net Increase In Funds Of Repurchase		
Net Cash Proceeds From Securities Transactions		

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Refunds Of Taxes And Fees Received		
Other Cash Receipts In Relation To Operating Activities	40,356,836.79	64,017,809.17
Sub-Total Cash Inflows From Operating Activities	2,706,436,151.76	2,160,452,368.10
Cash For Goods Purchased Or Services Received	1,236,399,959.40	883,760,639.26
Net Increase In Customer's Loans And Advances		
Net Increase In Deposits With Central Bank And Interbank Deposits		
Cash To Pay Indemnities Under Original Insurance Contracts		
Net Increase In Loans		
Cash For Payments Of Interests, Charges And Commissions		
Cash To Pay Policy Dividends		
Cash Payments To And For Employees	259,828,121.38	233,987,348.70
Taxes And Fees Paid	265,878,903.58	244,836,138.92
Other Cash Payments In Relation To Operating Activities	1,058,841,759.13	762,965,514.75
Sub-Total Of Cash Outflows From Operating Activities	2,820,948,743.49	2,125,549,641.63
Net Cash Flow From Operating Activities	-114,512,591.73	34,902,726.47
II. Cash Flow Activities:		
Cash Received From Cash Return Of Investments	6,743,062.40	100,000,000.00
Cash Received From Proceeds Of Investments	131,963.23	
Net Cash Received On Disposal Of Fixed Assets, Intangible Assets And Other Long Term Assets	3,767,295.45	241,867.58
Net Cash Received On Disposition Of Subsidiaries And Other Business Units		
Other Cash Received In Relation To Investing Activities	747,148,987.17	1,409,703,945.59
Sub-Total Of Cash Inflows From Activities	757,791,308.25	1,509,945,813.17
Cash Payments For Construction of Fixed Assets, Intangible Assets And Other Long-Term Assets	88,613,005.41	113,900,370.98
Cash Payments For Investments	199,212,737.22	214,984,510.77
Net Pledge Loan Increase		
Net Cash Payments For Acquisition Of Subsidiaries And Other Business Units		
Other Cash Payments In Relation To Investment Activities	743,070,000.00	1,390,970,000.00
Sub-Total Of Cash Outflows From Investing Activities	1,030,895,742.63	1,719,854,881.75
Net Cash Flow From Investing Activities	-273,104,434.38	-209,909,068.58
III. Cash Flow Arising From Financing Activities:		
Cash Received From Absorbing Investments		1,013,673,998.62
Including: Cash Received By Subsidiaries From Minority Investments		22,600,000.00
Cash Receipts From Borrowings	1,260,910,000.00	425,000,000.00
Cash Receipts In Relation To Other Financing Activities		710,485.42
Sub-Total Of Cash Inflow From Financing Activities	1,260,910,000.00	1,439,384,484.04
Cash Payments For Repayment Of Indebtedness	1,244,850,000.00	345,645,000.00
Cash Payments For Distribution Of Dividends, Profits Or Interest Payments	99,578,607.65	200,699,202.68
Including: Dividends And Profits Paid To Minority Shareholders By Subsidiaries	5,000,000.00	99,000,000.00

Cash Payments In Relation To Financing Activities	154,073,166.46	45,890,427.23
Sub-Total Of Cash Outflow From Financing Activities	1,498,501,774.11	592,234,629.91
Net Cash Flow From Financing Activities	-237,591,774.11	847,149,854.13
IV. Effect Of Change In Exchange Rate On Cash And Cash Equivalents		
V. Net Increase In Cash And Cash Equivalents	-625,208,800.22	672,143,512.02
Plus: Opening Cash And Cash Equivalents Balance	1,163,298,260.33	491,154,748.31
VI. Ending Balance Of Cash And Cash Equivalents	538,089,460.11	1,163,298,260.33

## 6. Cash Flow Statement of Parent Company

Unit: Chinese yuan

Item	Year 2019	Year 2018
I. Cash Flow generated from Operating Activities:		
Cash Received from Goods Sold and Services Rendered	968,696,853.01	634,158,000.41
Refunds of Taxes and Fees Received		
Other cash receipts in relation to Operating Activities	157,140,811.91	306,626,972.80
Sub-Total Cash Inflows from Operating Activities	1,125,837,664.92	940,784,973.21
Cash for Goods Purchased or Services Received	728,985,948.98	496,908,396.60
Cash Payments to and for Employees	91,702,210.41	94,342,359.01
Taxes and Fees paid	116,206,332.55	73,161,335.70
Other Cash Payments in Relation to Operating Activities	443,282,904.50	244,602,186.96
Sub-Total of Cash Outflows from Operating Activities	1,380,177,396.44	909,014,278.27
Net cash flow from operating activities	-254,339,731.52	31,770,694.94
II. Cash Flow Activities:		
Cash Received from Cash Return of Investments	6,743,062.40	99,000,000.00
Cash Received from Proceeds of Investments	75,131,363.23	64,999,500.00
Net Cash Received on Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	29,639.16	53,010.30
Other Cash Received in Relation to Investing Activities	204,937,721.92	798,511,205.48
Sub-Total of Cash Inflows from Activities	286,841,786.71	962,563,715.78
Cash Payments for Construction of Fixed Assets, Intangible Assets and Other Long-term Assets	29,521,882.00	19,331,318.65
Cash Payments for Investments	199,212,737.22	250,384,510.77
Net Cash Payments for Acquisition of Subsidiaries and Other Business Units		
Other Cash Payments in relation to Investment Activities	201,000,000.00	780,000,000.00
Sub-Total of Cash Outflows from Investing Activities	429,734,619.22	1,049,715,829.42
Net Cash Flow from Investing Activities	-142,892,832.51	-87,152,113.64
III. Cash Flow arising from Financing Activities:		
Cash Received from Absorbing Investments		991,073,998.62
Cash Receipts from Borrowings	1,002,000,000.00	425,000,000.00
Cash Receipts in Relation to Other Financing Activities		
Sub-Total of Cash Inflow from Financing Activities	1,002,000,000.00	1,416,073,998.62

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Cash Payments for Repayment of Indebtedness	992,500,000.00	293,500,000.00
Cash Payments for Distribution of Dividends, Profits or Interest Payments	79,559,731.13	88,329,967.27
Cash Payments in Relation to Financing Activities	154,073,166.46	45,890,427.23
Sub-Total of Cash Outflow from Financing Activities	1,226,132,897.59	427,720,394.50
Net Cash Flow from Financing Activities	-224,132,897.59	988,353,604.12
IV. Effect of Change in Exchange Rate on Cash and Cash Equivalents		
V. Net Increase in Cash and Cash Equivalents	-621,365,461.62	932,972,185.42
Plus: Opening Cash and Cash Equivalents Balance	1,128,406,586.19	195,434,400.77
VI. Ending Balance of Cash and Cash Equivalents	507,041,124.57	1,128,406,586.19



7. Consolidated Statement of Changes in Ownership Equity

Unit: Chinese yuan

Item	Year 2019											Total Ownership Interest		
	Ownership Interest vested in Parent Company													
	Share capital	Other Equity Instruments			Capital Reserves	Less: Treasury Shares	Miscellaneous Income	Exclusive Reserves	Surplus Reserves	General Reserve	Undistributed Profits		Subtotal	Minority Rights Benefits
	Prefe red Sha res	Perpe tual Debt	Mis cell ane ous											
I. Balance At End Of Previous Year	433,324,863.00				1,946,866,631.66	45,890,427.23			140,444,254.54		1,229,914,294.39	3,704,659,616.36	65,875,687.11	3,770,535,303.47
Plus: Accounting Policies Changes														
Prior Period Difference Correction Of Errors														
Merger Of Enterprises Under Common Control														
Miscellaneous														
II. Balance At Beginning Of Year	433,324,863.00				1,946,866,631.66	45,890,427.23			140,444,254.54		1,229,914,294.39	3,704,659,616.36	65,875,687.11	3,770,535,303.47
III. Amount Of Change & Increase/Decrease In Current Period (Fill In With "-" For Decrease)						154,073,166.46			35,615,145.61		325,532,932.97	207,074,912.12	10,976,501.94	218,051,414.06
(f) Total Comprehensive											426,146,775.92	426,146,775.92	15,976,501.94	442,123,277.86











## 8. Statement of Changes in Ownership Equity of Parent Company

Unit: Chinese yuan

Item	Year 2019											
	Share capital	Other Equity Instruments			Capital Reserves	Less: Treasury Shares	Other Comprehensive Receipts	Special Storage Prepare	Surplus Reserves	Undistributed Profits	Its He	Total Ownership Interest
		Preferr ed Shares	Perpetual Debt res	Miscellaneous								
I. Balance At End Of Previous Year	433,324,863.00				2,122,716,277.43	45,890,427.23			140,444,254.54	1,006,655,809.27		3,657,250,777.01
Plus: Changes In Accounting Policy												
Previous Period Error Correction												
Miscellaneous												
II. Balance at Beginning of Year	433,324,863.00				2,122,716,277.43	45,890,427.23			140,444,254.54	1,006,655,809.27		3,657,250,777.01
III. Amount of Change & Increase/Decrease in Current Period (insert decrease with "-")						154,073,166.46			35,615,145.61	255,537,613.10		137,079,592.25
(I) Total comprehensive income										356,151,456.05		356,151,456.05
(II) Input and Reduction of Capital by Owner												
1. Common Shares Invested by Owner												
2. Capital Contributed by Other Equity Instrument Holder												
3. Amount Included in Ownership Interest in Share Payment												
4. Miscellaneous												
(III) Profit Distribution												
1. Withdrawal of Surplus Reserves									35,615,145.61	-100,613,842.95		-64,998,697.34
2. Distributions to Owner (or Shareholder)									35,615,145.61	-35,615,145.61		-64,998,697.34
3. Miscellaneous												





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III. Amount of Change & Increase/Decrease in Current Period (insert decrease with "-")	32,247,662.00					45,890,427.23			39,994,900.57	294,955,375.67	1,278,315,847.63
(I) Total comprehensive income										399,949,005.69	399,949,005.69
(II) Input and Reduction of Capital by Owner	32,247,662.00		957,008,336.62								989,255,998.62
1. Common Shares Invested by Owner	32,247,662.00		957,008,336.62								989,255,998.62
2. Capital Contributed by Other Equity Instrument Holder											
3. Amount Included in Ownership Interest in Share Payment											
4. Miscellaneous											
(III) Profit Distribution									39,994,900.57	-104,993,630.02	-64,998,729.45
1. Withdrawal of Surplus Reserves									39,994,900.57	-39,994,900.57	
2. Distributions to Owner (or Shareholder)										-64,998,729.45	-64,998,729.45
3. Miscellaneous											
(IV) Carry-Forward of Ownership Interest						45,890,427.23					-45,890,427.23
1. Conversion of Capital Reserves to Capital (or Share Capital)											
2. Conversion of Surplus Reserves to Increase Capital (Share Capital)											
3. Making up of Losses by Surplus Reserves											
4. Carry-Forward of Retained Earnings by Changes in Defined Benefit Plan											
5. Carry-Forward of Retained Earnings											
6. Miscellaneous						45,890,427.23					-45,890,427.23
(V) Special Reserves											
1. Current Withdrawal											
2. Current Use											
(VI) Miscellaneous											
IV. Balance at End of Current Period	433,324,863.00		2,122,716,277.43			45,890,427.23			140,444,254.54	1,006,655,809.27	3,657,250,777.01

### III. Basic Information of the Company

#### 1. History

Boya Biopharmaceutical Group Limited Corporation, which was renamed from Jiangxi Boya Biopharmaceutical Co., Ltd. while Jiangxi Boya Biopharmaceutical Co., Ltd. was wholly restructured from Jiangxi Boya Biopharmaceutical Co., Ltd. (hereinafter referred to as the "Company" or "the Company"). The Company was established on November 6, 1993 in the form of joint capital contribution made by the Department of Health of Jiangxi Province, the Bureau of Health of Fuzhou Prefecture, and the Bureau of Health of Fuzhou City (presently Linchuan District) with a registered capital of RMB 10 million. Among them, the Department of Health of Jiangxi Province shall contribute RMB 1 million, accounting for 10.00% of the registered capital, the Bureau of Health of Fuzhou Prefecture shall contribute RMB 2 million, accounting for 20.00% of the registered capital, and the Bureau of Health of Fuzhou City Prefecture shall contribute RMB 7 million, accounting for 70.00% of the registered capital.

In accordance with the Notice on Transferring the Shares of Boya Company Held by the Former Fuzhou Bureau of Health to the State-owned Assets Supervision and Administration Bureau (Linfu Zi) promulgated by the People's Government of Linchuan City on January 19, 2000 (Linchuan Government Notice [2000] No. 12),

All of the 70.00% of the shares of Bureau of Health of Fuzhou City were transferred to Linchuan State-owned Assets Supervision and Administration Bureau.

On April 2, 2000, the shareholders' meeting of the Company deliberated and approved that the Department of Health of Jiangxi Province and the Fuzhou Prefectural Health Bureau transferred all of their shares in the Company. The Department of Health of Jiangxi Province transferred 6.65%, 1.35% and 2.00% of the registered capital respectively to Jiangxi Industrial Investment Company, Linchuan State-owned Assets Supervision and Administration Bureau, and Linchuan Chuangxin Technology Development Co., Ltd., while the Fuzhou Prefectural Health Bureau transferred all of the 20.00% of the registered capital held by it to Linchuan Chuangxin Technology Development Co., Ltd.

On April 26, 2000, the shareholders' meeting of the Company deliberated and approved that the Linchuan State-owned Assets Supervision and Administration Bureau transferred part of its shares, including: a 7.98% of the registered capital was transferred to Jiangxi Linchuan Liquor Co., Ltd., a 6.65% of the registered capital was transferred to Linchuan Xingxin Medical Instrument Co., Ltd., and a 2.66% of the registered capital was transferred to the Institute of Biophysics of the CAS.

On September 18, 2000, the shareholders' meeting of the Company deliberated and approved that the Linchuan State-owned Assets Supervision and Administration Bureau, Linchuan Chuangxin Technology Development Co., Ltd., Jiangxi Linchuan Liquor Co., Ltd., Jiangxi Industrial Investment Co., Ltd. and Linchuan Xingxin Medical Instrument Co., Ltd. transferred all of their shares respectively. Specifically, the Linchuan State-owned Assets Supervision and Administration Bureau transferred 50.01% of the registered capital to Beijing Ruize Network Sales Co., Ltd., and 4.05% of the registered capital to CITIC Hainan Pharmaceutical Industry Co., Ltd., Linchuan Chuangxin Technology Development Co., Ltd. transferred 20.00% of the registered capital to Beijing Yatai Technology Development Co., Ltd. and a 4.05% of the registered capital, and 2.00% of the shares were transferred to Shenzhen Tsinghua Technology Development Co., Ltd., and Jiangxi Linchuan Liquor Co., Ltd. transferred its 7.98% of the registered capital to Shenzhen Tsinghua Technology Development Co., Ltd., and Jiangxi Industrial Investment Co., Ltd. transferred its 6.65% of the registered capital to Shanghai Jujiao Enterprise Development Co., Ltd., and Linchuan Xingxin Medical Instrument Co., Ltd. transferred its 6.65% of the registered capital to Shanghai Jujiao Enterprise Development Co., Ltd.

In accordance with the Official Reply on Approving the Change of Jiangxi Boya Biopharmaceutical Co., Ltd. to Jiangxi Boya Biopharmaceutical Co., Ltd. (Gan Gu [2001] No.5) issued by the Jiangxi Joint Stock Reform and Stock Issuance Joint Examination Team on January 19, 2001, the Company changed its audited net assets on November 30, 2000 to 44.3591 million shares, with a par value of RMB 1 per share, into a company limited by shares with a registered capital of RMB 44.3591 million. On February 15, 2001, the Company obtained the business license for a company limited by shares from Jiangxi Provincial Administration for Industry and Commerce.

On March 31, 2004, Beijing Ruize Network Sales Co., Ltd. and Beijing Yatai Shiji Technology Development Co., Ltd. transferred their entire shares (22,183,997 shares, accounting for 50.01% of the total share capital and 8,871,824 shares, accounting for 20.00% of the total share capital respectively) to Kerui Tiancheng Investment Holding Limited. On April 10, 2004, Shanghai Jujiao Enterprise Development Co., Ltd. transferred all of its shares (5,899,763 shares, accounting for 13.30% of the total share capital) to Qingdao Jiante Bio-Investment Limited.

On December 27, 2006, Qingdao Jiante Bio-Investment Limited transferred all of its shares (5,899,763 shares, accounting for 13.30% of the total share capital) to Beijing Keruicheng Mining Investment Co., Ltd.

On May 21, 2007, Kerui Tiancheng Investment Holding Limited transferred all of its shares of the Company (31,055,821 shares, accounting for 70.01% of the Company) to Nanchang Herui Industry Co., Ltd.

On June 15, 2007, July 8, August 26 and September 17, 2007, Beijing Keruicheng Mining Investment Co., Ltd., CITIC Pharmaceutical Industry Co., Ltd., Institute of Biophysics of China Academy of Sciences and Shenzhen Tsinghua Lihe Venture Capital Co., Ltd. respectively transferred 5,899,763 shares, 1,796,544 and 1,179,953 shares, 4,427,041 shares (accounting for 13.30%, 4.05%, 2.66% and 9.98% of the total share capital respectively) were transferred to Jiangxi Xinxing Biotechnology Development Co., Ltd.

On December 9, 2007, Nanchang Herui Industry Co., Ltd transferred all of its shares (31,055,821 shares, accounting for 70.01% of the total share capital) to Shenzhen GTJA Investment Group Limited Corporation, and Jiangxi Xinxing Biotechnology Development Co., Ltd. transferred part of its shares (6,649,432 shares, accounting for 14.99% of the total share capital) to Shenzhen GTJA Investment Group Limited Corporation.

On May 12, 2008, Shenzhen GTJA Investment Group Limited Corporation transferred part of its shares to Xu Jianxin, Zhang Xiang and Zhang Jianhui respectively, among which: 4,435,912 shares (accounting for 10.00% of the total share capital) were transferred to Xu Jianxin, 4,435,912 shares (accounting for 10.00% of the total share capital) were transferred to Zhang Xiang, and 2,217,956 shares (accounting for 5.00% of the total share capital) were transferred to Zhang Jianhui.

On July 11, 2009, the shareholders' meeting of the Company considered and approved the capital and share increase plan, pursuant to which the share capital of the Company was increased to 56,779,689 shares, 12,420,567 additional shares at par value of RMB 1 per share at a per share issuance price of RMB 5.6358 per share, and Xiamen Haixia Venture Capital Co., Ltd., Nanchang Dazheng Chuyuan Investment Co., Ltd. and Shenzhen GTJA Huifu Investment Partnership (Limited Partnership) contributed RMB 50 million to subscribe for 8,871,834 shares, RMB 10 million to subscribe for 1,774,366 shares and RMB 10 million to 1,774,367 shares, respectively. After completion of the issuance, the registered capital of the Company shall be increased to RMB 56,779,689. On August 13, 2009, the Company completed registration of amendment with the administrative authority for industry and commerce and obtained a new business license.

On September 1, 2010, Zhang Xiang signed an equity transfer agreement with Shenzhen Ronghua Investment Co., Ltd., under which Zhang Xiang transferred all 4,435,912 shares of its equity to Shenzhen Ronghua Investment Co., Ltd. at a transfer price of RMB 25.55 million; on September 2, 2010, Xu Jianxin signed an equity transfer agreement with Shenzhen Ronghua Investment Co., Ltd., under which Xu Jianxin transferred 2,210,000 shares to Shenzhen Ronghua Investment Co., Ltd. at a transfer price of RMB 12.73 million; Xiamen Haixia Venture Capital Co., Ltd. transferred all 8,871,834 shares of its equity to Xiamen Shunga Investment

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On February 29, 2012, upon approval by the China Securities Regulatory Commission (CSRC) through the "Document Zheng Jian Xu Ke [2012] No.178", the Company issued 19,020,311 ordinary shares (A-shares) to the public at a price of RMB 25.00 per share. On March 5, 2012, the net amount of funds raised by the Company after deducting the issuance cost is RMB 432,736,273.00, of which RMB 19,020,311.00 will be included in the registered capital, while the premium of RMB 413,715,962.00 will be included in the capital reserves.

The above funds raised were verified by Jiangsu Gongzheng Tianye Certified Public Accountants and the Capital Verification Report (Su Gong W [2012] No. B013) was issued on March 5, 2012. After the IPO, the registered capital of the Company was increased to RMB 75.8 million with a total of 75.8 million shares (with a par value of RMB 1 per share), and the Company was listed on ChiNext of Shenzhen Stock Exchange on March 8, 2012. On April 6, 2012, amendment registration procedures with the administration for industry and commerce were completed and the Business License for Enterprise Legal Person reissued by the Fuzhou Municipal Administration for Industry and Commerce was obtained.

The profit distribution plan for 2014 was examined and approved at the 2014 annual Shareholders' Meeting held on March 3, 2015: on the basis of 75,800,000 total share capital at the end of 2014, the Company will distribute cash dividends in the total amount of RMB 45,480,000.00 for every 10 shares (inclusive). On the basis of 75,800,000 total share capital at the end of 2014, the Company will be converted into 5 shares for every 10 shares in the capital reserve fund to be converted into 37,900,000 shares in the total amount of cash dividends and, after such increase, the total share capital of the Company will be changed into 113,700,000 shares.

The plan for distribution of interests considered and approved at the third extraordinary Shareholders' Meeting of 2015 held on September 8, 2015 is as follows: the capital reserve fund will be converted into 10 shares for each 10 shares of all the shareholders based on the base of 113,700,000 shares in the total existing share capital of the Company.

The total share capital of the Company before such increase will be 113,700,000 shares and the total share capital of the Company after such increase will be 227,400,000 shares.

Pursuant to the resolution of the third extraordinary general meeting of shareholders of the Company in 2015 and the Official Reply of the CSRC on Approving Jiangxi Boya Biopharmaceutical Co., Ltd. to Issue Shares to Shanghai GTJA Yikang Investment Partnership (Limited Partnership) for Purchase of Assets and Raising Supporting Funds (Zheng Jian Xu Ke [2015] No. 2634), the Company issued 22,127,659 shares to Shanghai GTJA Yikang Investment Partnership (Limited Partnership) for purchase of 83.87% of its equity in Nanjing Xinbai Pharmaceutical Co., Ltd., and at the same time, the Company issued 17,857,142 shares in a non-public manner for purchase of Assets and Raising Supporting Funds. The share capital of the Company after the issuance was 267,384,801 shares.

The 2016 annual Shareholders' Meeting held on April 14, 2017 has examined and approved the profit distribution plan for 2016: based on the total share capital at the end of 2016, the Company shall be converted into 5 shares for every 10 shares to be converted into 133,692,400 shares in the aggregate and the total shares of the Company shall be changed into 401,077,201 shares after such conversion.

According to the resolutions of the second interim shareholders' meeting of the Company in 2017 and the Approval Reply regarding the Private Placement of Shares by Boya Bio-pharmaceutical Group Co., Ltd (Zheng Jian Xu Ke [2018] No. 117) issued by China Securities Regulatory Commission, the Company will make a private placement of 32,247,662 ordinary shares of RMB 31.01. The share capital of the Company after issuance will be 433,324,863 shares. The new shares were listed on April 20, 2018. 32,247,662 shares were listed on April 20, 2018.

## 2. Information on Registration of Enterprise Legal Person with the Administration for Industry and Commerce

Unified social credit code for enterprise as a legal person: 913610007277556904

Domicile: No. 333 Huiquan Road, Fuzhou Hi-tech Industrial Development Zone, Fuzhou City, Jiangxi Province;

Legal representative: Liao Xinji;

Registered capital: RMB 433,324,863;

Type of company: other joint stock limited company (listed).

Business scope: production of blood products (Valid term of the Permit will expire on December 31, 2020); export of self-produced products and relevant technologies by the Company and its member enterprises (except for products whose operation is restricted to companies or whose export is prohibited); import of raw and auxiliary materials, machinery and devices, instruments and meters, spare parts and relevant technologies needed for production and scientific research by the Company and its member enterprises (except for products whose operation is restricted to companies or whose import is prohibited by the State); processing with imported materials and businesses of "processing with supplied materials and parts and compensation trade", as well as technology development, technology consultation, technology transfer and technical services (except for those specifically provided for in State laws and regulations).

### 3. Organizational Structure of the Company

Under the Company, there are: Audit and Law Department, Administration Department, Quality Management Department, Production and Engineering Department, Procurement and Supply Department, Storage and Transportation Department, Research and Development Department, Plasma Management Center, Engineering Management Department, Marketing Management Center, Human Resources Department, Securities Investment Department, Planning and Finance Department and other functional departments as well as Nancheng Jinshan Apheresis Plasma Co., Ltd., Chongren Boya Apheresis Plasma Co., Ltd., Jinxi Boya Apheresis Plasma Co., Ltd., Ganzhou Nankang Boya Apheresis Plasma Co., Ltd., Yuechi Boya Apheresis Plasma Co., Ltd., Linshui Boya Apheresis Plasma Co., Ltd., Beijing Boya Xinnuo Biotechnology Co., Ltd., Jiangxi Boya Pharmaceutical Investment Co., Ltd., Xinfeng Boya Apheresis Plasma Co., Ltd., Fengcheng Boya Apheresis Plasma Co., Ltd., Nanjing Xinbai Pharmaceutical Co., Ltd., Yudu Boya Apheresis Co., Ltd., Duchang Boya Apheresis Plasma Co., Ltd., Guangdong Fuda Pharmaceutical Co., Ltd., Nanjing Boya Bio-pharmaceutical Co., Ltd., 16 subsidiaries of Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd., and 2 grandchildren of Jiangxi Boya Seehot Pharmaceutical Co., Ltd., Ltd., and Guizhou Tianan Pharmaceutical Co., Ltd.

## 4. Approver and Date of Submission of Financial Reports

The financial reports of the Company were issued on April 28, 2020, subject to approval by the board of directors of the Company. Scope of Consolidated Financial Statements and Changes Thereto

Name of Held Subsidiary	Registered Capital	Holding Percentage	Consolidated		Remark
			2019	2018	
Nancheng Jinshan Apheresis Plasma Co., Ltd.	RMB 7 million	100%	Yes	Yes	
Chongren Boya Apheresis Plasma Co., Ltd.	RMB 500,000	100%	Yes	Yes	
Jinxi Boya Apheresis Plasma Co., Ltd.	RMB 4.45 million	100%	Yes	Yes	
Ganzhou Nankang Boya Apheresis Plasma Co., Ltd.	RMB 3.83 million	100%	Yes	Yes	
Yuechi Boya Apheresis Plasma Co., Ltd.	RMB 5 million	100%	Yes	Yes	
Linshui Boya Apheresis Plasma Co., Ltd.	RMB 250 million	100%	Yes	Yes	
Beijing Boya Xinnuo Bio-technology Co., Ltd.	RMB 10 million	100%	Yes	Yes	
Guizhou Tianan Pharmaceutical Co., Ltd	RMB 36.7 million	89.681%	Yes	Yes	
Jiangxi Boya Seehot Pharmaceutical Co., Ltd	RMB 50 million	100%	Yes	Yes	
Xinfeng Boya Apheresis Plasma Co., Ltd.	RMB 10 million	100%	Yes	Yes	
Fengcheng Boya Apheresis Plasma Co., Ltd.	RMB 10 million	100%	Yes	Yes	
Yudu Boya Apheresis Plasma Co., Ltd.	RMB 10 million	100%	Yes	Yes	
Duchang Boya Apheresis Plasma Co., Ltd.	RMB 10 million	100%	Yes	Yes	
Nanjing Xinbai Pharmaceutical Co., Ltd.	RMB 147.85 million	100%	Yes	Yes	
Nanjing Boya Bio-pharmaceutical Co., Ltd.	RMB 5 million	100%	Yes	Yes	
Guangdong Fuda Pharmaceutical Co., Ltd.	RMB 80 million	75%	Yes	Yes	
Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd.	RMB 5 million	100%	Yes	Yes	New Company to be established in 2018

## **IV. Basis for Preparing the Financial Statements**

### **1. Basis for Preparation**

The financial statements of the Company are prepared on the basis of going concern assumptions for transactions and events actually taken place, in accordance with the Accounting Standard for Business Enterprises – Basic Standard, 42 specific accounting standards issued and amended on February 15, 2006 and thereafter, application guidelines for accounting standards for business enterprises, interpretations and other relevant regulations of accounting standards for business enterprises (collectively, the "Accounting Standards for Business Enterprises"), as well as the disclosure requirements set forth in the Rules for the Preparation and Reporting of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting issued by CSRC.

In accordance with the relevant provisions of the Accounting Standards for Business Enterprises, the Company's accounting shall be based on the accrual basis. Except for some financial instruments, the measurement in this financial statement shall be based on the historical cost. Where an asset is impaired, the corresponding impairment provision shall be made in accordance with the relevant provisions.

### **2. Going concern**

Within 12 months from the end of the reporting period, there shall be no factor that obviously affects the sustainable operation ability of the Company available through comprehensive assessment.

## **V. Important accounting policies and accounting estimates**

Prompts for specific accounting policies and accounting estimates:

This Company has formulated several specific accounting policies and accounting estimates on transactions and events such as revenue recognition in accordance with related accounting standards for business enterprises in light of the characteristics of actual production and operation. Please refer to the descriptions in Article 39 and Article 14 of these Notes. For the explanation on significant accounting judgments and estimates made by the management, please refer to Notes 5 and 44 – Changes in Significant Accounting Policies and Accounting Estimates.

### **1. Declaration On Compliance With The Accounting Standards For Business Enterprises**

The financial statements prepared by this Company meet the requirements of the Accounting Standards for Business Enterprises, and truthfully and completely reflect the financial status of this Company on December 31, 2019, its operating results and cash flows and other related information.

### **2. Accounting Period**

The accounting period of the Company is divided into a full accounting year and an interim period. An interim accounting period refers to a reporting period shorter than a full accounting year. This Company shall adopt the Gregorian calendar year as its fiscal year.

This period starts on January 1 and ends on December 31 of the Gregorian calendar.

### **3. Business Cycle**

The normal operating cycle is the period during which the Company commences from the purchase of the assets for processing to the realization of cash or cash equivalents. This Company takes 12 months as an operating period, which shall be taken as the standard for classification of liquidity of assets and liabilities.

#### **4. Functional Currency**

The Company shall adopt RMB as its bookkeeping currency.

#### **5. Accounting Methods for Merger of Enterprises under Same Control and Enterprises Not under Common Control**

The term "business combination" means the transaction or event that consolidates two or more separate enterprises into one reporting entity. Business combinations are divided into the business combination under common control and business combination not under common control.

##### **(1) Business Merger under Common Control**

A business combination under common control means that the undertakings to the merger are ultimately controlled by the same party or parties before and after the business combination and such control is not transitory. All assets and liabilities acquired by the merging party in a business combination shall be measured at their carrying amounts in the merged party (parties) on the date of merger. The difference between the carrying amount of the net assets acquired by the merging party and the carrying amount of the merger consideration paid by the merging party (or the total face value of the shares issued) shall be adjusted to adjust the capital reserves (share premium). If the capital reserves (share premium) are insufficient for such reductions, the retained earnings shall be adjusted. All direct expenses incurred by the merging party for the business combination shall be recorded in the profit and loss account for the current period when they are incurred. The merger date shall be the date on which the merging party acquires actual control of the merged party (s).

##### **(2) Business Combination Not under Common Control**

A business combination not under common control occurs when the undertakings to the merger are not ultimately controlled by the same party or parties before and after the business combination. If this Company, as the acquirer, is the sum of the fair value on the acquisition date of the assets acquired from the acquiree (including the acquiree's equity held by it before the acquisition date) and the liabilities incurred or assumed by it in order to obtain the control of the acquiree (s) minus the fair value of the identifiable net assets acquired from the acquiree (s). If the sum is negative, this Company shall first review the fair value of all the assets, liabilities and contingent liabilities it acquires from the acquiree (s) as well as the measurement of the combination costs. If the combined costs are still less than the fair value of the identifiable net assets it acquires from the acquiree (s), it shall be recorded in the profit and loss account for the current period. All other direct expenses incurred for the business combination shall be recorded in the profit and loss account for the current period. The difference between the fair value of the assets acquired and their carrying amount shall be recorded in the profit and loss account for the current period. This Company shall, on the acquisition date, recognize at fair value all the identifiable assets, liabilities and contingent liabilities that are acquired from the acquiree (s) and meet the conditions for recognition. "Purchase Date" refers to the date that the acquirer acquires actual control of the Acquiree.



## 6. Methodology of Preparing Consolidated Financial Statements

### (1) Determination of Scope of Merger

The parent company shall prepare consolidated financial statements based on the financial statements of itself and its subsidiaries and other relevant materials. The scope of consolidation for consolidated financial statements shall be determined on a control basis. This Company will subject to reassessment once any change in relevant facts and circumstances have led to the change of relevant elements relevant to the above definitions of control.

### (2) Basis of Control

If the Investor has power to the Investee, enjoys variable returns by participating in relevant activities of the Investee, and has the ability to exercise its power to the Investee to affect the amount of returns, it shall be deemed as controlling the Investee by the Investor. "Relevant Activities": The Relevant Activities are activities that have a material impact on the returns of the Investee.

### (3) Merger Procedure

This Company begins to merge a subsidiary from the date when it acquires actual control of such subsidiary and ceases to exist from the date when it loses actual control. All material current balances, investments, transactions and unrealized profits between the Company and its subsidiaries, and between subsidiaries will be offset in the preparation of consolidated financial statements. For disposed subsidiaries, the operating results and cash flows of such subsidiary prior to the disposal date have been appropriately included in the consolidated income statement and consolidated cash flow statement, and it does not adjust the opening balance in the consolidated balance sheet. The operating results and cash flows of subsidiaries increased by merger of undertakings which are not under common control have been properly included in the consolidated income statement and consolidated cash flow statement after the Purchase Date, and there is no adjustment to the opening balance and comparison balance in the consolidated financial statements. The operating results and cash flows of subsidiaries increased by merger of undertakings which are under common control from the beginning of the period in which such merger occurs to the merger date have been properly included in the consolidated income statement and consolidated cash flow statement, and the comparative figures of the consolidated financial statements will be adjusted simultaneously.

If a subsidiary does not adopt the accounting policies or accounting periods different from those adopted by the Company, the financial statements of the subsidiary shall be consolidated after an adjustment is made to the subsidiary according to the accounting policies or accounting periods adopted by the Company when the consolidated financial statements are prepared.

For subsidiaries acquired by merger of undertakings which are not under common control, when preparing consolidated financial statements, it will adjust their individual financial statements on the basis of the fair value of identifiable net assets on the purchase date; for subsidiaries acquired by merger of undertakings which are under common control, when preparing consolidated financial statements, the parties to the merger are deemed to have existed in the current status when the ultimate controlling party starts to control.

The "net profits attributable to the owners of the parent company" is fully offset by the unrealized insider transaction profits or losses arising from the sale of assets by the Company to a subsidiary. The unrealized internal transaction profits or losses arising from the sale of assets by a subsidiary to the Company shall be distributed and offset against the "net profits attributable to the owners of the parent company" and "minority profits or losses" based on the distribution proportion of the Company to the subsidiary. The unrealized internal transaction profits or losses arising from the sale of assets between subsidiaries shall be distributed and offset against the "net profits attributable to the owners of the parent company" and "minority profits or losses" based on the distribution proportion of the Company to the selling subsidiary.

The share of the owner's equity of a subsidiary that does not belong to the Company shall be listed as "minority shareholders' equity" under the owner's equity in the consolidated balance sheet. The share of the current net profits or losses of the subsidiary that belongs to minority shareholders' equity shall be listed as "minority shareholders' profit or loss" under the net profit item in the consolidated income

statement. The subsidiary's share of comprehensive income attributable to minority shareholders' equity in the current period shall be listed as "total comprehensive income attributable to minority shareholders" in the consolidated income statement. If there are minority shareholders, the column of "minority shareholders' equity" shall be added to the consolidated statement of changes in ownership equity to reflect changes in minority shareholders' equity. If the current losses shared by the minority shareholders of a subsidiary exceed their share in the ownership interest of the subsidiary at the beginning of the period, the balance will still be offset against minority shareholders' equity.

If control of the subsidiary is lost as a result of disposal of a portion of the equity investment or otherwise, the remaining equity interest shall be revalued at its fair value on the date of loss of control. The difference between the consideration received for the disposition of the equity interest and the fair value of the remaining equity interest and the net assets of the original subsidiary continuously calculated since the date of purchase which is entitled to such subsidiary calculated based on the original shareholding percentage shall be recorded in the investment gains of the current period in which control is lost. Other comprehensive income relating to the equity investment in the original subsidiary shall be accounted for on the same basis as the acquiree directly disposes of relevant assets or liabilities in the event of loss of control of the original subsidiary (that is, except for changes arising from the net liabilities or net assets in the defined benefit plan by the original subsidiary, the remaining income shall be converted into investment income for the current period). Thereafter, this part of the remaining equity shall be subsequently measured in accordance with the "Accounting Standards for Business Enterprises No. 2-Long-term Equity Investment" or "Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments" and other relevant regulations. Please refer to Note 5 for details. , 13 "Long-term equity investment" or Note 5, 10 "Financial Instruments".

If this company disposes of the equity investment in the subsidiary step by step through multiple transactions, until it loses control of the subsidiary, it shall distinguish whether the transactions involved in the disposal of the equity investment in the subsidiary until it loses control of the subsidiary belong to a package transaction. If the terms, conditions and economic effects of various transactions involving the disposal of equity investment in a subsidiary meet one or more of the following circumstances, it usually indicates that multiple transactions shall be accounted for as a package transaction: a. These transactions are concluded at the same time or with mutual effects taken into account; b. These transactions can only achieve a complete commercial result as a whole; d. The occurrence of one transaction depends on the occurrence of at least one other transaction; d. One transaction is seen as uneconomical individually,

However, it is economical when considered together with other transactions. If it is not a package transaction, accounting for each of these transactions shall be conducted according to the applicable principles of "partial disposal of its long-term equity investment in the subsidiary without losing its control right" (see 5, 22 (2) ④ and "loss of control right over the subsidiary originally owned due to disposal of a partial equity investment or for any other reason" (see the preceding paragraph for details). If various transactions involving the disposal of equity investment in a subsidiary until it loses the control right belong to a package transaction, the various transactions shall be accounted for as one transaction involving the disposal of the subsidiary and the loss of the control right; however, the balance between the proceeds from each transaction before the loss of the control right and the corresponding share of the subsidiary's net assets that the enterprise is entitled to and is recognized as other comprehensive income in the consolidated financial statements, and shall, when the control right is lost, be transferred into the profits and losses of the current period when the control right is lost.

## **7. Classification of arrangements for cooperative operation and accounting treatment for joint operation**

The Company shall classify the arrangements for cooperative operation into joint operation and joint venture in accordance with its rights and obligations in the arrangements for cooperative operation.

The Company shall recognize the following Item related to its share of interests in the joint operation, and conduct accounting treatment in accordance with relevant accounting standards for business enterprises:

- (1) Recognize the assets it holds separately and jointly held based on its share;
- (2) Recognize the liabilities it bears and the liabilities it jointly bears based on its share;
- (3) Recognize the revenue generated from sale of its share of the output arising from the joint operation;
- (4) Recognize the revenue generated from the sale of output in the joint operation according to its share;
- (5) Recognize expenses incurred separately and expenses incurred in the joint operation according to its share.

## **8. Criteria for the Determination of Cash and Cash Equivalents**

Cash equivalents are investments held by an enterprise for a short term (generally, the maturity within three months from the date of purchase), highly liquid and readily convertible to known amount of cash, and which are subject to little risk of change in value.

## **9. Foreign currency transactions and foreign currency statement translation**

Transactions conducted in foreign currency shall be converted into the bookkeeping base currency at the middle rate of the market rate published by the People's Bank of China on the day of such transaction. In the case of conversion of foreign currency or transactions involving foreign currency exchange, conversion shall be made at the exchange rate actually adopted.

On the balance sheet date, the balance of the foreign currency monetary assets and liabilities account shall be converted into the reporting currency at the middle rate of the market rate published by the People's Bank of China on the balance sheet date. The differences between the amounts restated into the reporting currency at the exchange rate prevailing on the balance sheet date and the amounts stated in the reporting currency of the original book amount shall be dealt with as foreign exchange gains or losses. Foreign exchange gains or losses arising from foreign currency loans relating to the acquisition or construction of fixed assets shall be treated in accordance with the principle of capitalization of borrowing costs, and the remaining amount shall be recorded as financial expenses for the current period.

On the balance sheet date, foreign currency non- monetary Item measured at historical cost shall be converted at the middle rate of the market rate published by the People's Bank of China on the day of transaction, without changing the original reporting currency amount. Foreign currency non- monetary Item measured at fair value shall be converted at the middle rate of the market rate published by the People's Bank of China on the day of fair value determination, and the foreign exchange gains or losses arising therefrom shall be recorded in the profits and losses of the current period as foreign exchange gains or losses on changes in fair value.

With respect to overseas business, the Company shall translate the functional currency into RMB when preparing the financial statements; the asset and liability Item in the balance sheet shall be translated at the spot exchange rate on the balance sheet date; the shareholder equity Item other than "undistributed profit" shall be translated at the spot exchange rate when it is incurred; the income and expense Item in the income statement shall be translated at the average exchange rate of the current period when the transaction occurs. Any difference arising from the translation of foreign currency financial statements in accordance with the above translation shall be recognized as other comprehensive income and listed in other comprehensive income under the shareholder's equity item in the balance sheet. When disposing of an overseas business, other comprehensive income relating to the overseas business shall be transferred into the profits and losses of the current period.

In the case of partial disposal, the calculation shall be made according to the disposal proportion.

Foreign currency cash flows and cash flows of overseas subsidiaries shall be translated at the average exchange rate of the period in which the cash flows occur. The effect of exchange rate change on cash shall be separately presented in the cash flow statement as an adjustment item.

## 10. Financial instruments

A financial instrument refers to a contract under which the financial assets of one party are formed and the financial liability or right instruments of the other party are formed. When the Company becomes a party to a financial instrument, the Company shall recognize relevant financial assets or financial liabilities.

### (1) Financial assets

#### 1) Classification and measurement

The Company shall, in accordance with the business model under which the financial assets are managed and the contractual cash flow characteristics of financial assets, classify the financial assets into: (1) financial assets measured at amortized cost; (2) financial assets measured at fair value through other comprehensive income; (3) financial assets measured at fair value through current profits and losses.

A financial asset shall be measured at its fair value at its initial recognition. For the financial assets measured at fair value through current profits and losses, the relevant transaction expenses shall be directly included in the profits and losses of the current period; for other categories of financial assets, the relevant transaction expenses shall be included in the initially recognized amount. In respect of receivables or notes receivables arising from the sale of goods or rendering of services that do not include or take into account any material financing element, the initial recognition amount is based on the amount of consideration to which we are expected to be entitled.

#### Debt Instruments

Debt instruments held by the Company refer to those instruments which, from the perspective of the Issuer, meet the definition of Financial Indebtedness, and are measured in the following three ways:

##### (a) Measured at amortized cost:

The business model under which the Company manages such financial assets is to collect contractual cash flow, and the characteristics of the contractual cash flow of such financial assets are consistent with those of the basic debit and credit arrangement, i.e. the cash flow generated at a specific date is only the payment of the principal and interest on the basis of the outstanding principal. The Company shall recognize interest income of such financial assets by using the effective interest method. Such financial assets mainly include monetary funds, notes receivable, accounts receivable, other receivables, debt investments, long-term receivables, etc. The Company shall present the debt investments and long-term receivables due within one year (inclusive) from the balance sheet date as non-current assets due within one year; and the debt investments due within one year (inclusive) upon acquisition thereof as other current assets.

##### (b) Measured at fair value and changes therein are included in other comprehensive income:

The business model under which the Company manages such financial assets is to collect contractual cash flow and sell such financial assets, and the characteristics of the contractual cash flow of such financial assets are consistent with those of the basic debit and credit arrangement. Such financial assets are measured at fair value through other comprehensive income, but the impairment losses or gains, exchange gains and interest income calculated under the effective interest method are included in the current profits and losses. Such financial assets shall be presented as other debt investments. Other debt investments due within one year (inclusive) from the balance sheet date shall be presented as non-current assets due within one year; and other debt investments due within one year (inclusive) upon acquisition thereof shall be presented as other current assets.

##### (c) Measured at fair value through current profits and losses;

This Company shall present the debt instruments that are not classified as those measured at the amortized cost and at fair value through other comprehensive income as transactional financial assets measured at fair value through current profits and losses as those

measured at fair value through current profits and losses. On initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Company designates part of financial assets as financial assets measured at fair value through current profits and losses. Those due after one year from the balance sheet date and expected to be held for more than one year shall be presented as other non-current financial assets.

An enterprise shall not re-classify a financial asset as another type of financial asset once it designates it as a financial asset measured at fair value through current profits and losses upon its initial recognition, nor shall it re-designate another type of financial asset as a financial asset measured at fair value through current profits and losses upon its initial recognition.

#### Equity Instruments

The Company shall measure the equity instrument investment over which The Company has no control, joint control or significant influence according to its fair value and include the change in the current profits and losses, and present it as transactional financial assets; where The Company is expected to hold such investment for more than one year from the balance sheet date, it shall present it as other non-current financial assets. In addition, the Company may designate part of non-trading equity instrument investments as financial assets measured at fair value and whose changes are included in other comprehensive income, and list them as other equity instrument investments. The dividend income of this type of financial assets shall be recorded into current profits and losses.

#### 2) Impairment

For the financial assets measured at amortized costs, debt instrument investments measured at fair value through other comprehensive income, financial guarantee contracts, etc., the Company shall recognize loss reserves on the basis of expected credit losses.

The Company shall, by taking relevant past events, current situations and forecast of future economic conditions as the weight of default risk, calculate the present value of the difference between the contractual cash flow receivable and the expected cash flow to recognize the expected credit loss by taking relevant past events, current situations and forecast of future economic conditions as the weight of default risk.

On each balance sheet date, the Company shall measure the expected credit losses of the financial instruments at different stages respectively. If the credit risks of a financial instrument do not increase significantly after its initial recognition, and it is at the first stage, the Company shall measure the provision for loss based on the expected credit loss in the next 12 months; if the credit risks of a financial instrument have increased significantly after its initial recognition but no credit impairment has occurred, and it is at the second stage, the Company shall measure the provision for loss based on the expected credit loss in the whole duration of the instrument; if the financial instrument has suffered credit impairment after its initial recognition, it is at the third stage, the Company shall measure the provision for loss based on the expected credit loss in the whole duration of the instrument.

For the financial instruments with relatively low credit risks on the balance sheet date, the Company shall measure the provision for loss based on the expected credit losses in the next 12 months on the assumption that the credit risks do not increase significantly after their initial recognition.

For the financial instruments at the first stage and second stage and with relatively low credit risks, the Company shall calculate the interest income based on the book balance without deducting impairment reserves and the actual interest rate. For the financial instruments in the third stage, interest income is calculated based on their book balance less amortized costs after provision for impairment and at actual interest rates.

For the notes and receivables, the Company measure the provision for loss based on expected credit losses for the entire period, whether or not there is material financing element.

When it is impossible to evaluate the information about expected credit losses for a single note receivable, accounts receivable and other receivables at reasonable cost, the Company divide the notes, accounts receivable and other receivables into several combinations according to the characteristics of credit risk, and calculate the expected credit losses on the basis of the combination. The combination is determined on the following basis:

Type of Portfolio	Item in Portfolio
Notes Receivable Portfolio 1	Business acceptance bills
Notes Receivable Portfolio 2	Bank acceptance bills
Accounts Receivable Portfolio 1	Aging portfolio
Accounts Receivable Portfolio 2	Affiliate combination within the range of consolidation
Other Receivable Portfolio 1	Aging portfolio
Other Receivable Portfolio 2	Affiliate combination within the range of consolidation

## i) Criteria for the recognition and Method of Provision for Losses of Receivables and Provisions in Aging Portfolios

Aging	Percentage of provision for receivables (%)	Percentage of other receivables (%)
Within 1 year (including 1 year, the same below)	5	5
1 - 2 years	10	10
2 - 3 years	40	40
More than 3 years	100	100

## II) Receivables and Other Receivables in Combination of Affiliates within Merger

No provision shall be made for losses in the event that the receivables between the parent company and the subsidiary within the Merger Scope are tested individually and have not been impaired.

The Company record the provision for losses set aside or reversed in the profit and loss account of the current period. For debt instruments measured at fair value through other comprehensive income, the Company account for the impairment losses or gains in profit or loss for the current period, and at the same time adjust other comprehensive income.

## 3) Termination Confirmation

Where a financial asset satisfies any of the following conditions, it shall be terminated from confirmation: (1) the contractual right to collect the cash flow of the financial asset is terminated; (2) the financial asset has been transferred, and the Company has transferred to the transferee almost all the risks and rewards in respect of ownership of the financial asset; or (3) the financial asset has been transferred, but the Company has neither transferred nor retained almost all the risks and rewards in respect of ownership of the financial asset, but it has given up its control over the financial asset.

When the recognition of other equity instruments is terminated, the difference between the carrying amount thereof and the aggregate of the accumulative amount of changes in the fair value originally included in other comprehensive income shall be recorded in the retained earnings. When the recognition of other financial assets is terminated, the difference between the carrying amount thereof and the aggregate of changes in the fair value thereof and the aggregate of changes in the fair value originally included in other comprehensive income shall be recorded in the profit and loss account for the current period.

## (2) Financial Liabilities

The financial liabilities shall, when they are initially recognized, be classified as the financial liabilities measured at their amortized costs and the financial liabilities measured at their fair values through the profits and losses of the current period.

The Company's Financial Liabilities mainly consist of Financial Liabilities measured at amortized costs, including notes payable, account payable, other payables, short-term borrowings and bonds payable, etc. Such Financial Liabilities are initially measured at their fair value after deducting transaction expenses, and subsequently measured at their actual interest rate method. For those with a term of less than one year (inclusive), it shall be presented as current liabilities; for those with a term of more than one year but due within one year (inclusive) from the balance sheet date, it shall be presented as non-current liabilities; and other matters shall be presented as non-current liabilities.

When the current obligation (s) of Financial Indebtedness has been discharged in whole or in part, the Company terminates to recognize such Financial Indebtedness or obligation (s) discharged. The difference between the book value of the part whose recognition has been terminated and the consideration paid shall be recorded in the profit and loss account for the current period.

## **11. Notes receivable**

Please refer to "Financial Instruments" in Article 10, Section V to this Company for the method of determining and accounting treatment of expected credit loss of notes receivable.

## **12. Accounts receivable**

Please refer to "Financial Instruments" in Article 10, Section V to this Company for the method of determining and accounting treatment of expected credit loss on accounts receivable.

## **13. Accounts receivable financing**

Please refer to "Financial Instruments" in Article 10, Section V for the method of determining and accounting treatment of expected credit loss of receivables financing.

## **14. Other accounts receivable**

Please refer to "Financial Instruments" in Article 10, Section V for the method of determining and accounting treatment of expected credit loss of other receivables of this Company.

## **15. Inventories**

### (1) Classification of Inventories

The inventories of the Company shall be divided into raw materials, low-value consumables, work-in-progress, inventory goods, etc.

### (2) Valuation Method of Outgoing Inventory

The weighted average method shall be adopted for the materials sent out, and weighted average method shall be adopted for the goods sent out.

### (3) Basis for the determination of the net realizable value of inventories and the method of provision for decline in value of inventories

Ending inventories are valued at the lower of cost or net realizable value. At the end of the period, a provision for decline in value of inventories is made on the basis of a complete inventory count, for those parts of the inventories that are expected to be irrecoverable because of damage, all or part of the obsolescence or selling prices lower than cost. The provision for decline in value of inventories for finished goods and main raw materials is made according to the difference between the cost of each item and the net realizable value of the inventories, and for other raw and auxiliary materials with large quantities and low unit price, the provision for decline in value of inventories is made according to the category.

The net realizable value of such inventories as finished goods, merchandise and materials used for sale, etc. directly available for sale is determined on the basis of the estimated sale price of such inventories less the estimated selling costs and related taxes and expenses. The net realizable value of such inventories held for production is determined on the basis of the estimated selling price of the finished goods produced less the estimated costs of completion, estimated selling costs and related taxes and expenses. The net realizable value of inventories held for the execution of sales contracts or labor contracts shall be calculated on the basis of the contract price. Where the quantity of inventories held is more than that ordered in the sales contracts, the net realizable value of such excess shall be calculated on the basis of the general selling price.

### (4) System of Inventories

The perpetual inventory system shall be adopted for the inventory taking of the Company, and physical inventory shall be taken on a regular basis.



(5) Method of Amortization of Low Value Consumables

Low-value consumables received by the Company shall be amortized through the one-time inventory method.

**16. Contract Assets: none**

**17. Contract Costs: none**

**18. Holdings of Assets for Sale**

The Company shall recognize a non-current asset or disposal group as held for sale if (i) the first, an immediate sale under the present conditions only on customary terms for the sale of such asset or disposal group; and (ii) a sale is likely to occur if the Company has resolved on a sale plan and made firm purchase commitments for it that it is expected that the sale will be consummated within one year. If the proposed sale plan is required to be approved by the shareholders or regulatory authorities, such approval should have been obtained.

(1) Measurement of Non-current Assets or Disposal Groups Classified as Held for Sale on the Acquisition Date

For the non-current assets or disposal groups classified as held for sale on the Acquisition Date, the Company measured for initial measurement as an amount equal to the lower of initial measurement amount and fair value if it were not classified as held for sale. Except for the non-current assets or disposal groups acquired in a business combination, the difference between the fair value of the non-current assets or disposal groups less expenses to sell shall be recorded in the profits and losses of the current period.

(2) Initial and Subsequent Measurement of the Held for Sale

Before the Company classifies a non-current asset or disposal group as held for sale for the first time, the Company shall measure the book value of each asset and liability in the non-current assets or disposal group according to relevant accounting standards.

When the Company re-measures a non-current asset or disposal group held for sale on the Initial Measurement or on the Balance Sheet Date, if its book value is higher than the net amount of expenses to sell, the book value shall be written down to the net amount of expenses to sell, and the amount written down shall be recognized as the loss from asset impairment and shall be recorded in the profits and losses of the current period. At the same time, the provision for impairment of the assets held for sale shall be made. With regard to the amount of asset impairment losses recognized by a disposal group held for sale, if the disposal group contains goodwill, it shall first write down the book value of goodwill in the disposal group, and then write down the book value of each non-current asset in proportion to the weight of the book value of each asset in the disposal group. If the net amount of the fair value of the non-current assets held for sale on the Subsequent Balance Sheet Date minus the expenses to sell increases, the amount written down previously shall be recovered and shall be reversed within the amount of asset impairment losses recognized after the classification as held for sale, and the reversed amount shall be recorded in the profits and losses of the current period. The asset impairment losses recognized before the classification as held for sale shall not be reversed. If the net amount of the fair value of the disposal group held for sale increases after deducting the expenses to sell on the Subsequent Balance Sheet Date, the amount written down previously shall be reversed within the amount of asset impairment losses recognized after the classification as held for sale, and the reversed amount shall be recorded in the profits and losses of the current period. The book value of goodwill that has been offset and the asset impairment losses recognized before the classification as held for sale shall not be reversed.

When a non-current asset or disposal group ceases to be classified as held for sale because it no longer meets the conditions for classification as the category of held for sale or when a non-current asset is removed from a disposal group held for sale, it shall be measured at the lower of:

- ① The book value before being classified as held for sale. The amount after adjustment for depreciation, amortization or impairment that would have been recognized if it were not classified as held for sale;
- ② Recoverable amount.

## **19. Debt Investment: none**

## **20. Other Investments: none**

## **21. Long-term Receivables: none**

## **22. Long-term Equity Investment**

For the purpose of this Section, the term "long-term equity investment" refers to the long-term equity investment that the Company has control, joint control or significant influence over the investee entity. See notes 5 and 10 to "Financial Instruments" for the accounting policies for the long-term equity investment of which the Company does not have control, joint control or significant effect on the investee companies, and for the accounting of financial assets measured as fair value through other comprehensive income, or for the accounting of financial assets measured as fair value through current profits and losses.

### (1) Determination of initial investment cost

The investment cost of the Company's long-term equity investment shall be recognized in the following methods depending on the method of acquisition:

1) For the long-term equity investment obtained by merger of enterprises under common control, on the date of merger, the share of the book value of the owner's equity of the merged party in the consolidated financial statements of the final controlling party shall be recognized as the initial investment cost of the long-term equity investment. The balance between the initial investment cost of the long-term equity investment and the book value of the paid cash, transferred non-cash assets as well as the assumed debts shall be adjusted against the capital reserve; if the capital reserve is insufficient for the offset, the retained earnings shall be adjusted. If equity securities are issued as the merger consideration, on the date of merger, the share of the book value of the shareholders' equity of the merged party in the consolidated financial statements of the final controlling party shall be recognized as the initial investment cost of the long-term equity investment, and the total par value of the shares issued shall be recognized as the capital reserve, and the balance between the initial investment cost of the long-term equity investment and the total par value of the shares issued shall be adjusted against the capital reserve; if the capital reserve is insufficient for the offset, the retained earnings shall be adjusted. Where the equity of the merged party under the same control is obtained step by step through multiple transactions, which ultimately forms a business combination under the same control, whether it is classified as a "package transaction" shall be handled differently: where it is classified as a "package transaction", all transactions shall be accounted for as one transaction with the right to control. If it is not a "package transaction", on the date of merger, the share of the book value of the shareholders' equity of the merged party in the consolidated financial statements of the final controlling party shall be deemed as the initial investment cost of the long-term equity investment, the difference between the initial investment cost of the long-term equity investment and the book value of the long-term equity investment reaching the merger plus the book value of the new consideration paid for further acquisition of shares on the date

of merger shall be adjusted to the capital reserve; if the capital reserve is insufficient for the offset, the retained earnings shall be adjusted. For the equity investment held before the date of merger, other comprehensive income recognized because of the financial assets accounted for by the equity method or measured at fair value and of which the variation is included in other comprehensive income shall not be subject to accounting treatment temporarily.

2) For the long-term equity investment obtained from merger of enterprises not under common control, the initial investment cost of the long-term equity investment shall be recognized as the merger cost calculated from the fair value of the assets involved in the transaction date, the equity instruments issued and the liabilities incurred or assumed plus the costs directly related to the acquisition. On the date of merger, the identifiable assets of the merged party (parties) and the liabilities (including contingent liabilities) assumed by them shall all be measured at their fair values, regardless of the amount of minority shareholders' equity. The amount of the merger cost exceeding the fair value of the identifiable net assets of the merged party acquired by this company shall be recorded as goodwill, while the amount lower than the fair value of the identifiable net assets of the merging party shall be directly recognized in the profit and loss statement of the merger. For the acquisition of the equities of the acquiree in steps through multiple transactions, resulting in a merger of enterprises not under common control, whether it is a "package transaction" shall be handled differently: In the case of a "package transaction", each transaction shall be accounted for as one transaction with the right to control. If it is not a "package transaction", the initial investment cost of the long-term equity investment accounted for using the cost method is the sum of the book value of the equity investment originally held by the acquiree plus the newly increased investment cost. If the originally held equity is accounted for using the equity method, accounting treatment shall not be carried out for relevant other comprehensive income for the time being. If the originally held equity investment is a financial asset measured at fair value and of which the variation is included in other comprehensive income, the balance between the fair value and the book value thereof and the cumulative change in the fair value originally included in other comprehensive income shall be transferred into the current profits and losses.

3) Long-term investment acquired by other means

A. For the long-term equity investment acquired by paying cash, the purchase price actually paid is recognized as the investment cost.

B. For the long-term equity investment acquired by issuing equity securities, the investment cost is recognized as the fair value of the equity securities issued.

C. For the long-term equity investment acquired by exchange of non- monetary assets, if it is commercial in nature, the fair value of the assets surrendered is recognized as the investment cost of the long-term equity investment received; if it is not commercial in nature, the book value of the assets surrendered is recognized as the investment cost of the long-term equity investment received.

D. For the long-term equity investment acquired by debt restructuring, the investment cost is recognized according to the fair value of the long-term equity investment.

(2) Follow-up measurement of long-term equity investments

1) The investment that can control the investee shall be accounted or using the cost method.

2) For the long-term equity investment in the investee with joint control (except constituting a joint undertaking) or significant influence, the equity method shall be adopted.

If the equity method is adopted, if the initial cost of the long-term equity investment is higher than the attributable share of the fair value of the investee's identifiable net assets on the investment, the initial cost of the long-term equity investment shall not be adjusted; if the initial cost of the investment is lower than the attributable share of the fair value of the investee's identifiable net assets on the investment, the difference is recorded into the profit and loss of the current period, and the cost of the long-term equity investment shall be adjusted at the same time.

If the equity method is adopted, the investment income and other comprehensive income shall be recognized respectively according to the attributable share of the investee's net profit and loss and other comprehensive income, and the book value of the long-term equity investment shall be adjusted at the same time; the entitled part shall be calculated according to the investee's profit or cash dividend declared to be distributed by the investee, and the book value of the long-term equity investment shall be reduced accordingly; for other changes in the owner's equity of the investee other than the net profit and loss, other comprehensive income and profit distribution, the book value of the long-term equity investment shall be adjusted and recorded into the capital reserve. The net profit of the investee shall be recognized after adjustment on the basis of the investee's fair value of all identifiable assets on the investee's when the investment is obtained. If the investee's accounting policy and accounting period are inconsistent with those of this company, the investee's financial statements shall be adjusted in accordance with this company's accounting policy and accounting period, based on which investment income and other comprehensive income shall be recognized. For transactions between this company and its associated enterprises or between a joint venture, if the invested or sold assets do not constitute business, the portion of the unrealized internal transaction profit and loss that is calculated according to the proportion enjoyed by this company shall be offset, and the investment profit and loss shall be recognized on this basis. However, the unrealized internal transaction losses incurred by this company and the investee belong to the impairment losses of the transferred assets, and shall not be offset. If the assets invested by this company to a joint venture or associated enterprise constitute business, and the investor therefore obtains the long-term equity investment but does not obtain the control right, the fair value of the invested business shall be deemed as the initial investment cost of the new long-term equity investment, and the difference between the initial investment cost and the book value of the invested business shall be recorded in the current profit and loss in full.

If the assets sold by this company to a joint venture or associated enterprise constitute business, the difference between the consideration obtained and the book value of the business shall be recorded in the current profit and loss in full. If the assets purchased by this company from its associated enterprises and joint ventures constitute business, accounting treatment shall be made in accordance with the Accounting Standards for Business Enterprises No. 20 — Merger of Enterprises, and the gains or losses relating to the transaction shall be recognized in full.

In recognizing the investee's net loss that shall be assumed, the book value of the long-term equity investment and other long-term rights and interests that actually constitute the net investment in the investee are reduced to zero. In addition, if this company is obliged to bear additional losses to the investee, this company shall recognize the estimated liabilities based on the obligation it is expected to bear, and record them in the current investment loss. If the investee realizes net profits in subsequent periods, this company shall resume recognizing its share of profits after the share of profits makes up the share of the unrecognized loss.

### 3) Acquisition of minority shares

When preparing the consolidated financial statements, the capital reserve shall be adjusted for the difference between the newly increased long-term equity investment due to the purchase of minority shares and the share of net assets continuously calculated since the purchase date (or merger date) of the subsidiary calculated in accordance with the newly increased shareholding proportion. If the capital reserve is insufficient for the offset, the retained earnings shall be adjusted.

### 4) Disposal of long-term equity investment

In the consolidated financial statements, if the parent company partially disposes of its long-term equity investment in a subsidiary without losing its control right, the difference between the disposal proceeds and the net assets of the subsidiary entitled to from the disposal proceeds shall be recorded into the shareholders' equity; if the parent company partially disposes of the long-term equity investment in a subsidiary and thus loses its control right over the subsidiary, the relevant accounting policies described in the Preparation Methods of Consolidated Financial Statements shall be applied.

In the case of disposal of long-term equity investment in other cases, the difference between the book value of the disposed equity

and the actual purchase price shall be recorded in the profits and losses of the current period.

If the equity method is adopted for the long-term equity investment, if the equity method is still adopted for the remaining equity after disposal, the other comprehensive income originally included in the shareholders' equity shall be accounted for on the same proportion as the investee directly disposes of relevant assets or liabilities. The owner's equity recognized as a result of changes in the owner's equity other than the net profit and loss, other comprehensive income and profit distribution of the investee shall be recorded in the profits and losses of the current period on a pro rata basis.

If the cost method is adopted for the long-term equity investment, if the cost method is still adopted for the remaining equity after disposal, other comprehensive income recognized as a result of using the equity method or the standards for recognition and measurement of financial instruments prior to obtaining control over the investee shall be recorded on the same basis as the investee directly disposes of relevant assets or liabilities, and shall be recorded in the profits and losses of the current period on a pro rata basis. Other changes in the owner's equity recognized as a result of the equity method, other comprehensive income and profit distribution of the investee shall be recorded in the profits and losses of the current period on a pro rata basis.

If the Corporation loses control over the investee due to disposal of part of its equity investment, and the remaining equity after disposal can exert joint control over or significant influence on the investee, the equity method shall be adopted for accounting and adjustment shall be made as if the equity method has been adopted for the remaining equity since acquisition; if the remaining equity after disposal can not exert joint control over or significant influence on the investee, accounting shall be recorded in accordance with the standards for recognition and measurement of financial instruments, and the balance between the fair value and the book value on the date of loss of control shall be recorded in the profits and losses of the current period. For other comprehensive income recognized as a result of adopting equity method or the standards for recognition and measurement of financial instruments before the Corporation obtains control over the investee, accounting treatment shall be adopted on the same basis on which the investee directly disposes of relevant assets or liabilities when the investee is lost control over the investee. In the net assets recognized as a result of adopting equity method, other changes in owner's equity, other than net profit and loss, other comprehensive income and profit distribution, shall be carried forward to the profits and losses of the current period when control over the investee is lost. Among them, if the remaining equity after disposal adopts equity method, other comprehensive income and other owner's equity shall be carried forward in proportion; if the remaining equity after disposal adopts the standards for recognition and measurement of financial instruments, other comprehensive income and other owner's equity shall be carried forward in full.

If the Corporation loses its joint control over or significant impact on the investee due to disposal of part of its equity investment, the remaining equity after disposal adopts the standards for recognition and measurement of financial instruments, and the difference between the fair value and the book value on the date of loss of joint control or significant impact shall be included in the profits and losses of the current period. Other comprehensive income recognized for the original equity investment because the equity method is adopted shall be accounted for using the same basis as the investee directly disposes of relevant assets or liabilities, when the equity method is terminated. Owner's equity recognized as a result of changes in owner's equity other than net profits and losses, other comprehensive income and profit distribution of the investee shall be all at the time when the equity method is terminated.

Transferred into the current investment income.

The Corporation disposes of its equity investment in the subsidiary step by step through multiple transactions until it loses its control. If the aforesaid transactions are a package transaction, the Corporation shall conduct accounting treatment for all the transactions as one transaction in which the equity investment of the subsidiary is disposed of and the control right is lost. The balance between the disposal proceeds in each transaction and the book value of the long-term equity investment corresponding to the disposed equity before losing the control right shall be recognized as other comprehensive income, and when the control right is lost, it shall be included in the profits and losses of the current period when the control right is lost.

(3) Methods for testing and accruing depreciation reserves of long-term equity investment

Please refer to Notes 5 and 31 "Long-term Assets Depreciation" for the methods for testing and accruing depreciation reserves of long-term equity investment.

(4) Criteria for determining joint control and significant impact

Joint control refers to the common control over an arrangement under relevant agreement, and the relevant activities of the arrangement cannot be decided until the participants sharing the control right reach a unanimous consent. When judging whether there is joint control, first judge whether all participants or participants association controls the arrangement collectively, and then judge whether the decision on the relevant activities of the arrangement must be made with the unanimous consent of the participants collectively controlling the arrangement.

Significant impact refers to the power of the investor to participate in making decisions on the financial and operating policies of the investee, but not to control or jointly with other parties the formulation of such policies. When determining whether the investor can exert significant impact on the investee, take into account potential factors of voting rights such as the current convertible corporate bonds and current executable warrants of the investee held by the investor and other parties.

## 23. Investment Real Estate

Measurement model for investment real

estate: depreciation or amortization

method on cost method.

Depreciation and amortization shall be computed using the straight- line method based on the estimated useful life of the asset, where depreciation shall be accrued for real estate based on (the legal service life or the estimated service life, whichever is lower), and the legal service life of real estate shall be amortized. The entry value of investment real estate is determined based on its cost. The cost of investment real estate purchased from external parties includes the purchase price, relevant taxes and other expenses directly attributable to the asset; the cost of self-constructed investment real estate consists of the necessary expenses incurred for preparing the asset for its intended use; the investment real estate invested by an investor shall be recorded at the value agreed upon in the investment contract or agreement; however, if the agreed value is unfair in the contract or agreement, it shall be recorded at the fair value.

Refer to Article 31 "Impairment of Long Term Assets" in Section V for the method of testing and provision for impairment of investment real estate.

## 24. Fixed Assets

### (1) Confirmation Conditions

Fixed assets refer to tangible assets held for the production of commodities, provision of labor services, lease or business management, which have a useful life of more than one year and a relatively high unit value.

**(2) Depreciation method**

Category	Depreciation method	Depreciation life	Residual value rate	Annual depreciation rate
Premises and Buildings	Straight-Line method	20-30	5%	4.75%-3.17%
Machinery Devices	Straight-Line method	10	5%	9.50%
Transport devices	Straight-Line method	4-9	5%	23.75%-10.56%
Electronics Devices	Straight-Line method	3	5%	31.67%
Other Devices	Straight-Line method	5	5%	19.00%

Depreciation will be provided for fixed assets as soon as they reach the scheduled usable condition. The straight-line method shall be adopted for depreciation. Where provision for impairment has been made for fixed assets, the depreciation amount shall be calculated after deducting the accumulated amount of provision for fixed assets that has been made for impairment.

Please refer to notes 5 and 31 to note "Impairment of Long Term Assets" for the test method and provision for impairment of fixed assets.

**(3) Basis, Pricing and Depreciation Methods for the Fixed Assets Acquired under Financing Lease**

The basis, pricing and depreciation methods for the fixed assets acquired under financing lease: none

**25. Construction-in-Progress**

The fixed assets constructed by the Company shall, when they reach the expected usable condition, be carried forward to the estimated value based on the budget, price or actual cost of the construction, and provision for depreciation shall begin from the next month. The difference of the original value of fixed assets may be adjusted after the completion and final account procedures have been fulfilled.

Refer to notes 5 and 31 to note "Impairment of Term Assets" for the impairment method of impairment of the construction-in-progress

**26. Borrowing Expenses****(1) Principle of Capitalization of Borrowing Costs**

Borrowing costs include interest accrued on the borrowings, amortization of discounts or premiums, ancillary expenses, and exchange differences arising from foreign currency borrowings. The borrowing costs incurred to this Company that are incurred from the fixed assets acquired or constructed or from the special borrowings or general borrowings used for developing investment real estate or inventory shall be capitalized and recorded into the relevant cost of assets; other borrowing costs shall be recognized as expenses when incurred and recorded into the profits and losses of the current period. The relevant borrowing costs shall be capitalized when all of the following conditions are met: the expenditures of the assets have been incurred; the borrowing costs have been incurred; and the acquisition or construction activities that are necessary to prepare the assets for their intended use have begun.

**(2) Period of capitalization of borrowing costs**

The borrowing costs incurred for the acquisition or construction of fixed assets, investment real estate or inventory that meet the aforesaid conditions for capitalization and that are incurred before the assets are ready for its intended use or sale shall be recorded into the cost of assets. If the acquisition or construction activities for fixed assets, investment real estate or inventory are interrupted abnormally and the interruption lasts for more than three consecutive months, the capitalization of the borrowing costs shall be suspended and recognized as an expense of the current period until the acquisition or construction activities for the asset are restarted; when the assets are ready for its intended use or sale, the capitalization of the borrowing costs shall cease. The borrowing costs incurred thereafter shall be directly recorded into the financial expenses of the current period in which they are incurred.

(3) Method for calculating the amount of capitalization of borrowing costs

As for the special borrowings borrowed for the acquisition and construction or production and development of assets eligible for capitalization, the actual amount of interest expenses incurred for the current period of the special borrowings minus the interest income derived from depositing the unused borrowing funds in the bank or from investment.

Where a general borrowing is occupied for the acquisition and construction or production and development of the eligible assets, the excess of accumulated asset disbursements over the specialized borrowing shall be weighted on the basis of the excess of accumulated asset disbursements.

The amount of interest to be capitalized for the General Borrowings is determined by multiplying the average number by the capitalization rate of the General Borrowings used. The capitalization rate shall be calculated and determined according to the weighted average interest rate of general borrowings.

**27. Biological assets: none**

**28. Oil and gas assets: none**

**29. Assets in Possession of Right to Use: none**

**30. Intangible assets**

**(1) Pricing Method, Service Life, Impairment Test**

(1) Valuation method of intangible assets:

The intangible assets of the Company include land use right, patented technologies and non-patented technologies, etc.

For intangible assets acquired, the actual cost is the consideration actually paid and other related expenses.

The actual cost of intangible assets invested by investors shall be determined according to the value as stipulated in the investment contract or agreement; if the value as stipulated in the contract or agreement is unfair, the actual cost shall be determined according to the fair value.

The intangible assets acquired through non-monetary assets exchange shall be recorded at the fair value of the assets surrendered if they are commercial in nature or at the book value of the assets surrendered if they are not commercial in nature.

The intangible assets acquired through debt restructuring shall be determined according to their fair value.

(2) Methods and time limit for the amortization of intangible assets:

The land use right of this Company shall be amortized averagely over the years of transfer from the initial date of transfer or the date of obtaining the land use right, and the patented technologies, non-patented technologies and other intangible assets of this Company shall be amortized by equal installments over the shortest of the three periods: the estimated years of use, the period of benefit stipulated by the contract,



and the Valid period stipulated by law. The amount of amortization shall be recorded in the relevant asset costs and current profits and losses according to the beneficiaries.

Please refer to Notes 5 and 31 "Impairment of Long-term Assets" for the methods of testing intangible assets and setting aside depreciation reserves.

## **(2) Accounting policies for internal research and development expenditure**

For intangible assets developed by the Company itself, the research disbursements shall be recorded in the profits and losses of the current period when they are incurred; the development disbursements simultaneously meeting the following conditions shall be determined as intangible assets (patented technologies and non-patented technologies):

- ①. It is technically feasible to complete the intangible assets so that they can be used or sold;
- ②. It is intended to complete and use or sell the intangible assets;
- ③. There is a market for the products manufactured by applying the intangible assets or there is a market for the intangible assets itself;
- ④. It is supported by sufficient technologies, financial resources and other resources so that it can complete the development of the intangible assets, and it is able to use or sell the intangible assets; and
- ⑤. The development disbursements of the intangible assets can be reliably measured.

The development disbursements that do not meet the above conditions shall be recorded in the profits and losses of the current period when they are incurred. Development expenditures which have been recorded as profits and losses in the previous period shall not be recognized as assets in the subsequent period. The development disbursements that have been capitalized shall be listed as development disbursements on the balance sheet, and shall be converted into intangible assets upon reaching the expected conditions for use.

## **31. Impairment of Long-term Assets**

For non-current non-financial assets such as fixed assets, projects under construction, intangible assets with limited useful life, investment real estate measured in the mode of cost, and long-term equity investments in subsidiaries, joint ventures and associates, this Company shall judge whether there is any sign of impairment on the balance sheet date. If there is any sign of impairment, the recoverable amount thereof shall be estimated for impairment test. No matter whether there is any sign of impairment, intangible assets with uncertain service life and intangible assets that have not reached the usable conditions, an impairment test shall be conducted annually.

If the result of an impairment test shows that the recoverable amount of assets is lower than its book value, a provision for impairment shall be made on the basis of the difference between them and recorded in the impairment loss. The recoverable amount shall be the higher one between the net amount of the fair value of the asset minus the disposal expenses and the current value of the expected future cash flow of the asset. The fair value of an asset shall be determined according to the price as agreed in the sales agreement in the arm's length transaction. If there is no sales agreement but there is an active market for the asset, the fair value shall be determined according to the price as offered by the buyer of the asset. If there is no sales agreement and there is no active market for the asset, the fair value of the asset shall be estimated on the basis of the best information available. The disposal expenses shall include the relevant legal expenses, relevant taxes, truckage as well as the direct expenses for bringing the asset into a marketable condition. The current value of the expected future cash flow of an asset shall be determined by the discounted cash amount with an appropriate discount rate, on the basis of the expected future cash flow generated during the continuous use or final disposal of the asset. The reserve for asset impairment shall be calculated and confirmed on the basis of single item assets. Where it is difficult to estimate the recoverable amount of a single item asset, it shall be determined on the basis of the group assets to which the asset belongs. An asset group is the minimum combination of assets that can generate cash inflows

independently.

The business reputation separately presented in the financial statements. When making an impairment test, it apportions the carrying value of the business reputation to the asset group or combination of asset groups that are expected to benefit from the synergy effect of enterprise merger. Where the test results show that the recoverable amount of the asset group or combination of asset groups containing the apportioned business reputation is lower than the carrying value thereof, it shall be recognized as the corresponding impairment loss. The amount of the impairment loss shall first charge against the carrying value of the business reputation which are apportioned to the asset group or combination of asset groups, then charge it against the carrying value of other assets in proportion to the weight of other assets in the asset group or combination of asset groups with the business reputation excluded.

Once any of the above-mentioned loss of asset impairment is recognized, the part which may not be reversed in the future period.

### **32. Long-term prepaid expenses**

The long-term prepaid expenses incurred by a company shall be priced at the actual cost and evenly amortized in the expected beneficial period. As for an item of long-term prepaid expenses that cannot benefit any future accounting period, the amortized value of this item shall, when being determined, be entirely recorded into the profits and losses of the current period.

### **33. Contractual Indebtedness: none**

### **34. Employee Remuneration**

#### **(1) Accounting treatments of short-term remunerations**

During the accounting period in which its employees provide services to it, the Company shall recognize the short-term remuneration actually incurred as a liability and record it into the profits and losses of the current period, unless it is required or allowed by other accounting standards to be recorded into the assets costs; the employee's welfare expenses incurred shall be recorded into the profits and losses of the current period or the relevant assets costs at the actual amount when they are actually incurred. If employee benefits are non-monetary benefits, they shall be measured at fair value; for the medical insurance premium, job-related injury insurance premium, maternity insurance premium and other social insurance premium and housing provident fund paid by the enterprise for its employees, as well as the labor union expense and employee education expense accrued in accordance with relevant provisions, the corresponding amount of employee remuneration shall be calculated and determined based on the accrual basis and proportion, recognized as a liability, and recorded into the profit and loss of the current period or the relevant asset costs.

## **(2) Accounting treatments of post-demission benefits**

The post-demission benefits refer to the remunerations and welfare in various forms provided by the Company after the employees retire or terminate the labor relationship with the enterprise in return for services provided by the Company to its employees, other than the short-term remuneration and dismiss welfare. All the post-demission benefits of the Company are defined contribution plan, that is, the Company shall calculate and pay to the local government handling organ the old-age insurance premiums based on the specified contribution base and proportion during the period in which its employees provide services to the Company as required by relevant laws and regulations. During the accounting period in which its employees provide services to it, the Company shall recognize the post-demission benefits actually incurred as a liability, and record them into the costs of fixed assets, intangible assets, products and labor or into the profits and losses of the current period according to the beneficiaries of services provided by the employees.

## **(3) Accounting treatments of dismiss welfare**

Where the Company makes compensations for terminating the labor relationship with an employee before the expiration of the labor contract or for encouraging the employees to accept the layoff voluntarily, it shall recognize the liabilities arising from the compensation for terminating the labor relationship and record them into the profits and losses of the current period, whichever occurs earlier when the Company cannot unilaterally withdraw the termination plan or the layoff proposal or the layoff proposal and when it recognizes the payment of the reorganization-related costs and expenses relating to the restructuring involving dismiss welfare. The internal retirement plans of employees shall follow the principles the same as above for dismiss welfare. When the conditions for the recognition of expected liabilities are met, the Company shall include the salary and social insurance premium to be paid for the employees in early retirement into the profit and loss of the current period (dismissal welfare).

## **(4) Accounting Treatment Methods for Other Long-term Employee Benefits**

The Company also provides the employees who satisfy certain conditions with supplementary retirement welfare benefits beyond those provided for by the State. Such supplementary retirement welfare benefits fall under defined benefit plans. The defined benefit liabilities recognized on the balance sheet are the present value of defined benefit obligations minus the fair value of plan assets. Each year, the independent actuary shall adopt the treasury bond interest rate similar to the term and currency of the obligation and the expected unit of benefit method to calculate the defined benefit obligation. The cost of service (including the current service costs, past service costs and settlement gains or losses) and net interest relating to the supplementary retirement benefit are accounted for as current profits and losses or relevant asset costs, and the change from the re-measurement of net liabilities or net assets of the defined benefit plan are accounted for as other comprehensive income.

**35. Leasehold indebtedness: none**

**36. Estimated liabilities**

(1) Principles of recognition

When the business related to external guarantee, pending litigation or arbitration, product quality assurance, redundancy plan, loss-making contract, restructuring obligation, disposal obligation of fixed assets and other contingencies meets the following conditions simultaneously, the Company shall recognize it as a liability:

Such obligation is a present obligation of the Company;

The performance of the obligation is likely to lead to an outflow of economic benefits out of the enterprise; and

The amount of the obligation can be measured in a reliable way.

(2) Measurement method: the best estimate of the expenses required to discharge the contingency;

### 37. Payments by Shares: none

### 38. Preferred shares, perpetual bonds and other financial instruments: none

### 39. Income

Whether the New Revenue Standards have been implemented:  Yes  No

Accounting Policies Used for Revenue Recognition and Measurement

#### (1) Specific Standards for Judgment on the Time for Recognizing Commodity Revenue

The Company has transferred the major risks and rewards of ownership of the products to the purchasers; the Company has neither retained the continuous management rights relating to the ownership nor conducted Valid control over the products sold; the amount of income can be measured in a reliable way; the relevant economic benefits are likely to flow to the enterprise; the realization of sales revenue is recognized when the relevant costs incurred or to be incurred can be measured in a reliable way.

The standards for recognizing the revenue from the sale of goods and the specific standards for judging the time for recognizing the revenue are as follows:

Sales revenue: sales revenue is recognized when the products are issued, the billing statement is submitted to the buyer and the relevant revenue and cost can be measured in a reliable way.

#### (2) Basis for Recognizing the Revenue from Transfer of the Right to Use Assets

If the economic benefits associated with the transaction are likely to flow to the enterprise, and if the amount of income can be measured in a reliable way, the amount of revenue from transfer of the right to use assets shall be determined respectively according to the following circumstances:

1) The amount of interest income shall be calculated and determined according to the time and the actual interest rate of the monetary capital of the enterprise used by others.

2) The amount of royalty income shall be calculated and determined according to the fee collection time and method agreed upon in the relevant contract or agreement. Basis for recognizing the revenue from transfer of the right to use assets

Rental income: the revenue shall be recognized after the rental is collected on the date agreed upon in the lease contract (or agreement). If the rental is not received on the date agreed upon in the contract or agreement, but the rental can be recovered and the amount of income can be measured in a reliable way, the revenue shall also be recognized as revenue.

(3) The basis and method for determining the progress of the project when recognizing the revenue from providing services and the contract revenue from construction according to the percentage of completion method.

If the outcome of a transaction involving the rendering of services can be estimated in a reliable way on the balance sheet date, the revenue from the rendering of services shall be recognized according to the percentage of completion method. The progress of completion for a transaction involving the rendering of services shall be determined according to the measurement of work completed.

The total revenue from the rendering of services shall be determined according to the consideration received or receivable as stipulated in the contract or agreement, unless the consideration received or receivable as stipulated in the contract or agreement is unfair. On the balance sheet date, the revenue from the rendering of services in the current period shall be recognized according to the balance sheet date when the total revenue from the rendering of services is multiplied by the progress of completion minus the accumulated revenue from the rendering of services recognized in previous accounting periods. At the same time, the balance of the estimated total cost for the rendering of services multiplied by the progress of completion minus the cumulative costs recognized in previous accounting periods shall be carried forward to the current period.

If the outcome of a labor service rendering transaction cannot be estimated reliably on the balance sheet date, it shall be dealt with

as follows, respectively:

1) If the costs already incurred can be recovered under estimation, the revenue from the rendering of services shall be recognized according to the amount of costs already incurred and the costs of services shall be carried forward at the same amount.

2) If the costs already incurred cannot be recovered under estimation, the costs already incurred shall be recorded in the profits and losses of the current period and the revenue from the rendering of services shall not be recognized.

#### **40. Government grants**

##### (1) Types of government subsidies

Government subsidies refer to the monetary assets and non-monetary assets (excluding the capital invested by the government as the owner) obtained by the Company free of charge from the government. Government subsidies are classified into government subsidies relating to assets and government subsidies relating to income based on the nature of recipients of such grants as specified in the relevant government documents.

If the recipients of the subsidies are not specified in the government documents, the Company shall classify such government subsidies as assets-related or income-related to income based on whether such government subsidies are to be used for purchase or construction or to form long-term assets otherwise.

##### (2) Recognition of government subsidies

A government subsidy shall be recognized when the conditions attached to the government subsidy can be received.

Government subsidies in the form of monetary assets shall be measured based on the amount received or receivable. Government subsidies in the form of non-monetary assets shall be measured at their fair values. If the fair value cannot be reliably obtained, it shall be measured at its nominal amount.

##### (3) Accounting treatment of government subsidies

Government subsidies relating to assets shall be offset against the book value of relevant assets or recognized as deferred income. Where government grants related to assets are recognized as deferred income, such grants shall be included in the profit and loss account by reasonable and systematic stages within the useful life of the relevant assets. Government subsidies measured at their nominal amount shall be recorded directly into the profit and loss account for the current period. Government subsidies relating to income shall be treated as follows respectively: those to be used as compensation for relevant costs, expenses and losses in subsequent periods shall be recognized as deferred income and shall be recorded into the profit and loss account for the current period or used to offset relevant costs in the period in which relevant costs, expenses and losses are recognized; those to be used as compensation for relevant costs already incurred shall be recorded directly into the profit and loss account for the current period or used to offset relevant costs.

Government grants relating to daily activities of a company shall be recorded in other income or used to offset relevant costs and expenses based on the nature of the business. Government grants irrelevant to daily activities of a company shall be recorded as non-operating income.

#### **41. Deferred income tax assets/deferred income tax liabilities**

(1) The deferred income tax assets or deferred income tax liabilities shall be calculated and recognized in accordance with the balance between the book value of assets and liabilities and the tax base thereof (if the tax base of Item not recognized as assets and liabilities may be determined in accordance with the tax law, the balance between the tax base and the book value thereof shall be calculated and recognized in accordance with the applicable tax rate during the period in which the assets are expected to be recovered or the liabilities are settled).

(2) Deferred income tax assets shall be recognized to the extent of the taxable income which is likely to be obtained from the

deductible temporary differences. If, at the balance sheet date, there is any exact evidence showing that enough taxable income is likely to be obtained in future periods to offset the deductible temporary differences, the deferred income tax assets unrecognized in previous accounting periods shall be recognized.

(3) On the balance sheet date, the book value of the deferred income tax assets shall be reviewed and if enough taxable income is likely to be obtained in future periods to offset the benefits of the deferred income tax assets, the book value of the deferred income tax assets shall be written down. When enough taxable income is likely to be obtained, the written-down amount shall be reversed.

(4) The income tax of the current period and deferred income tax of the Company shall be recorded in the current profits and losses as income tax expenses or incomes, but excluding the income tax arising under the following circumstances: merger of enterprises or transactions or events directly recognized in owners' equity.

## **42. Leasing**

### **(1) Accounting treatment methods for operating leases**

The rentals paid by the Company for renting assets shall be amortized by the straight- line method and recorded in the expenses of the current period without deducting the rent-free period. The initial direct expenses related to leasing transactions paid by the Company shall be recorded in the expenses of the current period.

When the lesser bears the expenses related to leasing which shall be borne by the Company, the Company shall deduct such expenses from the total rentals, amortize the rentals after the deduction within the lease period and record them in the expenses of the current period.

The rentals collected by the Company for leasing assets shall be amortized by the straight- line method during the entire lease period without deducting the rent-free period. The initial direct expenses related to leasing transactions paid by the Company shall be recorded in the expenses of the current period; if the amount is large, they shall be capitalized and recorded in the proceeds of the current period by stages on the same basis as the lease income during the entire lease period.

When the Company bears the expenses related to leasing which shall be borne by the lessee, the Company shall deduct such expenses from the total rentals and distribute them in the lease period according to the rentals after the deduction.

### **(2) Accounting treatment methods for finance leases**

Assets under finance leases: The Company shall record the lower of the fair value of the leased assets and the present value of the minimum lease payments in an account on the commencement date of the lease, record the minimum lease payments in an account as the long-term payables in an account, and record the balance between the fair value of the leased assets and the current value of the minimum lease payments in an account as unrecognized finance charges. The Company adopts the effective interest rate method to amortize the unrecognized financing charges during the lease period and record them in the financial charges. The initial direct expenses incurred by the Company shall be recorded in the value of the leased assets.

Assets under finance leases: The Company shall, on the commencement date of the lease, recognize the balance between the sum of the unsecured residual value of the accounts receivable and the current value of the accounts receivable as unrealized finance gains and recognize them in each period in which the rentals are received in the future as lease income. The initial direct expenses incurred by the Company in relation to leasing transactions shall be recorded in the initial measurement of the finance lease accounts receivable and the amount of proceeds recognized in the lease period shall be reduced.

**43. Other important accounting policies and accounting estimates: None****44. Changes in significant accounting policies and estimates****(1) Changes in important accounting policies**

√ Applicable □ N/A

Contents of and reasons for changes in accounting policies	Approval Procedures	Remark
In March 2017, the Ministry of Finance issued the revised Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 23 - Transfer of Financial Assets, Accounting Standard for Business Enterprises No. 24 - Hedge Accounting and Accounting Standard for Business Enterprises No. 37 - Presentation of Financial Instruments issued in May 2017 (hereinafter referred to as the "New Financial Instruments Relevant Standards"). Due to the revision of the above accounting standards, the Company shall make appropriate adjustments to the relevant accounting policies previously adopted. In accordance with the "Notice on the Implementation Time of the New Financial Instrument Standards" of the Shenzhen Stock Exchange, the Company will implement the new financial instrument standards from January 1, 2019.	The Company held the 23rd meeting of the sixth board of directors and the 20th meeting of the sixth supervisory board on April 15, 2019, which have considered and adopted the Proposal on Change in Accounting Policies.	None

The Ministry of Finance issued the Notice on Amending and Issuing the Forms of General Financial Statements for Enterprises for 2019 (Cai Kuai [2019] No. 6) in April 2019 to adjust the forms of financial statements for enterprises accordingly to apply to the financial statements for the 2019 and thereafter.

The changes in accounting policies described above affect the Item and amounts of the financial statements for the comparative period (s):

A statement of the content of changes in accounting policies and its impact on the Company	Statement Item	Amount affected by the relevant financial statements Item for December 31, 2018/2018
		Increase/Decrease in Affected Amount -
According to the Notice on Amending and Issuing the Forms of General Financial Statements for Enterprises for 2019 (Cai Kuai [2019] No. 6)	Notes and accounts receivable	-899,187,856.34
	Notes Receivable	+356,393,706.64
	Accounts receivable	+542,794,149.70
	Notes payable and accounts payable	-277,553,963.40
	Notes payable	+82,771,895.45
	Accounts Payable	+194,782,067.95



The change in accounting policies only affects the Item disclosed in the above financial statements but has no impact on the total assets, total liabilities and net assets of the Company at the end of 2018 or net profit of 2018.

In 2017, the Ministry of Finance promulgated the amended Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments and Accounting Standards for Business Enterprises No. 23 - Financial Asset Transfer, Accounting Standards for Business Enterprises No. 24 - Hedge Accounting and Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments (hereinafter referred to as the "New Standards for Financial Instruments").

The Company shall conduct accounting treatment in accordance with the newly amended aforesaid standards as of January 1, 2019, and shall not adjust the information during the comparable period in accordance with the transitional provisions. For any difference between the New Standards and the existing standards implemented on the first day, the Company shall retroactively adjust the undistributed profit or other comprehensive income at the beginning of the reporting year.

The New Standards for Financial Instruments change the classification and measurement methods of financial assets, and determine three main measurement categories: amortized cost; measured at fair value through other comprehensive income; and measured at fair value through current profits and losses. Enterprises shall take into account their own business models and the characteristics of contractual cash flow of financial assets to conduct the aforesaid classification. Equity instrument investments that need to be measured at their fair values and of which the changes are included in the current profits and losses, but the non-trading equity instrument investments may be irrevocably designated as financial assets measured at their fair values and of which the changes are included in other comprehensive income on their initial recognition.

The New Standards for Financial Instruments require the measurement of impairment of financial assets to be changed from the "Incurred Loss Model" to the "Anticipated Credit Loss Model" applicable to financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and loan commitments and financial guarantee contracts.

## **(2) Significant changes in accounting estimates**

Applicable  N/A

## **(3) Implementation of the New Financial Instrument Standards, New revenue Standards and New Lease Standards implemented from 2019. Relevant Item in the financial statements at the beginning of the year**

Applicable  N/A

**Consolidated Balance Sheet**

Unit: Chinese yuan

Item	December 31, 2018	Date: January 01,2019	Adjustment
<b>Current Assets:</b>			
Monetary Funds	1,193,391,678.66	1,193,391,678.66	
Settlement Provision			
Lending Money			
Transactional Financial Assets			
Financial assets measured at fair values and of which the changes are recorded as current profits and losses			
Derivative financial assets			
Notes Receivable	356,393,706.64	167,781,390.00	-188,612,316.64
Accounts receivable	542,794,149.70	542,794,149.70	
Receivables Financing		188,612,316.64	188,612,316.64
Advance Payment	324,321,968.50	324,321,968.50	
Premium receivable			
Reinsurance Receivable			
Reinsurance contract reserve receivable			
Other receivables	7,388,490.92	7,388,490.92	
Including: Interest receivable		0.00	
Dividends receivable		0.00	
Purchase of Resale Financial Assets			
Inventories	604,432,392.50	604,432,392.50	
Contract assets			
Holdings of assets for sale			
Non- current assets maturing within one year			
Other current assets	18,168,097.91	18,168,097.91	
<b>Total Current Assets</b>	<b>3,046,890,484.83</b>	<b>3,046,890,484.83</b>	
<b>Non-current Assets:</b>			
Advance of Loans and Advances			
Debt Investment			
Financial assets available for sale			
Other debt investments			
Investments held until maturity			
Long-term receivables			
Long-term equity investments	144,163,414.53	144,163,414.53	
Other equity instruments investments			
Other non-current financial assets			
Investment properties			
Fixed Assets	775,727,434.99	775,727,434.99	
Construction-in-Progress	79,299,306.42	79,299,306.42	
Productive biological assets			
Oil and gas assets			

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Access assets			
Intangible Assets	163,351,268.06	163,351,268.06	
Development expenditures	71,774,192.74	71,774,192.74	
Goodwill	663,841,978.78	663,841,978.78	
Long-term Deferred Expenses	56,670,626.44	56,670,626.44	
Deferred income tax assets	16,146,592.60	16,146,592.60	
Other non-current assets	55,284,878.66	55,284,878.66	
Total Non-current assets	2,026,259,693.22	2,026,259,693.22	
Total assets	5,073,150,178.05	5,073,150,178.05	
Current Liabilities:			
Short-term borrowing	95,000,000.00	95,121,679.17	121,679.17
Loans borrowed from the Central Bank			
Borrowed Monies			
Transactional Financial Indebtedness			
Financial liabilities measured at fair values through current profits and losses			
Derivative financial indebtedness			
Notes payable	82,771,895.45	82,771,895.45	
Accounts Payable	194,782,067.95	194,782,067.95	
Advance Receipts	22,961,769.75	22,961,769.75	
Contractual liabilities			
Sale of Repurchased Financial Assets			
Absorption of Deposits and Interbank Deposits			
Agency payment for securities purchase and sale			
Underwriting monies of Securities			
Staff remuneration payable	57,762,286.91	57,762,286.91	
Taxes payable	83,103,389.99	83,103,389.99	
Other payables	209,187,771.79	208,391,958.29	-795,813.50
Where: Interest payable			
Dividends payable			
Charges and Commission Payable			
Reinsurance Accounts Payable			
Holdings of indebtedness to be sold			
Non-current liabilities due within one year	61,500,000.00	62,174,134.33	674,134.33
Other current liabilities			
Total current liabilities	807,069,181.84	807,069,181.84	
Non-current Liabilities:			
Reserve for Insurance Contracts			
Long-term borrowing	450,000,000.00	450,000,000.00	
Bonds payable			
Where: Preferred shares			
Perpetual Debt			
Lease indebtedness			
Long-term payables			

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Long-term remuneration payable			
Estimated liabilities			
Deferred income	38,280,011.00	38,280,011.00	
Deferred income tax liabilities	7,265,681.74	7,265,681.74	
Other non-current liabilities			
Total non-current liabilities	495,545,692.74	495,545,692.74	
Total liabilities	1,302,614,874.58	1,302,614,874.58	
Ownership interest:			
Share capital	433,324,863.00	433,324,863.00	
Other Equity Instruments			
Where: Preferred shares			
Perpetual Debt			
Capital Reserves	1,946,866,631.66	1,946,866,631.66	
Less: Treasury Shares	45,890,427.23	45,890,427.23	
Other Comprehensive Income			
Special Reserves			
Surplus Reserves	140,444,254.54	140,444,254.54	
Provision for Risks			
Undistributed Profits	1,229,914,294.39	1,229,914,294.39	
Total ownership interest vested in parent company	3,704,659,616.36	3,704,659,616.36	
Minority Interest	65,875,687.11	65,875,687.11	
Total Ownership Interest	3,770,535,303.47	3,770,535,303.47	
Total indebtedness and ownership interest	5,073,150,178.05	5,073,150,178.05	

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**Parent Company's Balance Sheet**

Unit: Chinese yuan

Item	December 31, 2018	January 1, 2019	Adjustment
<b>Current Assets:</b>			
Monetary Funds	1,128,406,586.19	1,128,406,586.19	
Tradable Financial assets			
Financial assets measured at fair values and of which the changes are recorded as current profits and losses			
Derivative financial assets			
Notes Receivable	338,090,503.59	167,375,670.00	-170,714,833.59
Accounts receivable	265,945,636.87	265,945,636.87	
Receivables Financing		170,714,833.59	170,714,833.59
Advance Payment	340,730,129.40	340,730,129.40	
Other receivables	147,813,486.17	147,813,486.17	
Including: Interest receivable			
Dividends receivable			
Inventories	423,726,476.30	423,726,476.30	
Contract Assets			
Holdings of assets for sale			
Non-current assets maturing within one year			
Other current assets			
<b>Total Current Assets</b>	<b>2,644,712,818.52</b>	<b>2,644,712,818.52</b>	
<b>Non-current Assets:</b>			
Debt investment			
Financial assets available for sale			
Other debt investments			
Investments held until maturity			
Long-term receivables			
Long-term equity investments	1,615,277,832.53	1,615,277,832.53	
Other equity instruments investments			
Other non-current financial assets			
Investment properties			
Fixed Assets	172,050,052.18	172,050,052.18	
Construction-in-Progress	38,734,813.50	38,734,813.50	
Productive biological assets			
Oil and gas assets			
Access assets			
Intangible Assets	11,835,300.26	11,835,300.26	
Development expenditures	36,503,044.23	36,503,044.23	
Goodwill			
Long-term Deferred Expenses	45,230,297.37	45,230,297.37	
Deferred income tax assets	8,376,172.11	8,376,172.11	
Other non-current assets	9,992,492.91	9,992,492.91	
<b>Total Non-current assets</b>	<b>1,938,000,005.09</b>	<b>1,938,000,005.09</b>	

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Total assets	4,582,712,823.61	4,582,712,823.61	
Current Liabilities:			
Short-term borrowing	95,000,000.00	95,121,679.17	121,679.17
Transactional Financial Indebtedness			
Financial liabilities measured at fair values through current profits and losses			
Derivative financial indebtedness			
Notes payable	29,671,375.46	29,671,375.46	
Accounts Payable	60,169,115.43	60,169,115.43	
Advance Receipts	16,290,439.91	16,290,439.91	
Contractual liabilities			
Staff remuneration payable	28,129,333.43	28,129,333.43	
Taxes payable	58,137,631.34	58,137,631.34	
Other payables	331,214,151.03	330,730,666.30	-483,484.73
Where: Interest payable			
Dividends payable			
Holdings of indebtedness to be sold			
Non-current liabilities due within one year	11,500,000.00	11,861,805.56	361,805.56
Other current liabilities			
Total current liabilities	630,112,046.60	630,112,046.60	
Non-current Liabilities:			
Long-term borrowing	260,000,000.00	260,000,000.00	
Bonds payable			
Where: Preferred shares			
Perpetual Debt			
Leasehold indebtedness			
Long-term payables			
Long-term remuneration payable			
Estimated liabilities			
Deferred income	35,350,000.00	35,350,000.00	
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	295,350,000.00	295,350,000.00	
Total liabilities	925,462,046.60	925,462,046.60	
Ownership interest:			
Share capital	433,324,863.00	433,324,863.00	
Other Equity Instruments			
Where: Preferred shares			
Perpetual Debt			
Capital Reserves	2,122,716,277.43	2,122,716,277.43	
Less: Treasury Shares	45,890,427.23	45,890,427.23	
Other Comprehensive Income			
Special Reserves			
Surplus Reserves	140,444,254.54	140,444,254.54	

Undistributed Profits	1,006,655,809.27	1,006,655,809.27	
Total Ownership Interest	3,657,250,777.01	3,657,250,777.01	
Total indebtedness and ownership interest	4,582,712,823.61	4,582,712,823.61	

## Description of the adjustments

(1) The Company has, in its daily fund management, endorsed or discounted some banker's acceptance bills, and the business mode of managing the said notes receivable is aimed at both collecting contractual cash flows and selling. Therefore, the Company has reclassified these notes receivable as financial assets measured at fair value and of which the changes are included in other comprehensive income on January 1, 2019, and listed them as receivables financing.

(2) The Notice on Revising and Issuing the 2019 General Corporate Financial Statement Formats (Cai Kuai [2019] No.6) promulgated by the Ministry of Finance in April 2019. For enterprises that have implemented the New Financial Standards, the item of "other payables" shall be filled in based on the total ending balances of the Item of "interest payable", "dividends payable" and "other payables". The "interest payable" therein only reflects the due and payable interest of relevant financial instruments but unpaid on the balance sheet date. The interest accrued on the basis of the effective interest rate method shall be included in the book balance of the corresponding financial instrument.

**(4) Description of comparative data in the previous period of retroactive adjustment to the New Financial Instrument Standards or the New Lease Standards as of 2019**

Applicable  N/A

## 45. Miscellaneous

During the application of accounting policies by the Company, due to the uncertainty inherent in business activities, the Company needs to make judgments, estimates and assumptions on the book value of statement Item which cannot be accurately measured.

These judgments, estimates and assumptions are made on the basis of the past experience of the Company's management and on the basis of other relevant factors. These judgments, estimates and assumptions affect the reported amount of income, expenses, assets and liabilities, and the disclosure of contingent liabilities on the balance sheet date. However, these uncertainties may result in actual results that differ from those currently estimated by the Company's management, resulting in significant adjustments to the carrying amount of assets or liabilities that may be affected in the future.

The Company will regularly review the foregoing judgments, estimates and assumptions on an on-going basis. If a change in an accounting estimate affects only the period of the change, the effect of the change is recognized in the period of the change. If a change in an accounting estimate affects both the period of the change and future periods, the effect of the change is recognized in the period of the change and future periods.

The key areas in which the Company is required to make judgments, estimates and assumptions about the amounts of Item in its financial statements at the balance sheet date are as follows:

### (1) Provision of anticipated loss of credit

The Company calculate anticipated credit loss through EAD and anticipated credit loss, and determine anticipated credit loss based on PD and LGD. In determining anticipated credit loss ratio, the Company uses data such as internal historical credit loss experience with current conditions and forward-looking information when determining anticipated credit loss ratio. When considering forward-looking information, the Company uses indicators such as risks of the economic downturn, increased anticipated unemployment rate, external market conditions, technical conditions and customer conditions. The Company monitor and review the assumptions relating to the calculation of anticipated credit loss regularly.

### (2) Provision for decline in value of inventories

The Company shall, in accordance with the inventory accounting policies, measure the inventory at the cost or net realizable value, whichever is lower, and make provision for loss on decline in value of inventories whose cost is higher than the net realizable value, or for obsolete and unmarketable inventories. Impairment of inventories to net realizable value is based on an assessment of the salability of inventories and their net realizable value. To identify impairment of inventories, the management is required to make a judgment and estimate on the basis of obtaining unambiguous evidence and taking into consideration the purpose for holding inventories and the impact of events occurring after the balance sheet date. Any difference between the actual results and the previously estimated results will affect the inventories and the provision for decline in value of inventories and the period in which the estimate is changed.



(3) Depreciation and amortization

The Company shall withdraw depreciation and amortization of investment real estate, fixed assets and intangible assets by the straight-line method within their useful lives after taking into account their residual values. The Company periodically reviews its useful life to determine the amount to be included in the depreciation and amortization expense for each reporting period. Useful life is determined by the Company based on its previous experience of similar assets and in the light of expected technology innovation. Depreciation and amortization expense will be adjusted in future periods if previous estimates change materially.

(4) Income Tax

In normal course of business activities, in some transactions of this Company, the final tax treatment and calculation may be uncertain. Whether some Item can be disbursed before tax shall require the approval of the competent taxation authority. If the final determination of these tax matters differs from their initially estimated amount, the difference will affect the current income tax and deferred income tax for the period when they are finally determined.

## VI. Tax Matters

### 1. Main tax categories and tax rates

Tax categories	Tax basis	Tax Rate
VAT	Taxable income	3%/16%/13%
Urban Maintenance and Construction Tax	Turnover tax payable in the current period	5%/7%
Enterprise Income Tax	Income tax payable in the current period	15%/25%
Education tax surcharge	Turnover tax payable in the current period	3%
Local education surcharge	Turnover tax payable in the current period	2%

There are taxpayers who pay taxes at different enterprise income tax rates. Explanation of Disclosure

Name of Tax Payer	Income tax rate
Boya Bio-pharmaceutical Group Co., Ltd	15%
Nancheng Jinshan Apheresis Plasma Co., Ltd.	25%
Chongren Boya Apheresis Plasma Co., Ltd.	25%
Jinxi Boya Apheresis Plasma Co., Ltd.	25%
Ganzhou Nankang Boya Apheresis Plasma Co., Ltd.	25%
Yuechi Boya Apheresis Plasma Co., Ltd.	25%
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	25%
Linshui Boya Apheresis Plasma Co., Ltd.	25%
Beijing Boya Xinnuo Biotechnology Co., Ltd.	25%
Guizhou Tianan Pharmaceutical Co., Ltd.	15%
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	15%
Xinfeng Boya Apheresis Plasma Co., Ltd.	25%
Fengcheng Boya Apheresis Plasma Co., Ltd.	25%
Yudu Boya Apheresis Plasma Co., Ltd.	25%
Duchang Boya Apheresis Plasma Co., Ltd.	25%
Nanjing Xinbai Pharmaceutical Co., Ltd.	15%
Nanjing Boya Bio-pharmaceutical Co., Ltd.	25%
Nanjing Xinrui Pharmaceutical Technology Development Co., Ltd.	25%
Guangdong Fuda Pharmaceutical Co., Ltd.	25%
Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd.	25%

## 2. Tax Preferences

Boya Bio-Pharmaceutical Co., Ltd. was jointly recognized as a high-tech enterprise by Jiangxi Provincial Department of Science and Technology, Department of Finance of Jiangxi Province, State Taxation Administration of Jiangxi Province and Jiangxi Provincial Local Taxation Bureau on November 15, 2016 in accordance with the Measures for the Administration on Certification of Hi-tech Enterprises promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation. The certificate No.: GF 201636000480. Valid term of the certificate is three years. Boya Bio-Pharmaceutical Co., Ltd. passed the reexamination on September 16, 2019 and obtained the Certificate of Hi-tech Enterprise No. GR 201936001259. Valid term of the certificate is three years. Boya Bio-Pharmaceutical Co., Ltd. is entitled to the preferential income tax of 15% in 2018 and 2019.

Tianan Pharmaceutical was jointly recognized as a high-tech enterprise by the Department of Science and Technology of Guizhou Province, Department of Finance of Guizhou Province, Guizhou Provincial Office of the State Taxation Administration and the Local Taxation Bureau on November 13, 2017 in accordance with the Measures for the Administration on Certification of Hi-tech Enterprises promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation. The certificate No.: GR 201752000216. Valid term of the certificate is three years. Tianan Pharmaceutical is entitled to the preferential income tax of 15% in 2018 and 2019.

In accordance with the Administrative Measures for the Recognition of Hi-tech Enterprises promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation, Xinbai Pharmaceuticals was jointly recognized as a high-tech enterprise by the Department of Science and Technology of Jiangsu Province, the Department of Finance of Jiangsu Province, the State Administration of Taxation Jiangsu Bureau and the Local Taxation Bureau of Jiangsu Province on November 28, 2018. The certificate No.: GR 201832003049. Valid term of the certificate is three years. Xinbai Pharmaceuticals is entitled to the preferential income tax of 15% in 2018 and 2019.

On January 18, 2019, the State Administration of Taxation ("SAT") promulgated the Announcement on Issues concerning the Implementation of Inclusive Income Tax Reduction and Exemption Policies for Small Low-profit Enterprises (the "Announcement"). According to the Announcement, from January 1, 2019 to December 31, 2021, the part of the annual taxable income of small low-profit enterprises not exceeding RMB 1 million shall be included in the taxable income at the reduced rate of 25% and subject to the enterprise income tax at the reduced rate of 20%; the part of the annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million shall be included in the taxable income at the reduced rate of 50% and subject to the enterprise income tax at the reduced rate of 20%.

A small low-profit enterprise refers to an enterprise that engages in an industry not restricted or prohibited by the state and meet the three conditions of annual taxable income not exceeding 3 million yuan, not more than 300 employees, and total assets not exceeding RMB 50 million.

Certain plasma extraction companies under Boya Bio-Pharmaceutical Co., Ltd. satisfy the criteria for small low-profit enterprises and enjoy the aforesaid general income tax policies. Boya Seehot receives a Hi-tech Enterprise Certificate jointly issued by Jiangxi Provincial Department of Science and Technology, the Department of Finance of Jiangxi Province and the State Administration of Taxation of Jiangxi Province. Certificate No.: GR 201936001681; Issuance date: December 3, 2019; Valid term: three years. In accordance with such regulations, Boya Seehot will be entitled to the relevant national preferential tax policies regarding high-tech enterprises for three years (from year 2019), and corporate income tax shall be levied at a tax rate of 15%.

### 3. Miscellaneous

#### (1) Value-added tax rate

Unit	Year 2019	Year 2018
Boya Bio-pharmaceutical Group Co., Ltd	3%	3%
Nancheng Jinshan Apheresis Plasma Co., Ltd.	3%	3%
Chongren Boya Apheresis Plasma Co., Ltd.	3%	3%
Jinxi Boya Apheresis Plasma Co., Ltd.	3%	3%
Ganzhou Nankang Boya Apheresis Plasma Co., Ltd.	3%	3%
Yuechi Boya Apheresis Plasma Co., Ltd.	3%	3%
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	3%	3%
Linshui Boya Apheresis Plasma Co., Ltd.	3%	3%
Beijing Boya Xinnuo Biotechnology Co., Ltd.	3%	3%
Guizhou Tianan Pharmaceutical Co., Ltd.	13%/16%	16%/17%
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	13%/16%	16%/17%
Xinfeng Boya Apheresis Plasma Co., Ltd.	3%	3%
Fengcheng Boya Apheresis Plasma Co., Ltd.	3%	3%
Yudu Boya Apheresis Plasma Co., Ltd.	3%	3%
Duchang Boya Apheresis Plasma Co., Ltd.	3%	3%
Nanjing Xinbai Pharmaceutical Co., Ltd.	3%/13%/16%	3%/16%/17%
Nanjing Boya Bio-pharmaceutical Co., Ltd.	13%/16%	16%/17%
Nanjing Xinrui Pharmaceutical Technology Development Co., Ltd.	13%/16%	16%/17%
Guangdong Fuda Pharmaceutical Co., Ltd.	3%/13%/16%	3%/16%/17%
Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd.	3%	3%

On January 19, 2009, the Ministry of Finance and the State Administration of Taxation promulgated the Circular on the Application of Low Value-added Tax Rate and Simplified Collection Method to Certain Goods (Cai Shui [2009] No. 9). Paragraph 3 of Article 2 of the Circular stipulates that general taxpayers who sell "biological products made from microorganisms, microbial metabolites, animal toxins, human or animal blood or tissues" may choose to calculate and pay the value-added tax at a rate of 6% under the simplified method, but the input tax may not be deducted. After general taxpayers choose the simplified method to calculate and pay the value-added tax, such method shall not be changed within 36 months. Based on the Circular, Boya Bio-Pharmaceutical Co., Ltd. and its subordinate plasma collection companies shall calculate and pay value-added tax at a rate of 6% under the simplified method since January 1, 2010, and shall not deduct input tax.

On August 24, 2009, the State Administration of Taxation promulgated the Official Reply on Issues Concerning the Value-added Tax Policies for the Supply of Blood for Non-clinical Use (Guo Shui Han [2009] No. 456). Article 2 of the Circular stipulates that if a plasma collection station, as a general taxpayer of value-added tax, sells human blood for non-clinical use, the taxable amount may be calculated at a rate of 6% under the simplified method, but no special value-added tax invoice may be issued to any other party; it may also be calculated at a rate of value-added tax according to the method for offsetting the input tax against the output tax and the applicable value-added tax rate. After taxpayers choose the method for calculating and paying the value-added tax, such method shall not be changed within 36 months.

On June 13, 2014, the Ministry of Finance and the State Administration of Taxation promulgated the Circular on Simplifying and Consolidating the Value-added Tax Rate Policies (Cai Shui [2014] No. 57). In order to further regulate the tax system and make tax burdens fair, upon the approval of the Department of State, it is decided to simplify and unify the value-added tax rate, and adjust the value-added tax rate from 6% and 4% to 3%. In July 2014, Boya Bio-Pharmaceutical Co., Ltd. and its subordinate plasma collection

companies start to adopt the simple value-added tax rate of 3%.

As certified by Nanjing Food and Drug Administration in April 2018, the products such as oxytocin injection and osteopeptide injection produced by Xinbai Pharmaceuticals belong to the categories of microbes for its use.

Metabolites, animal toxins, and biological products made from human or animal blood or tissues. Starting from July 1, 2018, Xinbai Pharmaceuticals will opt to calculate and pay the relevant product VAT at a rate of 3% under the simple method without any input VAT.

## VII. Notes to Item Consolidated Financial Statements

### 1. Monetary funds

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Cash on Hand	737,255.46	1,012,972.76
Cash at bank	537,352,204.65	1,162,285,287.57
Other currency funds	30,659,811.37	30,093,418.33
Total	568,749,271.48	1,193,391,678.66

Other Notes: All other currency funds in the ending balance of monetary funds are bankers' acceptance bills and L/C guarantee funds. Except for guarantee funds, there is no amount subject to mortgage, freezing or other restrictions on use of the ending balance of monetary funds nor amount deposited offshore or with potential recovery risk.

### 2. Transactional Financial Assets: none

### 3. Derivative financial assets: none

#### 4. Notes receivable

##### (1) Notes receivable classified

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Bankers' acceptance notes	-	-
Commercial acceptance notes	164,431,443.50	167,781,390.00
Total	164,431,443.50	167,781,390.00

The difference between the opening balance and the closing balance of the prior period (December 31, 2018) is set out in the notes "Changes in Major Accounting Policies and Estimates" in the notes to these financial statements.

##### Disclosure by Bad Debt Provision

Unit: Chinese yuan

Category	Ending Balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion (%)	Amount	Accrual Percentage (%)	
Notes receivable when provision for bad debts is made item by item	-	-	-	-	-
Accounts receivable to provide for bad debts by portfolio basis:	167,787,187.25	100.00	3,355,743.75	2.00	164,431,443.50
Including: Bankers' Acceptance Notes Portfolio	-	-	-	-	-
Commercial Acceptance Bills Portfolio	167,787,187.25	100.00	3,355,743.75	2.00	164,431,443.50
Total	167,787,187.25	100.00	3,355,743.75	2.00	164,431,443.50
Category	Opening balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion (%)	Amount	Accrual Percentage (%)	
Notes receivable where provision for bad debts is made individually	-	-	-	-	-
Accounts receivable where provision for bad debts is made by portfolio:	171,205,500.00	100.00	3,424,110.00	2.00	167,781,390.00
Including: Bankers' Bills Portfolio	-	-	-	-	-
Commercial Acceptance Bills Portfolio	171,205,500.00	100.00	3,424,110.00	2.00	167,781,390.00
Total	171,205,500.00	100.00	3,424,110.00	2.00	167,781,390.00

Provision for bad debts: none

Provision for bad debts in portfolio:

Name	Ending Balance		
	Book Balance	Provision for bad debt	Accrued proportion
Bank acceptance bill	-	-	-
Business acceptance bill	167,787,187.25	3,355,743.75	2.00%
Total	167,787,187.25	3,355,743.75	2.00%

If the provision for bad debts of notes receivable is made based on the general expected credit loss model, please disclose the relevant information of the provision for bad debts referring to the disclosure method of other receivables:

Applicable  N/A

## (2) Provision for bad debts made, recovered, or reversed in the current period

Provision for bad debts in current period

Unit: Chinese yuan

Category	Opening balance	Amount of Variation in Current Period				Ending Balance
		Withdrawal	Retaking or Reverting	Write-off	Miscellaneous	
Provision for bad debts is made by a commercial acceptance bill portfolio	3,424,110.00		68,366.25			3,355,743.75
Total	3,424,110.00		68,366.25			3,355,743.75

The amount recovered or reversed of the provision for bad debts in the current period is important:  Applicable  N/A

## (3) Note Receivable that has been pledged by the Company at the end of the period

Unit: Chinese yuan

Item	Ending pledged amount
Commercial acceptance notes	16,264,500.00
Total	16,264,500.00

(4) Note Receivable that has been endorsed or discounted by the Company at the Balance Sheet Date and is not due at the Balance Sheet Date: none

(5) Note to be transferred to the accounts receivable by the Company at the end of the period: none

(6) Note Receivable that have been actually written off in the current period: none

## 5. Accounts Receivable

### (1) Disclosure by Category of Accounts Receivable

Unit: Chinese yuan

Category	Ending Balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion (%)	Amount	Accrual Percentage (%)	
Accounts receivable to be provided for on a case-by-case basis for bad debts	53,957,472.09	8.26	4,893,660.89	9.07	49,063,811.20
Accounts receivable to be provided for bad debts by portfolio:	599,469,499.53	91.74	33,434,654.15	5.58	566,034,845.38
Where: Aging Portfolio	599,469,499.53	91.74	33,434,654.15	5.58	566,034,845.38
Total	653,426,971.62	100.00	38,328,315.04	5.87	615,098,656.58
Category	Opening balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion (%)	Amount	Accrual Percentage (%)	
Accounts receivable to be provided for on a case-by-case basis for bad debts	46,301,615.79	8.05	4,889,848.71	10.56	41,411,767.08
Receivables to which bad debt provision is made by portfolio basis:	528,735,126.82	91.95	27,352,744.20	5.17	501,382,382.62
Where: Aging Portfolio	528,735,126.82	91.95	27,352,744.20	5.17	501,382,382.62
Total	575,036,742.61	100	32,242,592.91	5.61	542,794,149.70



Provision for bad debts individually:

Unit: Chinese yuan

Name	Ending Balance			
	Book Balance	Provision for bad debts	Accrual Percentage	Reasons for Provision
Jiangsu Wanbang Biochemical Pharmaceutical Group Limited Corporation	27,847,865.69	16,873.50	0.06%	The ratio of 5% of the balance of the creditor's rights of the Company
Nanjing Nanda Pharmaceutical Co., Ltd.	17,979,955.56	9,814.90	0.05%	The ratio of 5% of the balance of the creditor's rights of the Company
NCPC International Corporation	3,264,395.00	1,716.65	0.05%	The ratio of 5% of the balance of the creditor's rights of the Company
Hebei Provincial Center of Health and Biological Products Supply	1,089,214.81	1,089,214.81	100.00%	Anticipated Irrecoverable
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd.	822,042.83	822,042.83	100.00%	Anticipated Irrecoverable
Henan Jinding Pharmaceutical Co., Ltd.	679,800.00	679,800.00	100.00%	Anticipated Irrecoverable
Minsheng Group Henan Pharmaceutical Co., Ltd.	1,108,555.00	1,108,555.00	100.00%	Anticipated Irrecoverable
Hainan Lihui Pharmaceutical Co., Ltd.	30,693.20	30,693.20	100.00%	Anticipated Irrecoverable
Chongqing Bining Bio-Pharmaceuticals Co., Ltd.	37,810.00	37,810.00	100.00%	Anticipated Irrecoverable
Chengdu Luyan Guangfu Pharmaceutical Co., Ltd.	1,097,140.00	1,097,140.00	100.00%	Anticipated Irrecoverable
<b>Total</b>	<b>53,957,472.09</b>	<b>4,893,660.89</b>	<b>--</b>	<b>--</b>

Shandong Wanbang Sainuokang Biochemical Pharmaceutical Co., Ltd. (formerly Zaozhuang Sainuokang Biochemical Co., Ltd.) ("Sainuokang Corporation") and Xinbai Pharmaceuticals Corporation have entered into an agreement on the joint production of Heparina. The agreement provides that Sainuokang Corporation shall supply qualified crude products of Heparina while Xinbai Pharmaceuticals Corporation shall be responsible for the production of standard Heparina APIs and be responsible for the quality of such APIs, and Sainuokang Corporation is responsible for the sale of Heparina APIs. As said units are Sainuokang Corporation's designated sales units of Heparina APIs, Sainuokang Corporation shall be responsible for the receipt of the payment. This portion of the Accounts Receivable is provided for bad debts in the ratio of 5% of the balance of the creditor's rights of the Company after deducting the payment for the relevant batch of raw materials.

Among portfolios, accounts receivable to which the provision for bad debts is made based on the aging analysis:  applicable  N/A

Unit: Chinese yuan

Name	Ending Balance		
	Book Balance	Provision for bad debts	Accrual Percentage
Less than 1 years	538,339,205.64	26,916,960.30	5.00%
1 to 2 years	60,095,696.25	6,009,569.62	10.00%
2 to 3 years	877,455.69	350,982.28	40.00%
Over 3 years	157,141.95	157,141.95	100.00%
<b>Total</b>	<b>599,469,499.53</b>	<b>33,434,654.15</b>	<b>--</b>

**(2) The status of provision for bad debts made, recovered, or reversed in the current period**

The status of provision for bad debts in the current period:

Unit: Chinese yuan

Category	Opening balance	Amount of Variation in the Current Period				Ending Balance
		Withdrawal	Retaking or Reverse	Write-off	Miscellaneous	
Accounts receivable to be provided for on a case-by-case basis for bad debts	4,889,848.71	3,812.18				4,893,660.89
Receivables for which the provision for bad debts is made according to the aging combination	27,352,744.20	6,120,356.10		38,446.15		33,434,654.15
<b>Total</b>	<b>32,242,592.91</b>	<b>6,124,168.28</b>		<b>38,446.15</b>		<b>38,328,315.04</b>

**(3) Accounts receivable to be actually written off in the current period**

Unit: Chinese yuan

Item	Write-off amount
Sinopharm Holdings Meizhou Co., Ltd.	38,446.15

**(4) Accounts receivable that rank top five in terms of ending balance, by party in arrears**

Unit: Chinese yuan

Company Name	Accounts receivable Ending Balance	Percentage of Total Receivables Ending Balances	Provision for Bad Debts Ending Balance
Customers 1	58,563,000.00	8.96%	2,928,150.00
Customers 2	29,008,909.80	4.44%	2,900,890.98
Customers 3	27,847,865.69	4.26%	16,873.50
Customers 4	23,687,434.00	3.63%	1,184,371.70
Customers 5	21,031,347.01	3.22%	1,051,567.35
<b>Total</b>	<b>160,138,556.50</b>	<b>24.51%</b>	<b>8,081,853.53</b>

**(5) Accounts receivable the recognition of which is terminated due to transfer of financial assets: none****(6) Amount of the assets and liabilities created by the transfer of accounts receivable and continuous involvement in the transfer of accounts receivable: none**

**6. Accounts receivable Financing**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Bankers' acceptances	190,612,082.01	188,612,316.64
Total	190,612,082.01	188,612,316.64

Other Notes: The difference between the opening balance and the closing balance of the prior period (31 December 2018) is set out in the notes "Changes in Major Accounting Policies and Estimates" in the notes to these financial statements.

**7. Advance payments****(1) Advance payments by aging**

Unit: Chinese yuan

Aging	Ending Balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Less than 1 years	517,726,691.53	61.90%	208,120,637.87	64.17%
1 to 2 years	202,992,467.34	24.27%	115,820,151.69	35.71%
2 to 3 years	115,432,692.69	13.80%	202,650.50	0.06%
Over 3 years	228,983.44	0.03%	178,528.44	0.06%
Total	836,380,835.00	100.00%	324,321,968.50	100.00%

Description of reasons for failure to settle advance payments of significant amounts with age over one year:

Item	Ending Balance	Reasons for failure to settle in time
Boya Bio-Pharmaceutical (Guangdong) Co., Ltd.	317,643,321.52	Failure to obtain approval from the regulatory authority to settle in time due to Apheresis plasma purchase
Total	317,643,321.52	

**(2) Top five advances on ending balance Collected by person to whom advance payment is made**

The top five prepayments to whom prepayments are collected at the end of the period, that is RMB 833,440,091.60, which accounts for the ratio of the total prepayments to the total prepayments at the end of period is 99.65%。

**8. Other receivables**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Interest receivable	0.00	0.00
Dividends receivable	0.00	0.00
Other receivables	39,312,820.16	7,388,490.92
Total	39,312,820.16	7,388,490.92

**(1) Interest receivable****1) Category of interest receivable: none****2) Material overdue interest: none****3) Provision for bad debts: none****(2) Dividends receivable: none****1) Classification of dividends receivable: none****2) Important dividends receivable more than one year old: none****3) Provision for bad debts: none****(3) Other receivables****1) Other receivables by nature of payment**

Unit: Chinese yuan

Nature of payments	Closing Book Balance	Opening Book Balance
Deposit	297,522.17	1,580,120.00
Deposit	34,554,728.00	2,555,268.64
Imprest Fund	258,892.00	357,311.33
Employee Loans	1,981,981.27	2,100,000.00
Miscellaneous	5,054,412.59	1,960,844.31
<b>Total</b>	<b>42,147,536.03</b>	<b>8,553,544.28</b>

**2) Provision for bad debts**

Unit: Chinese yuan

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Anticipated Credit Loss in Next 12 Months	Anticipated Credit Loss throughout Duration (No Credit Impairment)	Anticipated Credit Loss throughout Duration (Credit Impairment Occurred)	
January 1, 2019 Balance	1,165,053.36			1,165,053.36
Jan. 1, 2019 Remaining Outstanding Current				
Move to Phase 2	—	—	—	—
Move to Phase 3	—	—	—	—
Turn Back to Phase 2	—	—	—	—
Back to Phase 1	—	—	—	—
Current provision	1,673,401.23			1,673,401.23
Current Reversal	—	—	—	—
Current Write-Off	3,738.72			3,738.72
Current Write-Off	—	—	—	—
Ending Balance	2,834,715.87	—	—	2,834,715.87

## Other receivables by Class

Category	Ending Balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion (%)	Amount	Accrual Percentage (%)	
Other receivables to make provision for bad debts individually	—	—	—	—	—
Other receivables to make provision for bad debts in combination:	42,147,536.03	100.00	2,834,715.87	6.73	39,312,820.16
Including: Aging Portfolio	42,147,536.03	100.00	2,834,715.87	6.73	39,312,820.16
Total	42,147,536.03	100.00	2,834,715.87	6.73	39,312,820.16
Category	Opening balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion (%)	Amount	Accrual Percentage (%)	
Other receivables to make provision for bad debts individually	—	—	—	—	—
Other receivables to make provision for bad debts in combination:	8,553,544.28	100.00	1,165,053.36	13.62	7,388,490.92
Including: Aging Portfolio	8,553,544.28	100.00	1,165,053.36	13.62	7,388,490.92
Total	8,553,544.28	100.00	1,165,053.36	13.62	7,388,490.92

Significant changes in book balance in loss provision for current period:

Applicable  Inapplicable to other receivables to which no provision for

bad debts is made item in current period

Other receivables included in the portfolio for the provision for doubtful accounts based on the aging method

Unit: Chinese yuan

Aging	Ending Balance		
	Other receivables	Provision for bad debts	Accrual Percentage
Less than 1 years	40,132,067.59	2,006,603.38	5.00%
1 to 2 years	1,098,686.74	109,868.67	10.00%
2 to 3 years	330,896.46	132,358.58	40.00%
Over 3 years	585,885.24	585,885.24	100.00%
Total	42,147,536.03	2,834,715.87	6.73%

**3) Status of provisions for bad debts made, recovered or reversed in the current period**

Status of provision for bad debts in current period

Unit: Chinese yuan

Category	Opening balance	Amount of Variation in Current Period				Ending Balance
		With drawal	Retaking or Reverse	Write-off	Miscellaneous	
Other receivables to make provision for bad debts by aging portfolios	1,165,053.36	1,673,401.23		3,738.72		2,834,715.87
<b>Total</b>	<b>1,165,053.36</b>	<b>1,673,401.23</b>		<b>3,738.72</b>		<b>2,834,715.87</b>

Of which, the amount reversed or recovered of the current provision for bad debts is significant: none

**4) Other receivables to be actually written off in current period**

Unit: Chinese yuan

Item	Write-off amount
Employee Loans	3,738.72

**5) Other receivables ranked in top five in terms of ending balance by debtor**

Unit: Chinese yuan

Company Name	Nature of payment	Ending Balance	Aging	Proportion of other receivables to total ending balance	Provision for Bad Debts Ending Balance
Fuzhou Hengda Real Estate Development Co., Ltd.	Deposit	30,000,000.00	Less than 1 years	71.18%	1,500,000.00
Liaoning Huiming Pharmaceutical Co., Ltd.	Deposit	3,000,000.00	Less than 1 years	7.12%	150,000.00
Austar Pharna, LLC	Miscellaneous	1,611,099.00	Less than 1 years	3.82%	80,554.95
Employee Loans	Employee Loans	1,000,000.00	Less than 1 years	2.37%	50,000.00
Hualan Bioengineering Co., Ltd.	Deposit	500,000.00	1 - 2 years	1.19%	50,000.00
<b>Total</b>	--	<b>36,111,099.00</b>	--	<b>85.68%</b>	<b>1,830,554.95</b>

**6) Receivables Involving Government Grants: none****7) Other receivables the recognition of which is terminated due to financial asset transfer: none****8) the amount of the assets and liabilities created by transferring other receivables and continuous involvement in the transfer: none**

**9. Inventories**Have the new revenue standard been implemented:  yes  No**(1) Inventory Classification**

Unit: Chinese yuan

Item	Ending Balance			Opening balance		
	Book Balance	Provision for Obsolescence of Inventory or Cost of Contract Performance	Book Value	Book Balance	Provision for Obsolescence of Inventory or Cost of Contract Performance	Book Value
Raw Materials	257,082,938.64		257,082,938.64	234,268,311.48		234,268,311.48
Products in Process	199,102,420.18		199,102,420.18	145,163,385.25		145,163,385.25
Inventory Goods	165,333,412.31	1,663,324.60	163,670,087.71	223,052,392.52		223,052,392.52
Working Materials	1,544,801.72		1,544,801.72	1,948,303.25		1,948,303.25
Total	623,063,572.85	1,663,324.60	621,400,248.25	604,432,392.50		604,432,392.50

**(2) Provision for Obsolescence of Inventory and Provision for Obsolescence Costs of Contract Performance**

Unit: Chinese yuan

Item	Opening Balance	Current Increase		Current Decrease		Ending Balance
		Accrued	Others	Reverses or resale	Others	
Inventory Goods		1,663,324.60				1,663,324.60
Total		1,663,324.60				1,663,324.60

**(3) Explanation for Capitalization of Borrowing Costs Included in Balance of Inventory: none****(4) Explanation for Amortized Amount of Current Period Cost of Contract Performance: none****10. Contract Assets: none****11. Held for Sale Assets: none****12. Non-current assets maturing within one year: none**

**13. Other current assets**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
To be Credited VAT	16,998,035.48	18,168,097.91
Total	16,998,035.48	18,168,097.91

**14. Debt Investment: none****15. Other Investments: none****16. Long-term receivables****(1) Long-term Receivables: none****(2) Long-term Receivables Derecognized due to Financial Asset Transfer: none****(3) Amount of the assets and liabilities created by the transfer of long-term receivables and continuous involvement in the transfer: none**



**17. Long-term Equity Investment**

Unit: Chinese yuan

Investees	Opening Balance (Carrying Value)	Current Increase Or Decrease Changes							Ending Balance (Carrying Value)	Impairment Provision on Closing Balance	
		Additional Investment	Reduction Of Investment	Gains Or Losses On Investments Recognized Under The Equity Method	Other Comprehensive Income Adjustment	Other Changes in Interest	Declaration of Cash Dividends or Profits	Provision for Impairment			Miscellaneous
I. Joint Venture Enterprise											
II. Associated Enterprise											
Qianhai Youxiang	44,255,421.44			-3,526,844.06						40,728,577.38	
Zhuji Rui'an	48,349,985.34		6,743,062.40	-749,978.82			-131,963.23			40,724,980.89	
Shenzhen Ruibao	51,558,007.75			328,521.95						51,886,529.70	
Subtotal	144,163,414.53		6,743,062.40	-3,948,300.93			-131,963.23			133,340,087.97	
Total	144,163,414.53		6,743,062.40	-3,948,300.93			-131,963.23			133,340,087.97	

**18. Other Equity Instrument Investments: none****19. Other Non- current Financial Assets: none****20. Investment Property****(1) Investment Property using the Cost Measurement Model: none****(2) Investment Property Measured under the Fair Value Method: none****(3) Information about Investment Property without Title Certificates: none****21. Fixed Assets**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Fixed Assets	720,254,464.50	775,727,434.99
Total	720,254,464.50	775,727,434.99

**(1) Fixed Assets**

Unit: Chinese yuan

Item	Premises and Buildings	Machinery Devices	Means of Transport	Electronics Devices	Other Devices	Total
I. Original Book Value:						
1. Opening Balance	466,595,089.22	516,293,059.66	27,496,809.65	19,343,912.55	44,423,777.06	1,074,152,648.14
2. Current Increase Amount	1,057,953.34	17,102,603.78	1,214,803.95	1,128,491.72	5,871,903.08	26,375,755.87
(1) Purchase	1,057,953.34	13,478,741.98	1,214,803.95	1,128,491.72	5,809,794.97	22,689,785.96
(2) Transfer of Construction-in-Progress		3,623,861.80				3,623,861.80
(3) Increase in Business Combination						
(4) Other Additions					62,108.11	62,108.11
3. Current Reduction Amount	1,724,410.85	2,672,889.24	1,291,412.76	819,528.02	211,203.24	6,719,444.11
(1) Disposal or Abandonment	1,724,410.85	2,672,889.24	1,291,412.76	757,419.91	211,203.24	6,657,336.00
(2) Other Reductions				62,108.11		62,108.11
4. Ending Balance	465,928,631.71	530,722,774.20	27,420,200.84	19,652,876.25	50,084,476.90	1,093,808,959.90
II. Accumulated Depreciation						
1. Opening Balance	76,636,652.45	165,428,198.34	20,757,710.78	14,469,663.02	21,132,988.56	298,425,213.15

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2. Current Increase Amount	20,523,493.51	48,106,936.72	2,963,201.02	2,258,211.75	6,873,444.00	80,725,287.00
(1) Withdrawal	20,523,493.51	48,106,936.72	2,963,201.02	2,258,211.75	6,873,444.00	80,725,287.00
3. Current Reduction Amount	1,145,657.91	2,336,330.08	1,213,426.69	701,355.33	199,234.74	5,596,004.75
(1) Disposal or Abandonment	1,145,657.91	2,336,330.08	1,213,426.69	701,355.33	199,234.74	5,596,004.75
4. Ending Balance	96,014,488.05	211,198,804.98	22,507,485.11	16,026,519.44	27,807,197.82	373,554,495.40
III. Provision for Impairment						
1. Opening Balance						
2. Current Increase Amount						
(1) Withdrawal						
3. Current Reduction Amount						
(1) Disposal or Abandonment						
4. Ending Balance						
IV. Book Value						
1. Ending Book Value	369,914,143.66	319,523,969.22	4,912,715.73	3,626,356.81	22,277,279.08	720,254,464.50
2. Opening Book Value	389,958,436.77	350,864,861.32	6,739,098.87	4,874,249.53	23,290,788.50	775,727,434.99

**(2) Fixed assets idle temporarily: no**

**(3) Information on the fixed assets leased by finance lease: none**

**(4) Fixed assets leased by operation lease: none**

**(5) Information on Fixed Assets without Title Certificates**

Unit: Chinese yuan

Item	Book Value	Reasons for Failure to Obtain Title Certificate
Plasma Station Building (Nankang Plasma Station)	6,026,744.37	In Process
Total	6,026,744.37	

**(6) Fixed assets clearance: none**

**22. Construction-in-Progress**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Construction-in-Progress	94,546,219.67	79,299,306.42
Total	94,546,219.67	79,299,306.42

**(1) Construction-in-Progress**

Unit: Chinese yuan

Item	Ending Balance			Opening balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Boya Seehot Pharmaceutical Industry Project	27,408,972.16		27,408,972.16	25,933,428.48		25,933,428.48
Ceftriaxone Project	14,000,000.00		14,000,000.00	14,000,000.00		14,000,000.00
1000 Ton Blood Product Intelligent Factory Construction Project	17,198,038.48		17,198,038.48	13,089,828.37		13,089,828.37
Renovation of Chongren Plasma Station	17,812,093.81		17,812,093.81	9,160,386.44		9,160,386.44
Miscellaneous Works	7,960,985.13		7,960,985.13	5,011,270.00		5,011,270.00
Management Platform of Single Collection Plasma Station	4,648,000.00		4,648,000.00	4,600,000.00		4,600,000.00
Renovation and Expansion of New Hundred Workshop				3,935,611.37		3,935,611.37
Coagulation Factor Production R&D Building	4,659,895.56		4,659,895.56	3,338,998.76		3,338,998.76
Duchang Plasma Station Construction Project	858,234.53		858,234.53	229,783.00		229,783.00
Total	94,546,219.67		94,546,219.67	79,299,306.42		79,299,306.42

**(2) Changes in Major Construction-in-Progress Projects at Current Period**

Unit: Chinese yuan

Project name:	Budget	Opening balance	Current Increase Amount	Fixed Assets Transfer Amount in Current Period	Current Other Reduction Amount	Ending Balance
Ceftriaxone Project	35,000,000.00	14,000,000.00				14,000,000.00
Boya Seehot Pharmaceutical Industry Project	200,000,000.00	25,933,428.48	1,475,543.68			27,408,972.16
Coagulation Factor Production R&D Building Project	96,400,000.00	3,338,998.76	1,320,896.80			4,659,895.56
Thousand Ton Blood Product Factory Construction Project	1,360,115,000.00	13,089,828.37	4,108,210.11			17,198,038.48
<b>Total</b>	<b>1,691,515,000.00</b>	<b>56,362,255.61</b>	<b>6,904,650.59</b>			<b>63,266,906.20</b>

Project name:	Proportion of Cumulative Investment to Budget	Construction Schedule	Cumulative Amount to Capitalization of Interest	Of which: Amount to Be Capitalized	Current Interest Capitalization Rate	Source of Funds
Ceftriaxone Project	40.00%	40.00%				Proceeds Raised
Boya Seehot Pharmaceutical Industry Project	148.99%		26,082,900.00			Own Funds and Raised
Coagulation Factor Production R&D Building Project	108.24%					Proceeds Raised
Thousand Ton Blood Product Factory Construction Project	1.26%	1.26%				Proceeds Raised Using Own Proceeds
<b>Total</b>	<b>--</b>	<b>--</b>	<b>26,082,900.00</b>			<b>--</b>

Ceftriaxone Project is the Proposal on Using Overraised Funds to Purchase Technology of Ceftriaxone Tablets and Raw Materials Project reviewed and adopted at the 25th meeting of the fourth board of directors of the Company, in which the board of directors of the Company approves that the Company may purchase "Ceftriaxone Tablets, Raw Materials Project Technology and New Drug Certificate and Relevant Intellectual Property" with the overraised funds of RMB 35 million. The ending balance refers to progress payment made for technology transfer in accordance with the Agreement.

Boya Seehot Pharmaceutical Industry Project is the Proposal on the Establishment of a Wholly-owned Sun Company and Construction of Pharmaceutical Industry Project Using the Raised Funds to increase its wholly-owned subsidiary, Jiangxi Boya Pharmaceutical Investment Co., Ltd., which will use the raised funds of RMB 50 million to increase its wholly-owned subsidiary, Jiangxi Boya Pharmaceutical Investment Co., Ltd., and the increased funds will be used to establish a wholly-owned subsidiary Jiangxi Boya Seehot Pharmaceutical Co., Ltd. in Fuzhou.

Boya Seehot Pharmaceutical Co., Ltd. plans to invest RMB 200 million to establish the pharmaceutical industry project in Fuzhou to

undertake the production of Ceftriaxone and other pharmaceutical products. The pharmaceutical industry project to be constructed in Fuzhou in 2018 will reach usable status and be converted into fixed assets, and the ending balance refers to workshops, plants and devices to be installed that have not reached usable status.

The R&D building for the production of coagulation factor products is a proposal on Constructing the R&D building for the production of coagulation factor products with the Balance of Raised Funds and Self-owned Funds deliberated and adopted at the 15th meeting of the fifth board of directors of the Company. The Company constructed the R&D building for the production of coagulation factor products with the balance of raised funds in 2012 from IPO and self-owned funds. The total budget funds for this project are RMB 96.40 million, of which RMB 46.0763 million is raised and self-owned funds is RMB 50.3237 million.

In December 2015, the Company raised supporting funds by way of over-directional issuance of additional shares and used the supporting funds of 50 million to construct the R&D building for the production of coagulation factor products to replace its own funds. In November 2017, the human fibrinogen production workshop involved in the R&D building for the production of coagulation factor products may be officially put into operation after it has passed the GMP certification, and the value of the human fibrinogen production workshop is RMB 11.0536 million, which will be transferred into fixed assets. In July 2018, the remaining part of the R&D building for the production of coagulation factor products will reach the usable state, and will be transferred into fixed assets. The ending balance refers to other supporting facilities that fail to reach the usable state.

The 5th meeting of the 6th board of directors of the Company and the 2nd extraordinary general meeting of shareholders of the Company in 2017 have deliberated and adopted the Proposal on the Plan for Non-public Offering of Shares by the Company, according to which the total proceeds raised from non-public offering of A shares to specific investors will not exceed RMB 100,000, which will be used for the construction project of 1,000 tons of blood products intelligent factory after deducting the issuance costs.

In April 2018, the Company made a private placement of 32,247,662 shares, raising net amount of RMB 98,925.60 ,000. Estimated total investment in 1,000 tons of blood products intelligent factory construction project is RMB 1, 360.1150 million,

If the net amount of the raised proceeds is less than the amount proposed to be invested in the project, and such proceeds shall be obtained by the Company from its own funds or by other means of financing. Currently, the project is under construction.

**(3) Provision for the impairment reserves of construction in process in current period: none**

**(4) Project materials: none**

## **23. Productive biological assets**

**(1) Productive biological assets using the cost measurement model: none**

**(2) Productive biological assets using the fair value measurement model: none**

**24. Oil and gas assets: none**

**25. Usufruct assets: none**

**26. Intangible assets****(1) Description of intangible assets**

Unit: Chinese yuan

Item	Land-use Right	Patent Rights	Non-patented technology	SOFTWARE	Total
<b>I. Original Book Value</b>					
1. Opening Balance	125,690,282.63	43,694,172.21	13,694,372.18	7,301,795.01	190,380,622.03
2. Current Increase Amount	3,727,587.00	100,000.00	16,868,254.03	2,493,036.06	23,188,877.09
(1) Purchase	3,727,587.00	100,000.00	10,790,681.58	2,493,036.06	17,111,304.64
(2) Internal research Hair			6,077,572.45		6,077,572.45
(3) Increase in Business Combination					
3. Current Reduction Amount	1,742,643.36				1,742,643.36
(1) Disposal	1,742,643.36				1,742,643.36
4. Ending Balance	127,675,226.27	43,794,172.21	30,562,626.21	9,794,831.07	211,826,855.76
<b>II. Accumulated Amortization</b>					
1. Opening Balance	11,735,465.86	6,842,309.48	4,267,574.11	4,184,004.52	27,029,353.97
2. Current Increase Amount	3,043,397.13	2,657,255.77	2,886,760.16	856,973.62	9,444,386.68
(1) Withdrawal	3,043,397.13	2,657,255.77	2,886,760.16	856,973.62	9,444,386.68
3. Current Reduction Payment Amount	261,805.02				261,805.02
(1) Disposal	261,805.02				261,805.02
4. Ending Balance	14,517,057.97	9,499,565.25	7,154,334.27	5,040,978.14	36,211,935.63
<b>III. Provision for Impairment</b>					
1. Opening Balance					
2. Current Increase Amount					
(1) Withdrawal					
3. Current Reduction Amount					
(1) Disposal					
4. Ending Balance					

IV. Book Value					
1. Closing Book Price Value	113,158,168.30	34,294,606.96	23,408,291.94	4,753,852.93	175,614,920.13
2. Opening Book Price Value	113,954,816.77	36,851,862.73	9,426,798.07	3,117,790.49	163,351,268.06

The intangible assets formed through internal research and development of the Company at the end of the year account for 2.87% of the balance of the intangible assets. It is not required to make provision for impairment if there is no net realizable value of the intangible assets at the end of period.

**(2) Information on land use right without title certificates: none**

**27. Development Expenditure**

Unit: Chinese yuan

Item	Opening balance	Current Increase Amount			Current Reduction Amount			Ending Balance
		Internal Development Expenditure	Miscellaneous		Confirmed as intangible assets	Transfer-in Current Profit and Loss		
Human Coagulation Factor I	23,992,119.73	4,854,045.02						28,846,164.75
Human Prothrombin Complex	12,510,924.50	2,476,404.54						14,987,329.04
Industrialization Technology for Boya Seehot Intermediates	10,647,483.80	6,633,134.93						17,280,618.73
Generic Consistency Evaluation	14,680,738.19	7,793,459.73			6,077,572.45			16,396,625.47
Re-evaluation of Injection and Improvement in Standard	7,353,392.06	13,297,686.56						20,651,078.62
Development of Acarbose	2,589,534.46	4,347,759.35						6,937,293.81
Total	71,774,192.74	39,402,490.13			6,077,572.45			105,099,110.42



**28. Goodwill****(1) Book Value of Goodwill**

Unit: Chinese yuan

Name of Investee or matters forming goodwill	Opening balance	Current Increase		Current Reduction		Ending Balance
		Formed by Business Combination	Miscellaneous	Disposal	Miscellaneous	
Tianan Pharmaceutical	126,747,644.00					126,747,644.00
Xinbai Pharmaceuticals	371,026,199.46					371,026,199.46
Fuda Pharmaceutical	166,068,135.32					166,068,135.32
<b>Total</b>	<b>663,841,978.78</b>					<b>663,841,978.78</b>

The goodwill of Tianan Pharmaceutical was formed by Tianan Pharmaceutical which is not a merged subsidiary under common control. Goodwill is calculated as follows:

As of the Merger Date, the identifiable net assets of Tianan Pharmaceutical were appraised by Jiangsu Zhongtian Appraisal Co., Ltd., showing the identifiable net assets of Tianan Pharmaceutical are RMB 109,334,645.41, the Company's acquisition of 55.586% of Tianan Pharmaceutical's corresponding identifiable net assets amounted to RMB 60,774,756.00, an actual investment cost of RMB 187,522,400.00. The goodwill formed by the 55.586% of the equity interest in Tianan Pharmaceutical which is not under common control is RMB 126,747,644.00.

The goodwill of Xinbai Pharmaceuticals was formed by Xinbai Pharmaceuticals which is not the merged subsidiary under common control. Goodwill is calculated as follows:

In 2015, Beijing Pan-China Appraisal Co., Ltd. conducted an appraisal of all shareholders' interest in Xinbai Pharmaceuticals and issued the appraisal with the document number of Tianxing Ping Bao Zi (2015) No. 0559 Appraisal Report on March 21, 2015, with the appraisal reference date being May 31, 2015, the recognizable net assets of Xinbai Pharmaceuticals being RMB 242,591,731.80. The Merger Date is November 30, 2015, based on the appraisal report, as of the Merger Date, the recognizable net assets of Xinbai Pharmaceuticals were RMB 248,980,000.54 and the actual investment cost was RMB 62.00062 million.

The consolidated equity interest in Xinbai Pharmaceuticals which is not under common control generated goodwill in the amount of RMB 371,026,199.46. The goodwill of Fuda is formed by a merger subsidiary of Fuda which is not under common control. Goodwill was calculated as follows: The merger date for the acquisition of Fuda by the Company of Fuda Pharmaceuticals was October 30, 2017. The recognizable net assets of Fuda as of the merger date was RMB 63,477,883.75. The amount of identifiable net assets corresponding to the Company's acquisition of 82% of Fuda Pharmaceutical's equity is RMB 52,051,864.68 and the actual investment cost is RMB 218,120,000.00.

The consolidated equity interest in Xinbai Pharmaceuticals which is not under common control generated goodwill in the amount of RMB 166,068,135.32.

**(2) Provision for Impairment of Goodwill**

Unit: Chinese yuan

Name of Investee or matters forming goodwill	Opening balance	Current Increase		Current Reduction		Ending Balance
		Withdrawal	Miscellaneous	Disposal	Miscellaneous	
Tianan Pharmaceutical	0					0
Xinbai Pharmaceuticals	0					0
Fuda Pharmaceutical	0					0
Total	0					0

Information relating to the Group of Assets or Combination of Group of Assets where Business Goodwill Lies

Composition of the asset group or the combination of asset group	Tianan Pharmaceuticals Asset Group	Xinbai Pharmaceuticals Asset Group	Fuda Pharmaceuticals Asset Group
Carrying Value of Group Assets or Combination of Group Assets	187,621,729.74	241,460,236.38	179,961,692.78
Book Value of Goodwill	126,747,644.00	371,026,199.46	166,068,135.32
Value of Goodwill Unrecognized Vested in Minority Interest	101,273,159.80	—	36,453,980.92
Containing Value of Goodwill Unrecognized Vested in Minority Interest	228,020,803.80	371,026,199.46	202,522,116.24
Carrying Value of Group Assets or Combination of Group Assets Containing Business Goodwill	415,642,533.54	612,486,435.84	382,483,809.02
Is the asset group or combination of group assets consistent with the asset group or combination of group assets determined in the impairment test of business reputation on the purchase date and in the previous years	Consistent	Consistent	Consistent

Tianan Pharmaceutical Co., Ltd., Xinbai Pharmaceuticals and Fuda Pharmaceutical Co., Ltd. are independent in business and can generate cash flow independently. They treat each company as an asset group. The composition scope of the group assets or the combination of group assets includes the operating long-term assets and working capital.

The process of goodwill impairment test and key parameters (such as growth rate in the forecast period, growth rate in the stable period, profit rate, discount rate, and forecast period etc. of the present value of future cash flow is estimated) and the method for the recognition of goodwill impairment losses shall be stated:

In accordance with the provisions of the Accounting Standards for Business Enterprises No. 8 - Asset Impairment, no matter whether there is any sign of impairment, the goodwill formed due to the amalgamation of enterprises shall be subject to impairment test every year. Where any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets.

Since the Company has no intention to sell Tianan Pharmaceutical Asset Group, Xinbai Pharmaceuticals Asset Group and Fuda Pharmaceutical Asset Group, there is no agreed price for sale; moreover, it is difficult to find the same or similar transaction cases in the open market that are identical or similar to those of Tianan Pharmaceutical Asset Group, Xinbai Pharmaceuticals Asset Group and Fuda Pharmaceutical Asset Group, the management of the Company is unable to reliably estimate the net amount of the fair value of the asset group minus the disposal expenses based on the materials and information obtained. Therefore, the recoverable amount of Tianan Pharmaceutical Asset Group, Xinbai Pharmaceuticals Asset Group and Fuda Pharmaceutical Asset Group shall be determined according to the current value of the future cash flow as predicted by the asset groups. The management shall, on the basis of the financial budget for the future five years (2020 - 2024), forecast the future cash flow, and calculate the discount rate of the present value at the pre-tax discount rate that can reflect the specific risks of the relevant asset group.

1) Important Assumptions and Basis Important Assumptions and Basis

On-going concern assumption: it is assumed that, after the base date of valuation, the evaluated unit can continue to operate and all the assets of the enterprise can continue to be used for the original purpose; transaction assumption: it is assumed that all the assets to be evaluated have been in the process of transaction, and the valuation is made on the basis of the transaction conditions of the assets to be evaluated in a simulated market;

Open market assumption: it is assumed that the assets traded or planned to be traded in the market shall have equal status to each other and each party has the opportunity and time to obtain sufficient market information so as to make rational judgments on the function, purpose and transaction price of the assets. The open market assumption is based on that the assets may be traded in the market in a public manner.

## Specific Assumptions

There is no major change in the current laws, regulations and policies of the state or in the macro-economic situation of the state; There is no major change in the political, economic and social environment of the regions where the parties to the transaction are located;

Assume that, on the basis of the current management methods and management proficiency, the business scope and methods of the entity to which the asset group belongs shall keep consistent with the current direction. The operators of the Company shall be responsible, the management of the Company shall be able to take their positions, there is no obviously adverse change in the core team, and the Company has fully abided by all the relevant laws and regulations;

Assume that the qualifications such as the specific administrative license, franchise qualification or specific contract project, etc. of the entity to which the asset group belongs, can be continued upon expiration and the market practice of the relevant qualifications remains unchanged;

Assume that the accounting policies to be adopted by the entity to which the asset group belongs in the future are basically consistent with the accounting policies it adopts in the preparation of the report, and that there is no major adverse effect on the evaluated entity due to force majeure or unforeseeable factors.

## 2) Key parameters:

Composition of the asset group or the combination of asset group	Tianan Pharmaceuticals Asset Group	Xinbai Pharmaceuticals Asset Group	Fuda Pharmaceuticals Asset Group
Discount Rate (pre-tax)	12.02%	12.44%	11.84%

## 3) Completion of Performance Commitment

As of December 31, 2019, the performance commitment of each company is as follows:

Company Name	Year	Net profits attributable to the owner of the parent company after deducting non-operational profits and losses (ten thousand Chinese yuan)			
		Commitment	Realized	Difference	Completion Rate
Xinbai Pharmaceuticals	Year 2015	3,500.00	3,516.59	16.59	100.47%
	Year 2016	4,500.00	4,511.96	11.96	100.27%
	Year 2017	5,500.00	5,529.14	29.14	100.53%
	Total amount of 2015 ~ 2017	13,500.00	13,557.69	57.69	100.43%

**29. Long-term Amortized Expenses**

Unit: Chinese yuan

Item	Opening balance	Current Increase Amount	Current Amortization Amount	Other Reduction Amount	Ending Balance
Decoration Works	12,252,582.49	10,011,235.24	4,090,310.76		18,173,506.97
Plasma Station Expansion	43,500,000.00		6,000,000.45		37,499,999.55
Rent Fee	142,134.22	395,138.40	537,272.62		
Training Fee	420,000.00		420,000.00		
Car Rent	355,909.73		122,026.29		233,883.44
<b>Total</b>	<b>56,670,626.44</b>	<b>10,406,373.64</b>	<b>11,169,610.12</b>		<b>55,907,389.96</b>

Other Remark: Plasma Station Expansion projects will be equally amortized over 10 years' anticipated benefit period

**30. Deferred income tax assets/deferred income tax liabilities****(1) Deferred income tax assets not subject to offset**

Unit: Chinese yuan

Item	Ending Balance		Opening balance	
	Deductible Temporary Variation	Deferred income tax assets	Deductible Temporary Variation	Deferred income tax assets
Provision for Impairment of Assets	46,182,099.26	7,768,977.04	36,831,756.27	6,316,510.75
Unrealized profits from intercompany transactions	43,423,610.88	7,700,124.66	29,652,629.58	4,879,125.60
Accrued expenses	44,925,636.69	7,620,567.18	29,155,814.61	4,373,372.19
Unpaid remuneration	19,415,452.92	2,912,317.93	3,850,560.38	577,584.06
<b>Total</b>	<b>153,946,799.75</b>	<b>26,001,986.81</b>	<b>99,490,760.84</b>	<b>16,146,592.60</b>

**(2) Deferred income tax liabilities not subject to offset**

Unit: Chinese yuan

Item	Ending Balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Appraisal Appreciation of Assets of Tianan Pharmaceutical Not Under Common Control	8,410,420.42	1,261,563.07	9,679,660.00	1,451,949.01
Appraisal Appreciation of Assets of Xinbai Pharmaceuticals Merger Not Subject to Common Control	36,910,859.67	5,536,628.95	38,655,905.83	5,798,385.87
Accelerated depreciation of fixed assets	125,616.95	31,379.25	61,387.44	15,346.86
<b>Total</b>	<b>45,446,897.04</b>	<b>6,829,571.27</b>	<b>48,396,953.27</b>	<b>7,265,681.74</b>

**(3) Deferred income tax assets or liabilities net after set-off**

Unit: Chinese yuan

Item	Deferred income tax assets and liabilities ending offset amount	Deferred income tax assets or liabilities after set-off Ending Balance	Opening Offset amount of deferred income tax assets and liabilities	Opening balance of deferred income tax assets or liabilities after offset
Deferred income tax assets		26,001,986.81		16,146,592.60
Deferred income tax liabilities		6,829,571.27		7,265,681.74

**(4) Detailed list of unrecognized deferred income tax assets**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Deductible Loss	56,097,836.16	25,986,617.34
Total	56,097,836.16	25,986,617.34

No deductible loss is recognized as a deferred income tax asset due to uncertainty that adequate taxable income will be available in the future.

**(5) The deductible loss of an unrecognized deferred income tax asset will fall due in the following year**

Unit: Chinese yuan

Year	Ending amount	Opening amount	Remark
2019 Year		134,867.91	
Year 2020	2,297,736.62	4,585,893.94	
Year 2021	7,690,773.54	8,905,367.46	
Year 2022	4,785,252.17	5,849,924.13	
Year 2023	6,483,809.01	6,510,563.90	
Year 2024	34,840,264.82		
Total	56,097,836.16	25,986,617.34	--

**31. Other non-current assets**Have the new revenue standard been followed:  Yes  No

Unit: Chinese yuan

Item	Ending Balance			Opening balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Advance payment for engineering devices	20,597,333.61			17,710,380.21		
Advance Payment for Technology Transfer	27,803,716.87			37,574,498.45		
Advance Payment for Equity Transfer Price	180,700,000.00					
Total	229,101,050.48			55,284,878.66		

**32. Short-term Loan****(1) Classification of Short-term Loans**

Unit: Chinese yuan

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Item	Ending Balance	Opening balance
Guaranteed Loan	10,560,000.00	
Credit Borrowing	200,000,000.00	95,000,000.00
Bills and Letters of Credit Discounting	46,000,000.00	
Plus: Interest payable on Borrowings	272,525.00	121,679.17
Total	256,832,525.00	95,121,679.17

Notes and letters of credit discounting is the amount discounted by undue bankers' acceptances and letters of credit issued between the Companies within the consolidated accounts.

The difference between the opening balance and the closing balance for the prior period (December 31, 2018) is set out in the notes to these financial statements under "Changes in Major Accounting Policies and Estimates".

**(2) overdue but unpaid short-term loans: none**

**33. Transactional Financial Indebtedness: none**

**34. Derivative Financial Indebtedness: none**

**35. Notes payable**

Unit: Chinese yuan

Categorie s	Ending Balance	Opening balance
Bankers' acceptances	78,723,975.84	82,771,895.45
Total	78,723,975.84	82,771,895.45

The total amount of the Note Payable that is due but unpaid at the end of the period is RMB 0.

**36. Accounts Payable**

**(1) Accounts Payable**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Less than 1 years	135,455,556.55	181,467,686.41
1 to 2 years	26,350,145.95	8,463,433.20
2 to 3 years	5,931,428.67	2,993,478.88
Over 3 years	4,211,973.22	1,857,469.46
Total	171,949,104.39	194,782,067.95

**(2) Material accounts payable with an age of more than one year**

Unit: Chinese yuan

Item	Ending Balance	Reason for Outstanding or Carry Forward
Jinfu Construction Group Limited Corporation	10,841,514.62	Last payment for quality assurance
Jiangxi Dingshun Construction Engineering Co., Ltd.	3,043,961.18	Last payment for quality assurance
Shanghai Dongfulong Hi-Tech Co., Ltd.	2,817,917.36	Last payment for quality assurance
Shanghai Dongfulong Dehui Purifying Air Conditioning Engineering & Installation Co., Ltd.	2,801,153.65	Last payment for quality assurance
Suzhou Tianrui Environmental Technology Co., Ltd.	2,547,747.74	Last payment for quality assurance
Jiangxi Gusu Purification Technology Co., Ltd.	1,882,072.57	Last payment for quality assurance
Shanghai Longline Cleaning Technologies Co., Ltd.	1,289,476.84	Last payment for quality assurance
Total	25,223,843.96	--

**37. Payment Received in Advance****(1) Listing of payments received in advance**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Less than 1 years	14,399,886.37	22,373,665.34
1 to 2 years	498,060.60	365,796.53
2 to 3 years	73,059.00	13,575.02
Over 3 years	171,188.52	208,732.86
Total	15,142,194.49	22,961,769.75

**(2) Important advance payments more than one year with age**

Unit: Chinese yuan

Item	Ending Balance	Reason for Outstanding or Carry Forward
Ningbo Zhongcheng Pharmaceutical Co., Ltd.	264,286.40	Delayed delivery by customers
Guangdong Donghua Pharmaceutical Co., Ltd.	104,970.00	Delayed delivery by customers
Total	369,256.40	--

**(3) Final unfinished Item resulting from construction contracts at the end of period: none****38. Contractual Indebtedness: none**



**39. Employee Remuneration Payable****(1) List of compensation payable**

Unit: Chinese yuan

Item	Opening balance	Current Increase	Current Reduction	Ending Balance
I. Short-term remuneration	57,451,655.97	261,990,140.94	248,849,187.41	70,592,609.50
II. Post-employment Benefits – Defined Contribution Plan	310,630.94	14,526,388.19	14,527,904.27	309,114.86
III. Termination Benefits		159,831.70	159,831.70	
Total	57,762,286.91	276,676,360.83	263,536,923.38	70,901,724.36

**(2) Listing of short-term compensation**

Unit: Chinese yuan

Item	Opening balance	Current Increase	Current Reduction	Ending Balance
1. Wages, Bonuses, Allowances and Subsidies	55,718,959.78	222,088,915.06	208,177,149.84	69,630,725.00
2. Employee welfare		20,755,195.50	20,755,195.50	
3. Social Security Contribution	143,768.43	8,041,334.39	8,041,334.39	143,768.43
Including: Medical insurance premium	129,394.23	6,986,551.03	6,993,371.82	122,573.44
Work-related Injury Insurance Premium	7,187.10	418,533.93	411,713.14	14,007.89
Maternity Insurance Premium	7,187.10	636,249.43	636,249.43	7,187.10
4. Housing Fund	214,593.00	8,141,672.44	8,183,490.44	172,775.00
5. Trade Union Funds and Employee Educational Fund	947,434.76	2,924,479.59	3,516,032.28	355,882.07
6. Non-Monetary Benefits				
7. Short-term Paid Absence from Work				
8. Short-term Profit Sharing Plan				
9. Miscellaneous	426,900.00	38,543.96	175,984.96	289,459.00
Total	57,451,655.97	261,990,140.94	248,849,187.41	70,592,609.50

Salary, bonus, allowances and subsidies at the end of the period are mainly accrued staff bonuses but not paid.

**(3) List of establishment of contribution plan**

Unit: Chinese yuan

Item	Opening balance	Current Increase	Current Reduction	Ending Balance
1. Basic Pension Insurance	289,065.96	14,080,102.11	14,081,618.19	287,549.88
2. Unemployment Insurance Premium	21,564.98	446,286.08	446,286.08	21,564.98
Total	310,630.94	14,526,388.19	14,527,904.27	309,114.86

**40. Taxes Payable**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
VAT	15,490,168.00	17,083,148.50
Consumption Tax	0.00	0.00
Enterprise Income Tax	30,098,048.82	61,110,248.69
Individual Income Tax	746,488.90	642,975.79
Urban Maintenance and Construction Tax	1,028,253.56	1,120,097.85
Property Tax	917,393.48	769,864.34
Land Use Tax	448,099.95	457,765.88
Education Surcharge	803,893.02	905,698.54
Environment Bonded	7,094.30	448.06
Stamp Duties	816,476.27	1,013,142.34
Total	50,355,916.30	83,103,389.99

**41. Other Payables**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Other payables	215,047,702.25	208,391,958.29
Total	215,047,702.25	208,391,958.29

**(1) Interest Payable: none****(2) Dividends Payable: none****(3) Other Payables**

**1) Other payables by nature of amount**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Market Service Fee	183,166,125.23	159,608,682.63
Deposit	24,937,812.13	23,233,180.20
Equity Acquisition Price Payable		18,512,737.22
Miscellaneous	6,943,764.89	7,037,358.24
<b>Total</b>	<b>215,047,702.25</b>	<b>208,391,958.29</b>

**2) Other important payables more than one year old**

Unit: Chinese yuan

Item	Ending Balance	Reason for Outstanding or Carry Forward
Jiangxi Anrong Consulting Co., Ltd.	1,052,520.00	Deposit Not Refunded
Huang Zhenghui	1,000,000.00	Deposit Not Refunded
Guangdong Shanyu Biotechnology Co., Ltd.	532,000.00	Deposit Not Refunded
Zaozhuang Sainuokang Biochemistry Co., Ltd.	500,000.00	Deposit Not Refunded
<b>Total</b>	<b>3,084,520.00</b>	<b>--</b>

The difference between the opening balance and the closing balance of the prior period (December 31, 2018) is set out in the notes "Changes in Major Accounting Policies and Estimates" in the notes to these financial statements.

**42. Held Pending Liabilities: None****43. Non-current liabilities maturing within one year**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Long-term loans maturing within one year	97,000,000.00	61,500,000.00
Interest due and payable within one year	556,154.75	674,134.33
<b>Total</b>	<b>97,556,154.75</b>	<b>62,174,134.33</b>

**44. Other current liabilities: none**

**45. Long-term Loan****(1) Classification of Long-term Loans**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Pledge Loan	76,000,000.00	121,500,000.00
Guaranteed Loan	190,000,000.00	240,000,000.00
Credit Borrowing	100,000,000.00	150,000,000.00
Less: Long-term Loan maturing within one year	97,000,000.00	61,500,000.00
Total	269,000,000.00	450,000,000.00

## Details of long-term loans

Unit of Loan	Type of Loan	Commencement Date of Loan	Termination Date of Loan	Interest Rate	Ending Balance	Those maturing within one year	Returned over one year
Fuzhou Branch of Industrial and Commercial Bank of China	Pledge Loan	2017-11-23	2022-11-20	4.75%	76,000,000.00	7,000,000.00	69,000,000.00
Fuzhou Branch, Bank of China	Credit Borrowing	2019-10-23	2022-10-20	4.28%	100,000,000.00	10,000,000.00	90,000,000.00
Fuzhou Branch of Industrial and Commercial Bank of China	Guarantee	2017-3-14	2022-3-12	4.75%	190,000,000.00	80,000,000.00	110,000,000.00
Total	—	—	—	—	366,000,000.00	97,000,000.00	269,000,000.00

In November 2017, the Company entered into the M&A loan contract with Industrial and Commercial Bank of China Fuzhou Branch, and the target is Guangdong Fuda Pharmaceutical Co., Ltd.,

The total amount of the loan is RMB 130 million with a term of five years commencing from the date of the first drawdown. The Company provides security for the equity interest in Guangdong Fuda Pharmaceutical Co., Ltd., and handles relevant security registration formalities.

As of December 31, 2019, the outstanding amount of this part of the loan is RMB 76 million.

In March 2017, the sun company, Jiangxi Boya Seehot Pharmaceutical Co., Ltd., entered into a fixed asset loan contract with Industrial and Commercial Bank of China Fuzhou Branch.

The loan shall be used for project construction and the total amount is RMB 270 million. The term of the loan shall be five years commencing from the date of actual drawdown. The Company provides joint and several liability guarantee for this loan.

As of December 31, 2019, the outstanding amount of this part of the loan is RMB 190 million.

**46. Bonds Payable**

**(1) Bonds payable: none**

**(2) Increase or decrease in the bonds payable (excluding preferred shares, perpetual bonds and other financial instruments classified as Financial Indebtedness): none**

**(3) Description of Transfer Conditions and Transfer Time of Convertible Bonds: none**

**(4) Description of other financial instruments classified as Financial Indebtedness: none**

**47. Leasehold indebtedness: none**

**48. Long-term payables: none**

**(1) Long term payables by nature of sum: none**

**(2) Special payables: none**

**49. Long-term Employee Remuneration Payable**

**(1) Long-term employee remuneration payable: none**

**(2) Changes in Defined Benefit Plan: none**

**50. Estimated liabilities: none**

**51. Deferred income**

Unit: Chinese yuan

Item	Opening balance	Current Increase	Current Reduction	Ending Balance	Cause of formation
Government Grants	38,280,011.00	1,500,000.00	4,014,996.00	35,765,015.00	Receipt of Financial Appropriation
Total	38,280,011.00	1,500,000.00	4,014,996.00	35,765,015.00	--

Projects involving government grants:

Unit: Chinese yuan

Liabilities Item	Opening balance	Amount of this Period of Additional Grant	Amount Included in Non-operating Revenue in Current Period	Amount Included in Other Income in Current Period	Amount Offset Cost in Current Period	Other Changes	Ending Balance	Related to the Assets/Related to the Income
Biological Agents Industrialization Project	650,000.00			600,000.00			50,000.00	Related to the Assets
GMP Revamp Project	1,533,000.00			219,000.00			1,314,000.00	Related to the Assets
Comprehensive Formulation Building Construction Project	1,057,011.00			150,996.00			906,015.00	Related to the Assets
1000 Ton Blood Product Smart Factory Project	1,700,000.00	600,000.00					2,300,000.00	Related to the Assets
Intensive Development of Coagulation Factor Products and Industrialization Project	3,000,000.00						3,000,000.00	Related to the Assets
Subsidy for Devices for R&D and Engineering Test	500,000.00						500,000.00	Related to the Assets
Development Project for Key Intermediates	340,000.00						340,000.00	Related to the Assets
Financial Subsidy for Technical Revamp (R&D Building Project for	29,500,000.00			3,000,000.00			26,500,000.00	Related to the Assets

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Production of Coagulation Factors Project)								
Sterilization workshop Renovation project		900,000.00		45,000.00			855,000.00	Related to the Assets
Total	38,280,011.00	1,500,000.00		4,014,996.00			35,765,015.00	

The Company passed the national GMP certification in January 2010 and formally put into production. In accordance with the document of Fa Gai Wei [2009] No. 3039, the Company received from Fuzhou Municipal Bureau of Finance in February 2010 the construction supporting subsidies of RMB 6 million from the Fuzhou Municipal Bureau of Finance, and distributed averagely over the service life of relevant assets and the current period shall be included in the current profits and losses of RMB 600,000.

In order to implement the Several Opinions of the State Council on Further Promoting Better and Faster Economic and Social Development of Guizhou Province (Guo Fa [2012] No. 2), to quicken the transformation of science and technology into actual productivity and accelerate the industrialization of high-tech achievements, Guiyang Municipality initiated the GMP transformation project. The first batch of investment subsidies of RMB 490,000 were received on August 8, 2014 for industrialization of GMP production lines with an annual production capacity of 1.5 billion tablets (pieces) of high technology, the second batch of investment subsidies of RMB 700,000 were received on September 4, 2014 for industrialization of GMP production lines with an annual production capacity of 1.5 billion tablets (pieces) of high technology.

The third batch of investment subsidies of RMB 1000,000 were received on December 30, 2015 for industrialization of GMP production lines with an annual production capacity of 1.5 billion pieces (pieces) of high technology.

The Company shall evenly distribute the relevant assets within their useful lives and include them in the profit and loss of the current period of RMB 219,000.

The construction project of comprehensive preparation building is the investment subsidies for the construction project of comprehensive preparation building of strategic emerging industry development projects issued by the Nanjing Economic and Technological Development Zone Administration Committee in accordance with the Notice on Issuing the Special Fund Project and Fund Plan for the Guidance of Emerging Industries in Nanjing in 2015 (No. 688 [2015], Ning Cai Qi).

On January 15, 2016, the Company officially received the investment subsidy of RMB 1.51 million, which was evenly distributed within the service life of the relevant assets, and included in the current profit and loss of RMB 151,000. The 1,000-ton blood product smart factory project is an investment subsidy for the 1,000-ton blood product smart factory project issued by the Fuzhou High-tech Industrial Development Zone in accordance with Fu Gaoxin Office Chao Zi [2017] No. 438 document.

In October 2017, the Company officially received the investment subsidy of Rmb1.7 million. In March 2019, the Company received the investment subsidies of RMB 600,000.

The deep development and industrialization projects of blood coagulation factor products are the project development subsidies for deep development and industrialization projects of blood coagulation factor products issued by Fuzhou High-tech Industrial Development Zone according to the Notice of Jiangxi Provincial Department of Science and Technology on Issuing the Third Batch of Provincial Science and Technology Projects in 2017 (Gan Ke Fa Ji Zi [2017] No.174). In December 2017, the Company officially received the development subsidies of RMB 3 million for this project.

The subsidy for R&D and engineering testing devices refers to the fund issued by Fuzhou Municipal Development and Reform Commission for the purchase of R&D testing facilities in accordance with the Notice of Jiangxi Provincial Development and Reform Commission on Issuing the Fund for Infrastructure Investment and Protective within the Provincial Budget of Jiangxi Province for Innovation Capability Construction Project in 2016 (Gan Fa Gai Gao Ji [2016] No.1074).

The key statins intermediate development project is the project development subsidy for key statins intermediate development project issued by Fuzhou High-tech Zone according to the Notice of Jiangxi Provincial Department of Science and Technology on Issuing the First Batch of Provincial Science and Technology Projects in 2017 (Gan Ke Fa Ji Zi [2017] No.174). In December 2017, Fuzhou High-tech Zone formally received the subsidy for the project. In January 2018, Fuzhou High-tech Zone issued the second batch of development subsidies in the amount of RMB 140,000 for the project according to the Notice of the Bureau of Science and Technology of Fuzhou City on Issuing the 2017 City-level Scientific and Technological Projects and Patents (Fu Ke Ji Zi [2017] No.24).

The subsidy for technological transformation refers to the subsidy for technological transformation issued by Fuzhou High-tech Industrial Development Zone according to the document Fu Gao Xin Ban Chao Zi [2018] No.588, the subsidy, totaling RMB 30 million, is specially used for the R&D Building Project for the production of blood coagulation factor products and is the fixed asset investment subsidy of this project.

The Company evenly distributed the subsidy during the service life of the relevant assets and included in the profit and loss account of RMB 3 million in the current period.

The sterilization workshop renovation project is the subsidy issued by Nanjing Finance Bureau in accordance with the Notice on Issuing the Project and Fund Plan (the First Batch) for Nanjing Industry and Information Technology Development Special Fund Project and Fund Plan (the First Batch) (Ning Gong Xin Tou Zi [2019] No.54). In July 2019, the Company received the project subsidy of RMB 900,000. The Company distributed equally during the service life of the relevant assets and included in the profit and loss account of RMB 45,000 in the current period.

## 52. Other non-current liabilities: none

## 53. Share Capital

Unit: Chinese yuan

Item	Opening balance	Increase or Decrease in the Amount (+, -)					Ending Balance
		Issuance of New Shares	Stock Bonuses	Conversion of Shares of Common Reserve Fund	Miscellaneous	Subtotal	
Total Number of Shares	433,324,863.00						433,324,863.00

## 54. Other Equity Instruments

(1) Basic information on preferred shares, perpetual bonds and other financial instruments outstanding as at the end of closing: none

(2) Statement of Changes in Preferred Shares, Perpetual Bonds and Other Financial Instruments Outstanding as at the End of Period: none



**55. Capital Reserves**

Unit: Chinese yuan

Item	Opening balance	Current Increase	Current Reduction	Ending Balance
Capital premium (share premium)	1,940,524,662.30			1,940,524,662.30
Other Capital Reserves	6,341,969.36			6,341,969.36
Total	1,946,866,631.66			1,946,866,631.66

**56. Treasury Shares**

Unit: Chinese yuan

Item	Opening balance	Current Increase	Current Reduction	Ending Balance
Share Award Plan Holding Treasury Shares	45,890,427.23	154,073,166.46	0.00	199,963,593.69
Total	45,890,427.23	154,073,166.46	0.00	199,963,593.69

The 20th meeting of the sixth board of directors of the Company has adopted the Proposal on Repurchase of Shares of the Company at the second interim shareholders' meeting of 2018; the Company planned to use its own funds to repurchase some public shares of A-shares of the Company at a price of no more than RMB 40 per share within the quota of no less than RMB 100 million and no more than RMB 200 million, and the repurchase period shall be within 6 months from the date of deliberation and adoption of the proposal at the shareholders' general meeting.

The repurchased shares will be used mainly for subsequent employee stock ownership plans or equity incentive plans, and shall not be excluded: corporate bonds convertible into shares issued by a listed company, and other circumstances or a combination of the foregoing permitted under laws and regulations as necessary to maintain the value of the Company and shareholders' equity.

**57. Other comprehensive income: none****58. Special reserve: none****59. Surplus Reserves**

Unit: Chinese yuan

Item	Opening balance	Current Increase	Current Reduction	Ending Balance
Legal surplus Reserves	140,444,254.54	35,615,145.61		176,059,400.15
Total	140,444,254.54	35,615,145.61		176,059,400.15

**60. Undistributed Profits**

Unit: Chinese yuan

Item	Current Issue	Previous Period
Undistributed Profit before Adjustment at the End of Previous Period	1,229,914,294.39	865,733,116.11
Subsequent Opening Undistributed Beginning	1,229,914,294.39	865,733,116.11
Plus: Net Profits attributable to owners of the parent company	426,146,775.92	469,174,808.30
Less: Withdrawal of Legal Surplus Reserve	35,615,145.61	39,994,900.57
Common Dividends Payable	64,998,697.34	64,998,729.45
Closing Undistributed Profits	1,555,447,227.36	1,229,914,294.39

Breakdown of undistributed profit at the beginning of the adjustment period:

- 1) Due to retrospective adjustment made in the Accounting Standard for Business Enterprises and the relevant new regulations thereof, the opening undistributed profit is RMB 0;
- 2) The opening undistributed profit is RMB 0 due to change in accounting policies;
- 3) The opening undistributed profit is RMB 0 due to the correction of a material accounting error;
- 4) The opening undistributed profit is affected by change in the merger scope due to the same control;
- 5) The aggregate amount of other adjustments affects the opening undistributed profit of RMB 0;

Based on the 433,324,863 shares in total at the end of 2018, the cash dividends will be distributed for every 10 shares of RMB 1.50 (inclusive), or a total of RMB 64,998,729.45 of the cash dividends will be distributed.

No bonus shares shall be issued or converted into share capital in the year. As of the disclosure date of the 2018 annual report, the Company has repurchased 7,026,300 shares, based on the share capital of 426,298,563 shares after deducting the number of shares in the special repurchase account, and based on the principle that the total amount of dividends remains unchanged, the cash dividends distributed for every 10 shares is 1.5247 yuan (tax inclusive).

If the number of shares held in the repurchase special account changes before the Company implements the profit distribution plan, the base of share capital used for dividends shall be changed, and the proportion of dividends paid at the time shall be adjusted based on the principle that the total amount of dividends remains unchanged. The Company has completed the implementation of the above profit distribution plan on June 26, 2019.

**61. Operating Revenue & Operating Costs**

Unit: Chinese yuan

Item	Current Amount Incurred		Amount Incurred in the Previous Period	
	Revenues	Costs	Revenues	Costs
Principal Business	2,906,756,665.84	1,124,401,965.45	2,450,728,455.51	927,024,845.29
OTHER BUSINESS	2,012,589.51	16,460.39	576,386.54	56,962.50
Total	2,908,769,255.35	1,124,418,425.84	2,451,304,842.05	927,081,807.79

Have the new revenue standard been implemented:  Yes  No

**62. Taxes and Surcharges**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Urban Maintenance and Construction Tax	7,767,801.68	9,101,054.06
Education Surcharge	6,072,740.49	7,247,171.09
Property Tax	3,407,280.03	2,639,712.73
Land Use Tax	2,358,104.03	2,186,318.28
Vehicle and Vessel Use Tax	78,988.90	44,835.60
Stamp Duties	1,349,883.13	1,546,860.02
Environmental taxes	36,600.20	22,095.62
Integrated Fund		62,019.36
Total	21,071,398.46	22,850,066.76

**63. Sales Expenses**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Salary and Remuneration	39,509,847.73	42,300,568.29
Office Expenses	7,272,576.87	8,977,670.18
Travel Expenses	4,895,134.95	6,626,783.07
Transportation Expenses	11,022,643.68	9,909,454.58
Depreciation	1,577,320.78	754,633.61
Rent	1,600,512.07	2,467,333.81
Business Entertainment Expenses	4,033,021.12	5,419,964.25
Market Service Fee	891,674,946.54	675,221,674.78
Miscellaneous	1,227,601.00	2,781,640.40
Total	962,813,604.74	754,459,722.97

**64. Management Expenses**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Salary and Remuneration	92,019,558.47	61,610,278.49
Depreciation Expenses	16,185,794.24	10,607,407.75
Amortization of Long-term Prepaid Expenses	8,869,193.29	7,074,711.36
Amortization of Intangible Assets	7,783,552.67	4,815,196.51
Office Expenses	17,928,277.24	18,281,537.47
Membership Dues	452,211.87	604,742.00
Business Entertainment Expenses	10,834,481.25	7,968,973.80
Advertising and Promotion Expenses	744,320.84	127,543.03
Intermediaries Fees	7,810,433.13	4,743,973.27
Travel Expenses	6,132,269.04	5,306,340.13
Miscellaneous	8,509,960.49	8,357,510.26
<b>Total</b>	<b>177,270,052.53</b>	<b>129,498,214.07</b>

**65. R&D Expenses**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Direct materials	55,922,484.80	13,173,404.44
Salary and Remuneration	17,125,034.75	14,708,250.34
Depreciation and amortization	4,116,084.02	2,947,303.38
External research and development costs	10,742,505.67	10,425,176.72
Testing expenses	2,478,017.90	1,510,674.06
Miscellaneous	2,373,877.14	2,292,259.40
<b>Total</b>	<b>92,758,004.28</b>	<b>45,057,068.34</b>

**66. Finance Expenses**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Interest Expense	29,008,976.29	23,866,043.64
Less: Interest Income	13,932,954.40	16,592,049.49
Bank acceptance Discounting Interest	1,751,189.03	111,763.52
Exchange Gains or Losses		-0.01
Handling Fee	563,572.53	259,022.53
<b>Total</b>	<b>17,390,783.45</b>	<b>7,644,780.19</b>

**67. Other Income**

Unit: Chinese yuan

Source of other proceeds	Current Amount Incurred	Amount Incurred in the Previous Period
Government Grants	8,893,291.82	3,968,162.62

## Where Government Grants

Grant Item	Current Amount Incurred	Amount Incurred in the Previous Period	Related to the Assets/Related to the Income
Biological Agents Industrialization Project	600,000.00	600,000.00	Related to the Assets
GMP Revamp Project	219,000.00	219,000.00	Related to the Assets
Comprehensive Formulation Building Construction Project	150,996.00	150,996.00	Related to the Assets
Fund Subsidy for Technical Transformation	3,000,000.00	500,000.00	Related to the Assets
Sterilization Workshop Renovation Project	45,000.00	—	Related to the Assets
Government Incentive Support Funds	4,878,295.82	2,498,166.62	Related to the Income
Total	8,893,291.82	3,968,162.62	

(1) Biological Agents Industrialization Project, GMP transformation project, Comprehensive Formulation Building Construction project, Fund subsidy for technical transformation and sterilization workshop renovation project: see note on deferred income.

(2) Schedule of Government Incentives and Subsidies Included in Other Incomes for 2019:

Approved Authority	Approval Documents and Approval Number	Amount (Chinese yuan)	Related to the Assets/Related to the Income
Finance Bureau of Fuzhou City	Fu Cai Jing (2018) No. 20 of the Coal Small Boiler Elimination Project	20,000.00	Related to the Income
Finance Bureau of Fuzhou City	First-rate Prize Fu Cai Jing [2018] No.20 for New Products in 2017	50,000.00	Related to the Income
Jiangxi Provincial Human Resources and Social Security Bureau and Jiangxi Provincial Finance Bureau	Notice of the Ministry of Finance and the State Administration of Taxation on Further Regulating the Administration of Employment and Entrepreneurship Training in Guangdong Province	86,000.00	Related to the Income
Finance Bureau of Fuzhou City	Fu Cai Jing Special Fund for Industrial Transformation and Upgrading of 2018] No. 20	860,000.00	Related to the Income
Finance Bureau of Fuzhou City	Special Fund for Industrial Transformation and Upgrading Fu Cai Jing (2019) No. 9	200,000.00	Related to the Income
Jiangxi Provincial Department of Science and Technology	Circular of the Department of Science and Technology of Jiangxi Province on Issuing the Second Batch of Provincial Science and Technology Planning Projects in 2019 Gan Ke Fa Ji Zi [2019] No.96	1,000,000.00	Related to the Income
Fuzhou Municipal Bureau of Finance; Fuzhou Municipal Bureau of Science and Technology	Major Science and Technology Projects - Research on Key Technologies for Preparation of C1 Esterase Inhibitors, Government Grant Fu Cai Jiao Zhi (2019) No. 36	300,000.00	Related to the Income
Fuzhou Municipal People's Government Office, Organization Department of Fuzhou	Special Subsidy for Introduction of Talents Fu Ban Fa (2016) No. 106	1,000,000.00	Related to the Income

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Municipal Committee			
Jiangxi Provincial Human Resources and Social Security Bureau	Notice on Application for Daily Financial Funding to Jiangxi Provincial Postdoctoral Researchers and Excellence Financial Funding to Post-Doctoral Scientific Research Project in 2019 Gan Ren She Zi [2019] No.289	30,000.00	Related to the Income
Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Circular on Issuing Special Funds for Provincial Talents Fu Cai Xing Ji [2018] No.48	250,000.00	Related to the Income
Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Notice of Fuzhou Municipal Bureau of Finance on Allocation of 2018 Municipal Special Fund for Energy Conservation Fu Cai Jing Zhi (2019) No. 3	200,000.00	Related to the Income
Bureau of Industry and Information Technology of Guiyang City	Circular on Granting Subsidies for Participating in the 80th National Drug Fair for Pharmaceutical Enterprises of Guiyang City to Participate in the Fair	14,400.00	Related to the Income
Bureau of Industry and Information Technology of Guiyang City	Notice on Granting Subsidies to Pharmaceutical Enterprises in Guiyang City for Participating in the 81st National Drug Fair and the 81st China International Medical Device (Spring) Fair, Zhu Gong Xin Fa [2019] No. 73	14,400.00	Related to the Income
Bureau of Science and Technology and Bureau of Finance of Guiyang City	Circular on the Launch of the 2017 Wage Subsidy after the Input of R&B Expenses by Enterprises in Guiyang City, Zhu Ke Tong [2018] No.60	457,700.00	Related to the Income
Bureau of Social Insurance	Social Insurance Reduction and Refund	29,424.53	Related to the Income
Department of Science and Technology of Guizhou Province, Intellectual Property Office of Guizhou Province and Finance Department of Guizhou Province	Notice on Issuing the Administrative Measures of Guizhou Province for Patent Funding (Qian Ke Tong [2018] No.39)	100,000.00	Related to the Income
Jiangxi Provincial Department of Human Resources and Social Security Jiangxi Provincial Department of Finance etc.	Employment Stabilization Subsidy	259,096.21	Related to the Income
Tax bureau to some Plasma Stations in the Company	Refund of Taxes	7,275.08	Related to the Income
Total		4,878,295.82	

(3) Schedule of Government Incentives and Subsidies Included in Other Incomes in 2018:

Approved Authority	Approval Documents and Approval Number	Amount (Chinese yuan)	Related to the Assets/Related to the Income
Department of Science and Technology of Jiangxi Province	Notice of Department of Science and Technology of Jiangxi Province on Issuing the First Batch of Provincial Science and Technology Projects in 2018, Gan Ke Fa Ji Zi (2018) No. 107	300,000.00	Related to the Income

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Department of Finance of Jiangxi Province	Notice on Issuing Special Funds for Provincial Talent Development – Science and Technology Talent Subsidy, Fu Cai Hang Index (2018) No. 10	200,000.00	Related to the Income
Bureau of Science and Technology of Fuzhou City	Circular on Issuing the 2017 City-level Scientific and Technological Program and Patent Program, Fu Ke Ji Zi [2017] No. 24	140,000.00	Related to the Income
Development of Fuzhou High and New Technology Industries	Copy List of the Party and Government Office of Fuzhou Hi-Tech Zone, Fu Xue Ban Copy Zi (2018)	109,000.00	Related to the Income
Approved Authority	Approval Documents and Approval Number	Amount (Chinese yuan)	Related to the Assets/Related to the Income
District	No.213, Electricity Subsidy		
Large Enterprise Taxation Administration of Guangzhou Local Taxation Bureau	Refund of Tax Handling Fees Paid Directly	773,643.76	Related to the Income
Guiyang Municipal Commission of Industry and Information Technology	Notice on Granting Exhibition Subsidies to Pharmaceutical Enterprises in Guiyang City for Their Participation in the 79th National Drug Fair and Other Exhibitions, Zhu Gong Xin Fa [2018] No.57	57,600.00	Related to the Income
Finance Bureau of Guiyang City, Science and Technology Bureau of	Circular on Carrying out the 2017 Post-Investment R&D Subsidies for Enterprises in Guiyang City, Zhu Ke Tong [2018] No.60	190,000.00	Related to the Income
Guizhou Provincial Department of Finance and Guizhou Provincial Committee of Economic and Information Technology	Notice on Issuing the 2018 Special Fund for Industry and Information Technology Development of Guizhou Province (the III Technological Innovation Project), Qian Cai Gong [2018] No. 126	500,000.00	Related to the Income
Bureau of Labor and Employment Service of Fuzhou City	Employment Stabilization Subsidy	227,922.86	Related to the Income
<b>Total</b>		2,498,166.62	

**68. Investment Income**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Gains from Long-Term Equity Investments	-3,948,300.93	-4,319,794.80
Investment Income Generated by Wealth Management Products	4,078,987.17	18,733,945.59
Total	130,686.24	14,414,150.79

**69. Net exposure Hedging Gain: none****70. Income on Changes in Fair Value: none****71. Credit Impairment Losses**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Other Receivables Bad Debt Losses	-1,673,401.23	
Accounts Receivable and Notes Receivable Bad Debt Losses	-6,055,802.03	
Total	-7,729,203.26	

**72. Asset Impairment Losses**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
I. Bad debts losses		-18,296,693.46
II. Losses on Decline in Inventories and Impairment Losses on Contract Performance Costs	-1,663,324.60	
Total	-1,663,324.60	-18,296,693.46

**73. Proceeds from Disposal of Assets**

Unit: Chinese yuan

Source of Proceeds from Disposal of Assets	Current Amount Incurred	Amount Incurred in the Previous Period
Proceeds from Disposal of Fixed Assets	409,389.05	-262,727.39
Proceeds from Disposal of Intangible Assets	1,027,961.66	
Total	1,437,350.71	-262,727.39



**74. Non-operating income**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period	Amount Included in Non-recurring Profit and Loss in the Current Period
Government Grants	9,619,213.60	11,714,000.00	9,619,213.60
Non-current Asset Impairment and Retirement Proceeds		2,436.00	
Miscellaneous	778,950.94	1,434,259.92	778,950.94
Total	10,398,164.54	13,150,695.92	10,398,164.54

Government Grants Recorded in the Profit and Loss for the Current Period:

Approved Authority	Approval Documents and Approval Number	Amount (Chinese yuan)	Related to the Assets/Related to the Income
Party and Government Office of Fuzhou Hi-Tech Industries Development Zone	Copy Notice from the Party and Government Office of Fuzhou High-tech Zone, Fu Gao Ban Zi [2019] No.55	6,750,000.00	Related to the Income
Fuzhou Hi-Tech Industries Development Zone Management Committee of CPC Fuzhou Hi-Tech Industries Development Zone	Document of Fuzhou Hi-Tech Industries Development Zone Fuzhou Hi-Tech Industries Development Zone, Fu Gao Xin Fa [2019] No.3	1,053,000.00	Related to the Income
Fuzhou Hi-Tech Industries Development Zone Administrative Committee of Fuzhou Hi-Tech Industries Development Zone	Fuzhou Hi-Tech Industries Development Zone Fuzhou Hi-Tech Industries Development Zone, Fu Gao Xin Fa [2019] No.3	200,000.00	Related to the Income
Office of the Party and Government of Fuzhou High-tech Industrial Development Zone and Office of the People's Government of Fuzhou City, Jiangxi Province	Circular on Issuing the 2018 Policy of Fuzhou High-tech Zone in Support of Enterprises' Transformation, Upgrading and Efficiency Improvement in Enterprises' Transformation and Upgrading, Fu Gao Xin Ban Zi [2018] No.74 and Fu Ban Chao Zi [2019] No. 263	300,000.00	Related to the Income
Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Fuzhou High-Tech Zone Party and Government Office Copy Bulletin, Fu Gao Xin Ban Chao Zi [2019] No. 160	458,000.00	Related to the Income
Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Circular on Issuing the 2018 Special Fund for the Development of Foreign Trade and Economic Cooperation in Jiangxi Province (Fourth Batch), Fu Cai Jing Zhi [2019] No.6	33,200.00	Related to the Income
Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Fuzhou High-Tech Zone Party and Government Office Copy Bulletin, Fu Gao Xin Ban Chao Zi [2019] No. 198	330,000.00	Related to the Income
Financial Bureau of Fuzhou Hi-Tech Industries Development	Notice on Funds Allocated for 2019 Municipal-level Technology Program, Fu Cai Jing Zhi [2019] No.6	200,000.00	Related to the Income

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Zone			
Finance Bureau	Notice on Issuing the 2018 Science and Technology Development Plan and Science and Technology Expenditure Indicators of Nanjing Municipality, Ning Ke [2018] No.418 and 2018] Ning Cai Jiao [2018] No.984	250,000.00	Related to the Income
Administration Committee of Nanjing Economic-Technological Area	Notice on Issuing the Measures of Nanjing Economic and Technological Development Zone for Rewards and Support for Scientific and Technological Innovations in 2017, Ning Kai Wei Ke Zi [2017] No.101	18,500.00	Related to the Income
Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Direct appropriation	18,000.00	Related to the Income
Administration Committee of Nanjing Economic Development Zone	Direct appropriation	3,500.00	Related to the Income
Administration Committee of Nanjing Economic Development Zone	Direct appropriation	5,013.60	Related to the Income
Total		9,619,213.60	

Other Remarks:

(1) Schedule of Government Grants Included in Non-operating Income in 2018:

Approved Authority	Approval Documents and Approval Number	Amount (Chinese yuan)	Related to the Assets/Related to the Income
Fuzhou Municipal People's Government	Decision of Fuzhou Municipal People's Government on Fuzhou City 2017 Science and Technology Award, Fu Fa (2017) No. 31	20,000.00	Related to the Income
Fuzhou Hi-Tech Industries Development Zone	Copy of the Party and Government Office of Fuzhou Hi-Tech Zone No. Fu Gao Xin Ban Chao Zi (2018) 150	7,342,000.00	Related to the Income
Fuzhou Hi-Tech Industries Development Zone	Copy of the Party and Government Office of Fuzhou Hi-Tech Zone No. Fu Gao Xin Ban Chao Zi (2018) 148	202,900.00	Related to the Income
Fuzhou Hi-Tech Industries Development Zone	Copy of the Party and Government Office of Fuzhou Hi-Tech Zone No. 213	2,690,000.00	Related to the Income
Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Copy of the Party and Government Office of Fuzhou Hi-Tech Zone Fu Xinggao Ban Copy Zi [2018] No. 72	458,000.00	Related to the Income
Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Copy of the Party and Government Office of Fuzhou Hi-Tech Zone Fu Gao Xin Ban Copy Zi [2018] No. 213	33,000.00	Related to the Income
Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Notice on Issuing the 2017 Jiangxi Provincial Foreign Trade & Economic Cooperation Development Special Fund (the Fifth Batch) Fu Cai Jing Refer to [2018] No. 13	15,100.00	Related to the Income

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Bureau of Science and Technology of Fuzhou City	Notice on Granting Funds for Projects of 2018 Municipal-level Technology Plan Fu Cai Jiao (2018) No. 30	200,000.00	Related to the Income
Administration Committee of Nanjing Economic-Technological Area	Direct Appropriation for Award	2,000.00	Related to the Income
Science and Technology Commission, Bureau of Finance of Nanjing	Notice on Issuing the 2018 Sci-Tech Development Plan and Sci-Tech Appropriation Target of (the 20th Batch) Gao Enterprise Certification and Making Public Cashing Awards Ning Ke (2018) No. 418 and Ning Cai Jiao (2018) No. 984	250,000.00	Related to the Income
Bureau of Finance of Guiyang City and Guiyang Industry and Information Technology Commission	Notice on Granting the Fund for Cultivating Large Varieties of the Pharmaceutical Industry under the "Giant Plan" for Pharmaceutical Enterprises in Guiyang City for "Entrepreneurship and Innovation Demonstration" Zhu Cai Qi [2017] No.89 and Notice on Granting the Special Central Funds for "Entrepreneurship and Innovation Demonstration" for Small and Micro Enterprises in Zhuang Cai Qi [2017] No.100	400,000.00	Related to the Income
Bureau of Finance of Linshui County	Directly Appropriating Bounty for Preferential Policies on Investment Promotion	101,000.00	Related to the Income
Total		11,714,000.00	

## 75. Non-operating Expenses

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period	Amount Included in Non-recurring Profit and Loss in the Current Period
Donation	3,823,115.50	5,102,852.01	3,823,115.50
Government Grants			
Non-current Asset Impairment and Retirement Proceeds	187,906.40	84,213.25	187,906.40
Miscellaneous	464,593.46	255,575.99	464,593.46
Total	4,475,615.36	5,442,641.25	4,475,615.36

## 76. Income Tax Expenses

### (1) Income Tax Expense Table

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Current Income Tax Expense	88,206,562.96	89,129,642.15
Deferred income tax expense	-10,291,504.68	-1,965,148.98
Total	77,915,058.28	87,164,493.17

**(2) Adjustment Process of Accounting Profits and Income Tax Expense**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Total Profit	520,038,336.14	572,244,129.16
Income Tax Expense at Legal/Applicable Tax Rates	78,005,750.42	85,836,619.37
Effect of Subsidiaries Applying Different Tax Rates	3,178,335.84	4,464,095.83
Effect of Adjustment to Income Tax in Previous Periods	1,019,822.83	15,045.00
Effect of Non-Deductible Costs, Expenses and Losses	618,011.56	1,524,112.20
Influence of Deductible Losses of Deferred Income Tax Assets Unconfirmed in the Prior Period	-349,701.42	-2,412,968.55
Effect of Deductible Temporary Difference or Deductible Loss of Deferred Income Tax Assets Which Are Not Recognized in the Current Period	4,892,490.06	1,627,640.98
Effect of Additional Deduction	-10,041,896.15	-4,722,817.61
Non-taxable Investment Gains under the Equity Method	592,245.14	647,969.22
Other Effects		184,796.73
Income Tax Expense	77,915,058.28	87,164,493.17

**77. Other Comprehensive income**

See notes for details.

**78. Cash Flow Statement Item****(1) Other Cash Received in relation to Operating Activities**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Deposit Interest	13,932,954.40	16,592,049.49
Government Grants and Appropriations	15,997,509.42	44,352,166.62
Other Correspondences	10,426,372.97	3,073,593.06
Total	40,356,836.79	64,017,809.17

**(2) Other Payments in Relation to Operating Activities**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Out of Pocket Expenses	1,020,494,373.76	744,174,291.76
Disbursements for Donations	3,823,115.50	5,102,852.01
Bank Fees	563,572.53	259,022.53
Other Correspondences	33,960,697.34	13,429,348.45
<b>Total</b>	<b>1,058,841,759.13</b>	<b>762,965,514.75</b>

**(3) Other Cash Received in relation to Investing Activities**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Wealth Management Products	747,148,987.17	1,384,723,945.59
Entrusted Loan		24,980,000.00
<b>Total</b>	<b>747,148,987.17</b>	<b>1,409,703,945.59</b>

**(4) Other cash payments in relation to Investment Activities**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Entrusted Loan		24,980,000.00
Wealth Management Products	743,070,000.00	1,365,990,000.00
<b>Total</b>	<b>743,070,000.00</b>	<b>1,390,970,000.00</b>

**(5) Other Cash Received in relation to Financing Activities**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Discount Interest for Project Loans		710,485.42
<b>Total</b>		<b>710,485.42</b>

**(6) Other Cash Payments in Relation to Financing Activities**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Cash Paid for Repurchase of Treasury Shares	154,073,166.46	45,890,427.23
<b>Total</b>	<b>154,073,166.46</b>	<b>45,890,427.23</b>

**79. Supplementary Materials for Cash Flow Statement****(1) Supplementary Materials for Cash Statement**

Unit: Chinese yuan

Supplementary Materials	Current Amount	Previous Amount
1. Reconciliation of Net Profits to Cash Flows from Operating Activities:	--	--
Net profits	442,123,277.86	485,079,635.99
Plus: Reserve for Impairment of Assets	9,392,527.86	18,296,693.46
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	74,895,577.61	50,327,324.03
Amortization of Intangible Assets	7,876,386.04	4,985,530.19
Amortization of Long-term Prepaid Expenses	11,169,610.12	11,718,438.54
Losses on Disposal of Fixed Assets, Intangible Assets and other Long-Term Assets (insert income with symbol "-")	-1,437,350.71	262,727.39
Fixed Assets Obsolescence Losses (with Gain marked with "-")	187,906.40	81,777.25
Finance Charges (insert income with symbol "-")	29,612,776.56	23,866,043.64
Loss on Investments (insert income with symbol "-")	-130,686.24	-14,414,150.79
Decrease in deferred income tax assets (increased to Insert with "-")	-9,855,394.21	-1,426,457.28
Increase in deferred income tax liabilities (decreased to Insert with "-")	-436,110.47	-538,691.70
Decrease in Inventory (to be inserted with "-")	) - 18,631,180.35	-86,792,649.77
Decrease in operating receivables (increased to Insert with "-")	-647,638,327.75	-574,575,648.45
Increase in operating payables (decreased to Insert with "-")	-11,641,604.45	118,032,153.97
Net cash flow from operating activities	-114,512,591.73	34,902,726.47
2. Material investment and financing activities not involving cash receipts and payments:	--	--
3. Net changes in cash and cash equivalents:	--	--
Ending balance of cash	538,089,460.11	1,163,298,260.33
Less: Opening balance of cash	1,163,298,260.33	491,154,748.31
Net increase in cash and cash equivalents	-625,208,800.22	672,143,512.02

**(2) Net cash of Acquisition Subsidiaries paid in current period: none****(3) Net cash of Disposal Subsidiaries received in current period: None**

**(4) Composition of cash and cash equivalents**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
I. Cash	538,089,460.11	1,163,298,260.33
Including: Cash on hand	737,255.46	1,012,972.76
Bank deposits available for payment at any time	537,352,204.65	1,162,285,287.57
III. Ending balance of Cash and Cash Equivalents	538,089,460.11	1,163,298,260.33

**80. Item Notes to Statement of Changes in Ownership Equity: None****81. Assets with restricted ownership or use rights**

Unit: Chinese yuan

Item	Ending book value	Restricted reasons
Monetary Funds	30,659,811.37	Bank's acceptance drafts and L/C deposit
Notes Receivable	16,264,500.00	Pledged commercial acceptance notes issuance of banker's acceptance notes
Accounts receivable Financing	73,111,598.60	Pledged commercial acceptance notes
Total	120,035,909.97	--

**82. Foreign currency Item****(1) Foreign currency Item: None**

**(2) Description of offshore business entities, including for major offshore business entities, their principal place of business, reporting currency and the basis for selection shall be disclosed, and the reasons for change in the reporting currency shall also be disclosed.**

Applicable  N/A

**83. Hedging: None****84. Government grants****(1) Basic information of government grants**

Unit: Chinese yuan

Categories	Amount	Presented Item	Amount included in profit and loss for the current period
Government grants included in other income	8,893,291.82	See note 7/Note 67 Other income for details	8,893,291.82
Government grants included in non-operating income	9,619,213.60	See note 7/Note 74 Other income	9,619,213.60

**(2) Return of government grants: None**

**85. Others: None**

## **VIII. Change to Scope of Merger**

### **1. Merger not under common control**

**(1) Business merger not under common control during the current period: None**

**(2) Combined costs and goodwill: None**

**(3) Identifiable assets or liabilities of the Acquiree as of the Purchase Date: None**

**(4) Gains or losses arising from the re-measurement to fair value of the equity held prior to the purchase date: None**

**(5) Description that the merger consideration or the fair value of the identifiable assets or liabilities of the acquiree cannot be reasonably determined on the purchase date or at the end of the current period of the merger**

**(6) Other legends**

### **2. Merger of enterprises under common control**

**(1) Business merger under common control during the current period: None**

**(2) Merger costs: None**

**(3) Book value of the merged party's assets and liabilities on the merger date: None**

**3. Reverse purchase: None**

**4. Disposal of subsidiaries: None**

**5. Change in scope of merger for other reasons: None**

**6. Others: none**



## IX. Interest in other Persons

### 1. Interest in Subsidiaries

#### (1) Composition of the Enterprise Group

Name of Subsidiary	Principal Business Place	Jurisdiction of Incorporation	Nature of Business	Shareholding Percentage		Method of Acquisition
				Direct	Indirect	
Nancheng Jinshan Apheresis Plasma Co., Ltd.	Jinshankou Industrial Park, Nancheng County, Jiangxi Province	Jinshankou Industrial Park, Nancheng County, Jiangxi Province	Single Collection Plasma	100.00%		New Establishment
Chongren Boya Apheresis Plasma Co., Ltd.	Area C, Industrial Park, Chongren County, Jiangxi Province	Area C, Industrial Park, Chongren County, Jiangxi Province	Plasma, Hepatitis B Special Free Plasma, Rabies Special Free Plasma, Raw Materials	100.00%		New Establishment
Jinxi Boya Apheresis Plasma Co., Ltd.	Xiugu Zhong Avenue, Jinxi County, Jiangxi Province 85 No.	Xiugu Zhong Avenue, Jinxi County, Jiangxi Province 85 No.	Plasma, Hepatitis B Special Free Plasma, Rabies Special Free Plasma, Raw Materials	100.00%		New Establishment
Ganzhou Nankang Boya Single Collection Plasma Co., Ltd.	No. 6, Area A, Station Office, Dongshan Subdistrict, Nankang District, Ganzhou City, Jiangxi Province	No. 6, Area A, Station Office, Dongshan Subdistrict, Nankang District, Ganzhou City, Jiangxi Province	Single Collection Plasma	100.00%		New Establishment
Yuechi Boya Alpheresis Plasma Co., Ltd.	No. 2, Yuzhu Road, Jiulong Town, Yuechi County, Sichuan Province	No. 2, Yuzhu Road, Jiulong Town, Yuechi County, Sichuan Province	Alpheresis Plasma	100.00%		New Establishment
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	Huiquan Road, Fuzhou Hi-Tech Industrial Development Zone, Fuzhou, Jiangxi Province 333	Huiquan Road, Fuzhou Hi-Tech Industrial Development Zone, Fuzhou, Jiangxi Province 333	Pharmaceutical project investment; investment management; investment consultation; economic and trade consultation; enterprise management consultation; pharmaceutical technology development; pharmaceutical technology transfer; pharmaceutical	100.00%		New Establishment

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			technology services; pharmaceutical technology consultation; undertaking of exhibitions and displays; conference services; market research			
Linshui Boya Apheresis Plasma Co., Ltd.	Chengnan Industrial Park, No. 75, Zone 2, Economic Development Zone, Neighboring Shui County	Chengnan Industrial Park, No. 75, Zone 2, Economic Development Zone, Neighboring Shui County	Single Collection Plasma	100.00%		New Establishment
Beijing Boya Xinnuo Biotechnology Co., Ltd.	No.3 Building, 88 Ke Chuang Sixth Street, Economic and Technological Development Zone, Beijing Room 709, F/7	No.3 Building, 88 Ke Chuang Sixth Street, Economic and Technological Development Zone, Beijing Room 709, F/7	Biotechnology development, technology consulting, technology services, technology transfer	100.00%		New Establishment
Guizhou Tianan Pharmaceutical Co., Ltd.	No. 25 Hi-Tech Road, Wudang District, Guiyang City, Guizhou Province	No. 25 Hi-Tech Road, Wudang District, Guiyang City, Guizhou Province	Production and sale of tablets and hard capsules; import and export trade	34.095%	55.586%	Acquisitions
Jiangxi Boyaxin Seehot Pharmaceutical Co., Ltd.	Gao Xin Sixth Road, Fuzhou Hi-Tech Industrial Development Zone, Fuzhou City, Jiangxi Province 333	Gao Xin Sixth Road, Fuzhou Hi-Tech Industrial Development Zone, Fuzhou City, Jiangxi Province 333	Production and sale of pharmaceutical products, APIs and pharmaceutical intermediates; technology development, technology consulting, technology transfer, technical services		100.00%	New Establishment
Xinfeng Boya Apheresis Plasma Co., Ltd.	No. 28 Chengxin Avenue, Industrial Park, Xinfeng Ganzhou City, Jiangxi Province	No. 28 Chengxin Avenue, Industrial Park, Xinfeng Ganzhou City, Jiangxi Province	Plasma, HBV Special Exemption Plasma, Rabies Special Exemption Plasma, and Tetanus Immune Plasma, shall be collected as raw materials	100.00%		New Establishment
Fengcheng Boya Apheresis Plasma Co., Ltd.	Fengcheng Meilin Hospital	Fengcheng Meilin Hospital	Plasma, HBV Special Exemption Plasma, Rabies Special Exemption Plasma, and	100.00%		New Establishment

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			Tetanus Immune Plasma, shall be collected as raw materials			
Yudu Boya Apheresis Plasma Co., Ltd.	Longmen Road, Gongjiang Town, Yudu County, Ganzhou City, Jiangxi Province	Longmen Road, Gongjiang Town, Yudu County, Ganzhou City, Jiangxi Province	Raw materials Plasma, raw materials for hepatitis B antibody, raw materials for rabies antibody, and raw materials for tetanus antibody.	100.00%		New Establishment
Duchang Boya Apheresis Plasma Co., Ltd.	Furong Shan Industrial Park, Duchang County, Jiujiang City, Jiangxi Province	Furong Shan Industrial Park, Duchang County, Jiujiang City, Jiangxi Province	Raw material plasma, human hepatitis B immune plasma, human rabies immune plasma, tetanus immune plasma, human tetanus immune plasma	100.00%		New Establishment
Nanjing Xinbai Pharmaceutical Co., Ltd.	No. 68, Xingang Avenue, Economic and Technological Development Zone	No. 68, Xingang Avenue, Economic and Technological Development Zone	Production and Sale of Pharmaceutical Products	99.999%	0.001%	Acquisitions
Nanjing Boya Bio-pharmaceutical Co., Ltd.	No. 68, Xingang Avenue, Economic and Technological Development Zone	No. 68, Xingang Avenue, Economic and Technological Development Zone	Drug Sales; Road Freight Transportation	100.00%		Acquisitions
Guangdong Fuda Pharmaceutical Co., Ltd.	Room 901-905, 9th Floor, No. 91 and 93, Chigangjude Middle Road, Haizhu District, Guangzhou	Room 901-905, 9th Floor, No. 91 and 93, Chigangjude Middle Road, Haizhu District, Guangzhou	Pharmaceutical Distribution	75.00%		Acquisitions
Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd.	No.333, Huiquan Road, Fuzhou Hi-Tech Industrial Development Zone, Fuzhou, Jiangxi Province	No.333, Huiquan Road, Fuzhou Hi-Tech Industrial Development Zone, Fuzhou, Jiangxi Province	Consulting services for development, promotion and transfer of pharmaceutical technology	100.00%		New Establishment

Explanation of Percentage of Shareholding Different from Voting Rights in Subsidiaries:

The shareholding percentage of the Company in its subsidiaries is consistent with that of voting right, and there is no inconsistency in shareholding percentage or voting right.

Basis for holding half or less than voting right but still controlling the invested company or holding more than half of voting right but not controlling the invested company: a company has no right to hold half or less than half of voting right but still controlling the invested company or holding more than half of voting right but not controlling the invested company.

**(2) Material non-wholly-owned subsidiaries**

Unit: Chinese yuan

Name of Subsidiary	Shareholding Percentage of Minority Shareholders	Current Profits or Losses Attributable to Minority Shareholders	Dividend declared to minority shareholders in the current period	Ending Minority Interest Balance
Guizhou Tianan Pharmaceutical Co., Ltd.	10.319%	7,033,484.27		41,045,471.13
Guangdong Fuda Pharmaceutical Co., Ltd.	25.00%	8,943,017.67	5,000,000.00	35,806,717.92
Total		15,976,501.94	5,000,000.00	76,852,189.05

Explanation of Shareholding Percentages Different from Voting Rights of Subsidiaries:

The shareholding percentage of the minority shareholders of the subsidiaries is consistent with the voting right of the minority shareholders, and there is no inconsistency between the shareholding percentage and voting right.

**(3) Major Financial Information of Significant Non-Wholly-Owned Subsidiaries**

Unit: Chinese yuan

Name of Subsidiary	Ending Balance					
	CURRENT ASSETS	NON-CURRENT ASSETS	Total assets	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	Total liabilities
Tianan Pharmaceutical	384,140,953.58	124,779,799.03	508,920,752.61	108,579,212.95	2,575,563.07	111,154,776.02
Guangdong Fuda	286,360,731.44	6,830,808.84	293,191,540.28	149,933,289.34	31,379.25	149,964,668.59
Total	670,501,685.02	131,610,607.87	802,112,292.89	258,512,502.29	2,606,942.32	261,119,444.61
Name of Subsidiary	Opening balance					
	CURRENT ASSETS	NON-CURRENT ASSETS	Total assets	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	Total liabilities
Tianan Pharmaceutical	315,581,386.50	116,748,835.01	432,330,221.51	99,739,817.91	2,984,949.01	102,724,766.92
Guangdong Fuda	260,908,472.41	4,571,642.43	265,480,114.84	138,009,966.98	15,346.86	138,025,313.84
Total	576,489,858.91	121,320,477.44	697,810,336.35	237,749,784.89	3,000,295.87	240,750,080.76

Unit: Chinese yuan

Name of Subsidiary	Current Amount Incurred				Amount Incurred in the Previous Period			
	Operating Revenue	Net profits	Total comprehensive income	Cash Flows from Operating Activities	Operating Revenue	Net profits	Total comprehensive income	Cash Flows from Operating Activities
Tianan Pharm	363,760,083.56	68,160,522.00	68,160,522.00	10,451,370.30	319,515,729.30	60,360,434.95	60,360,434.95	-76,528,558.78

eutical								
Guangdong Fuda	642,353,278.29	35,772,070.69	35,772,070.69	22,912,752.98	554,550,933.84	30,967,491.68	30,967,491.68	60,966,160.38
Total	1,006,113,361.85	103,932,592.69	103,932,592.69	33,364,123.28	874,066,663.14	91,327,926.63	91,327,926.63	-15,562,398.40

**(4) Major Restrictions on Use of Assets and Repayment of Debts of the Enterprise Group: No****(5) Financial or other support provided to the consolidated structured entity included in the consolidated financial statements: none****2. Transactions Involving Changes in Ownership Shares in Subsidiaries and Still Controlling Subsidiaries****(1) Description of Changes in Ownership Shares of Subsidiaries: none****(2) Effect of the Transaction on Minority Interests and Ownership Interests Attributable to the Parent Company: none****3. Interests in Arrangements for Cooperative Operation or Associates****(1) Important Joint Ventures or Associates: none****(2) Major financial information of an important joint venture: No.****(3) Major Financial Information of Important Associates: none****(4) Consolidated Financial Information of Unimportant Joint Ventures and Associates**

Unit: Chinese yuan

	Ending Balance/Amount Incurred in the Current Period	Opening Balance/Amount Incurred in the Period
Joint Venture:	--	--
Total Book Value of Investments	133,340,087.97	144,163,414.53
The aggregate, pro rata to Shareholding Percentages:	--	--
- Net Profits	-3,948,300.93	-4,319,794.80
- Total comprehensive income	-3,948,300.93	-4,319,794.80
Associates:	--	--
The aggregate, pro rata to Shareholding Percentages:	--	--

**(5) Explanation of Material Restrictions on Ability of Joint Venture or Associates to Transfer Funds to the Company: None****(6) Excessive losses incurred by joint ventures or associates: no****(7) Unconfirmed Commitments Relating to the Investments of JVCO: None****(8) Contingent Liabilities relating to Investments by Joint Venture or Associates: none****4. Important Joint Operations: none****5. Interest in Unconsolidated Structured Entity: none**

## 6. Others: none

## X. Risks relating to Financial Instruments

The Company's major financial instruments include monetary funds, notes receivable, Accounts Receivable, Financing by Accounts Receivable, Other Receivables, Other Current Assets, Notes Payable, Accounts Payable, Other Payables, etc. Please refer to relevant Item in this Note 5 for the detailed description of various financial instruments. The risks relating to these financial instruments and the risk management policies adopted by the Company to reduce these risks are described below. The management of the Company shall manage and monitor these risk exposures to ensure that the aforesaid risks are controlled within the specified range.

The objective of the Company in risk management is to achieve a proper balance between Risks and Proceeds, and to reduce to the minimum the negative impact of risks on the Company's business performance, so as to maximize the interests of the shareholders and other equity investors. Based on these risk management objectives, the basic strategy of the Company's risk management is to determine and analyze all kinds of risks faced by the Company, establish an appropriate bottom line to withstand risks and carry out risk management, and supervise all kinds of risks in a timely and reliable manner, so as to control risks within the specified range.

### 1. Market Risks

#### (1) Interest rate risks

Interest rate risks refer to the risks that the fair values or future cash flows of financial instruments fluctuate due to changes in market interest rates. Interest rate risks may originate from the recognized interest-bearing financial instruments and unrecognized financial instruments (such as some loan commitments). The Company shall, through the establishment of a good relationship between banks and enterprises, reasonably design the line, type and term of credit, so as to ensure adequate credit and meet all kinds of financing needs of the Company. As of December 31, 2019, the balance of interest-bearing debts of the Company was RMB 622,560,000.00.

#### 2. Credit Risks

Credit risks refer to the risks of financial losses to one party due to the failure of the other party to perform obligations. The Company conducts the management of credit risks by portfolio classification. Credit risks mainly arise from bank deposits and receivables, etc. The Company's bank deposits are mainly deposited in state-owned banks and other large and medium-sized banks. It is expected that there will be no major credit risks in the bank deposits.

For receivables, the Company will set up relevant policies to control credit risk exposures. The Company assesses the credit eligibility of a debtor and sets the corresponding amount of arrears and credit term based on the debtor's financial condition, external ratings on the debtor, the possibility of obtaining guarantee from a third party and the credit record as well as other factors such as current market conditions. The Company will monitor the credit records of debtors on a regular basis. For debtors with bad credit records, the Company will make payment collection in writing, shorten credit period or file a lawsuit, etc. to ensure that the overall credit risks of the Company are under control. Meanwhile, the Company assesses the collection of receivables on the Balance Sheet Date, to ensure the Company makes adequate provision for bad debts is made for those uncollectible receivables. Therefore, the management of the Company is of the opinion that the credit risks assumed to the Company have been greatly reduced.

#### 3. Liquidity Risk

Liquidity risk refers to the risk of fund shortage in the course of performing the obligation of settlement by means of delivery of cash or other financial assets by means of a company. In managing the liquidity risk, the Company maintains and monitors cash and cash equivalents deemed by the management to be sufficient in order to meet the Company's operating needs and to mitigate the impact

of fluctuations in cash flows.

## XI. Disclosure of Fair Value

### 1. Ending fair value of the assets and liabilities measured by fair value; and

Unit: Chinese yuan

Item	Ending fair value			
	Level 1 Fair Value Measurement	Level 2 Fair Measurement	Level 3 Fair Value Measurement	Total
I. Continuous Fair Value Measurement	--	--	--	--
Receivables Financing			190,612,082.01	190,612,082.01
Total Assets Continuously Measured at Fair Value			190,612,082.01	190,612,082.01
II. Non-Continuous Fair Value Measurement	--	--	--	--

### 2. Continuous and Non-Continuous Level 1 Fair Value Measurement Item Basis for Determination of Market Value Measurement Item: none

### 3. Continuing and discontinuing Level 2 fair value measurement Item, valuation techniques and qualitative and quantitative information adopted: none

### 4. Continuous and non-continuous Level 3 fair value measurement Item, as well as qualitative and quantitative information on valuation techniques and important parameters adopted

Ending Accounts Receivable Financing is a banker's acceptance bill among the notes receivable. The fair value is determined based on the book value of the notes receivable taking into account that small difference between the book value and fair value of the notes receivable.

### 5. Continuous Level 3 Fair Value measurement Item, information on reconciliation between beginning and ending book value and sensitivity analysis of unobservable parameter: none

### 6. Continuous fair value measurement Item: If any conversion occurs between levels during this period, reason for the conversion and policy to determine the time point of the conversion: none

### 7. Changes of valuation techniques during this period and reasons for such change: none

### 8. Fair value of financial assets and financial liabilities which are not measured by fair value: none

### 9. Others: none

## XII. Associated Parties and Connected Transactions

### 1. Information of the Parent Company

Name of Parent Company	Jurisdiction of Incorporation	Nature of Business	Registered Capital	Percentage of Parent Company's Shareholding in the Company	Percentage of Parent Company's Voting Rights on the Company
Shenzhen GTJA Investment Group Company Limited	1501 Tianli Central Business Plaza, East of Houhai Avenue, Nanshan District, Shenzhen	Investment Management Business	RMB 28,320,000	30.95%	30.95%

Explanatory Statement of Information of the Parent Company of the Company

GTJA Group is mainly engaged in direct investment in high and new technology industries and other technological innovation enterprises, and is entrusted to manage and operate venture capital of other venture capital companies;

Investment and advisory business; direct investment or participation in construction of business incubator.

As of the date of disclosure in this Report, the shareholding structure of the Controlling Shareholder in GTJA Group is as follows:

Name	Capital Contribution (ten thousand Chinese yuan)	Proportion (%)
Suzhou Delai Electric Co., Ltd.	6,293.3271	22.2222
Shenzhen Yangguang Jiarun Investment Co., Ltd.	5,000.0000	17.6554
Shenzhen Susuda Investment Co., Ltd.	3,802.0000	13.4238
Shenzhen Jiaxing Herun Investment Co., Ltd.	3,600.0000	12.7118
Xiamen GYJA Jingying Investment Partnership (L.P.)	2,360.0000	8.3333
Suzhou GTJA Jingying Investment Partnership (L.P.)	2,360.0000	8.3333
Shenzhen Bandaowan Investment Partnership (L.P.)	2,143.8920	7.5717
Xiamen Hefeng Jiarun Investment Partnership (L.P.)	2,124.0011	7.5000
Shenzhen Xuchen Investment Partnership (L.P.)	151.2587	0.5341
Huang Qing	106.1473	0.3748
Hu Xuefeng	101.8980	0.3598
Wang Haijiao	99.1756	0.3502
Zeng Xiaojun	93.3994	0.3298
Tan Guiling	84.9008	0.2998
Total	28,320.0000	100.00

The shareholding structure of GTJA Group is decentralized and no single shareholder can directly or indirectly actually control GTJA Group. GTJA Group has no controlling shareholder or actual controller. Therefore, the Company has no actual controller.

Shenzhen GTJA Investment Group Company Limited is the parent company and the ultimate parent company of this Company. The ultimate controller of this enterprise is Shenzhen GTJA Investment Group Limited Corporation



## 2. Information about its subsidiaries

For information about its subsidiaries, please refer to the annotation "Interests in Subsidiaries".

## 3. Information about its joint ventures and associates

For information about important joint ventures and associates of this enterprise, please refer to the annotation "Interests in Joint Ventures and Associates".

## 4. Information about other related parties

Name of other related parties	Relationship between other related parties and this Company
Jiangxi Xinxing Biotechnology Development Co., Ltd.	Enterprises Controlled by Xu Jianxin, Shareholders/Directors
Nanchang Dazheng Chuyuan Investment Co., Ltd.	Enterprises Controlled by Liao Xixi, Shareholders/Chairman
Fuzhou Jiayi Investment Partnership (L.P.)	Enterprises Controlled by Liao Xixi, Shareholders/Chairman
Xiamen Shengyang Investment Partnership (L.P.)	Partnership Controlled by Executive Officers of the Company
Shenzhen Ronghua Investment Co., Ltd.	Company Shareholders/Controlling Shareholders Control Company
Xu Jianxin	Shareholders of the Company/Directors of the Company
Shenzhen Chuangrong Investment Consulting Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Shenzhen Ronghua Investment Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Beijing GTJA Assets Management Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Shenzhen Rongke Investment Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Jiangsu Kunshan GTJA Venture Capital Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Kunshan GTJA Venture Capital Management Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Chengdu GTJA Yinke Xiangfu Investment Management Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Shenzhen Rongyuan Venture Capital Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Ruijie Software Technology (HK) Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Hefei Jiarong Venture Capital Management Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Hangzhou GTJA Equity Investment Management Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
Shenzhen GTJA Yonghui Investment Partnership (L.P.)	Company Controlled by the Controlling Shareholder of the Company
Shenzhen GTJA Selected Hengfu Investment Partnership (L.P.)	Partnership Managed by the Shareholder of the Company
Shenzhen GTJA Ruijia Investment Partnership (L.P.)	Partnership Managed by the Shareholder of the Company
Shenzhen GTJA Ruifu Investment Partnership (L.P.)	Partnership Managed by the Shareholder of the Company
Shanghai GTJA Yikang Investment Partnership (L.P.)	Partnership Enterprise with Equity Participation by the Company
Shenzhen GTJA Hongrui Investment Co., Ltd.	Company Controlled by the Controlling Shareholder of the Company
GTJA Boya Asset Management Plan	Management Plan for the Establishment of the Controlling Shareholder of the Company
Boya Bio-Pharmaceutical (Guangdong) Co., Ltd.	Fund Control Company Controlled by the Controlling Shareholder of a Company

Chongqing GTJA Ruian Equity Investment Fund Partnership (Limited Partnership)	Partnership Managed by the Shareholder of the Company
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## **5. Details of Connected Transactions**

### **(1) Related Party Transactions for Purchase and Sale of Goods, Provision and Acceptance of Services**

Table of Goods Purchased/Labor Received

Unit: Chinese yuan

Affiliate	Contents of Affiliated Transactions	Current Amount Incurred	Approved Transaction Line	Whether the Transaction Limit is Exceeded	Amount Incurred in the Previous Period
Boya Bio-Pharmaceutical (Guangdong) Co., Ltd.	Purchased Apheresis Plasma		825,000,000.00	No	

## Description of Related Party Transactions for Purchase and Sale of Goods, Provision and Acceptance of Services

The 6th meeting of the 6th board of directors and the 3rd extraordinary general meeting of shareholders in 2017 deliberated and approved the Proposal on Procurement and Allocation of Plasma, Plasma Components and Related-party Transactions of Guangdong Danxia Biopharmaceutical Co., Ltd. For the purposes of making full use of plasma resources and alleviating the shortage of blood product supply, given that Guangdong Danxia Biopharmaceutical Co., Ltd. are enterprises invested by Shenzhen GTJA Investment Group Limited Corporation, in order to realize its development strategy and improve its comprehensive competitiveness, Guangdong Danxia Biopharmaceutical Co., Ltd. plans to procure and allocate not more than 100 tons of raw plasma and not more than 180 tons of raw plasma for the production of static injection human immunoglobulin components, not more than 400 tons of raw plasma; used for the production of human fibrinogen components with a total amount of no more than RMB 402 million;

On April 15, 2019, the Company held the 23rd meeting of the 6th Board of Directors, at which the Proposal on Purchase of Raw Plasma from Guangdong Danxia Biologics Co., Ltd. and Related Transactions has been reviewed and approved, in which the Company agrees to purchase no more than 500 tons of raw plasma from Guangdong Danxia Biologics Co., Ltd. at the purchase price of no more than RMB1.65 million/ton and a value of no more than RMB825 million. The Company and Danxia Biology entered into the Raw Plasma Supply Framework Agreement, in which the Company agrees to terminate the Framework Agreement on Allocation and Sale of Plasma and Plasma Components entered into with Danxia Biology in May 2017 and agrees to purchase Raw Plasma from Danxia Biology within 24 months following the effectiveness of this Agreement. On April 30, 2019,

The Company held its first extraordinary general meeting of shareholders of 2019 to adopt the proposal. On July 2, 2019, the name of Guangdong Danxia Biologics Co., Ltd. was renamed as Boya Bio-Pharmaceutical (Guangdong) Co., Ltd.

As of December 31, 2019, the Company had prepaid RMB 818,015,660.97. The Company's purchase of raw plasma from Boya (Guangdong) has not been approved by regulatory authorities.

**(2) Affiliated entrusted management/contracting, entrusted management/outsourcing: none**

**(3) Related Lease: none**

**(4) Related Guarantee: none**

**(5) Funding by Affiliates: none**

**(6) Transfer of Assets and Debt Restructuring of Affiliates: none**

**(7) Key Management Staff Remuneration**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Key Management Staff Remuneration	17,155,000.00	8,975,000.00

**(8) Other Related Party Transactions: none****6. Receivables and Payables from Affiliates****(1) Item Receivable**

Unit: Chinese yuan

Project name:	Affiliate	Ending Balance		Opening balance	
		Book Balance	Provision for bad debts	Book Balance	Provision for bad debts
Advance Payment	Boya Bio-Pharmaceutical (Guangdong) Co., Ltd.	818,015,660.97		317,643,321.52	
Other receivables	Boya Bio-Pharmaceutical (Guangdong) Co., Ltd.	200,000.00	10,000.00		
Total		818,215,660.97	10,000.00	317,643,321.52	

**(2) Payable Item: none****7. Affiliates undertake to: None****8. Others: none****XIII. Shares Payment****1. Shares Payment in general: none**

Applicable  N/A

**2. Equity-settled share-based payments: none**

Applicable  N/A

**3. Shares payments settled in cash: none**

Applicable  N/A

**4. Alteration or Termination of Shares Payment: none**

None

**5. Others: none**

## **XIV. Commitments and Contingencies**

### **1. Important covenants: none**

Important covenants existing on the Balance Sheet Date: none

### **2. Contingencies**

#### **(1) Important Contingencies existing on the Balance Sheet Date: none**

#### **(2) The Company should state any important contingent matters that are not required to be disclosed.**

There are no important contingencies required to be disclosed.

### **3. Others: none**

## **XV. Events after Balance Sheet Date**

### **1. Important non-adjusting events: none**

### **2. Distribution of Profits**

Unit: Chinese yuan

Profits or Dividends to be Distributed	63,891,024.45
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The profit distribution plan as adopted by the board of directors of the Company is as follows: the base is to deduct the number of shares issued in the Company's repurchase account by 425,940,163 (total shares of the Company 433,324,863 shares),

A cash dividend of RMB 1.50 (inclusive of tax) will be distributed to all shareholders for every 10 shares, a total cash dividend of RMB 63,891,024.45 (inclusive of tax) will be distributed, 0 shares (inclusive of tax) will be distributed, and 0 shares will be transferred to all shareholders from the capital reserve for every 10 shares.

### **3. Sales returns: none**

### **4. Other Matters after the Balance Sheet Date Note: none**

## **XVI. Other Important Matters**

### **1. Correction of accounting errors in the prior period: none**

#### **(1) Retrospective restatement: none**

#### **(2) Future applicable law: none**

### **2. Debt restructuring: none**

### **3. Asset substitution**

#### **(1) Exchange of non- monetary assets: none**

#### **(2) Other asset exchange: none**

### **4. Annuity plan: none**

**5. Discontinued operations: none****6. Division information****(1) Basis for Determination of Reporting Segment and Accounting Policy**

The Company reporting division is mainly divided into blood product business, diabetes pharmaceutical business, biochemical pharmaceutical business, pharmaceutical distribution business and other businesses. The relevant accounting policies shall be consistent with those of the parent company.

**(2) Reporting Segment Financial Information**

Unit: Chinese yuan

Item	Blood Product Business	Diabetes Pharmaceutical Business	Biochemical Pharmaceutical Business	Pharmaceutical Distribution Business	Other Businesses	Inter-segment offset	Total
Total Assets	4,735,900,037.28	508,920,752.61	588,592,882.75	293,191,540.28	641,824,536.52	1,511,739,148.26	5,256,690,601.18
Total Debt	1,031,009,682.10	111,154,776.02	223,105,282.87	149,964,668.59	411,120,886.86	658,251,412.79	1,268,103,883.65
Operating Revenue	1,034,439,254.28	363,760,083.56	903,049,919.66	642,353,278.29	22,601,369.93	57,434,650.37	2,908,769,255.35
Operating Costs	334,901,071.72	57,556,335.45	225,900,934.24	532,653,210.28	25,100,002.23	51,693,128.08	1,124,418,425.84
Net profits	284,271,103.33	68,160,522.00	91,705,085.32	35,772,070.69	-34,361,694.22	3,423,809.26	442,123,277.86
Net profit attributable to owners of the parent company	284,271,103.33	61,127,037.73	91,705,085.32	26,829,053.02	-34,361,694.22	3,423,809.26	426,146,775.92
Net profit attributable to minority shareholders		7,033,484.27		8,943,017.67			15,976,501.94
Comprehensive income	284,271,103.33	68,160,522.00	91,705,085.32	35,772,070.69	-34,361,694.22	3,423,809.26	442,123,277.86
Total comprehensive income attributable to owners of the parent company	284,271,103.33	61,127,037.73	91,705,085.32	26,829,053.02	-34,361,694.22	3,423,809.26	426,146,775.92
Total comprehensive income attributable to minority shareholders		7,033,484.27		8,943,017.67			15,976,501.94

**(3) If the Company does not have a reporting division, or if the Company fails to disclose the total assets and liabilities of each reporting division, it shall state the reasons: none**

**(4) Other Notes: none**

**7. Other important transactions and matters that may affect the decision-making of investors.**

On December 19, 2019, the 6th board of directors of the Company reviewed and approved the Proposal on Purchase of Assets in Cash Payment by the Company, in which the Company proposes to purchase 5.90% equity interest in Royal (Wuxi) Bio-pharmaceutical Co., Ltd. ("Royal Bio-pharmaceutical") from Wang Yong in cash consideration of RMB 88.50 million and Proposes to purchase 5.78% equity interest in Royal Bio-pharmaceutical from Shanghai Yiren Investment Partnership, L.P. ("Shanghai Yiren") in cash consideration of RMB 86.70 million.

As of December 31, 2019, the Company paid RMB 70.25 million and RMB79.75 million respectively to Shanghai Yiren. In January 2020, the closing and transfer of the aforesaid 11.68% equity interest was completed, in which the Company holds 11.68% equity interest in Royal Bio-pharmaceutical.

On December 20, 2019, the 6th board of directors of the Company reviewed and approved the Proposal on Purchase of Assets and Connected Transactions by the Company through Issuance of Shares, Convertible Corporate Bonds and Cash Payment. The Company proposes to purchase 48.87% equity interest in Royal Bio-pharmaceutical from 11 counterparties: Jiangxi Baisheng Management Consulting Co., Ltd., Shenzhen GTJA Ruibao Investment Partnership (Limited Partnership), Chongqing GTJA Ruian Equity Investment Fund Partnership (Limited Partnership), Jiangxi Changmaoda Business Services Co., Ltd., Jiangxi Aorifa Business Services Co., Ltd., Shanghai Yiren Investment Partnership (Limited Partnership), Ding Zhengliang Ding, Dai Jinfu, Yang Qian, Zhang Yadong and Ding Shiwei.

As of December 31, 2019, the Company had paid RMB 3070,000,000 to Jiangxi Baisheng Management Consulting Co., Ltd.

On January 15, 2020, the Company held an extraordinary general meeting of shareholders to deliberate and approve the aforesaid restructuring proposal, and reported the same to the China Securities Regulatory Commission for review. On February 18, 2020, the Merger and Reorganization Examination Committee of Listed Companies (the "Merger and Reorganization Committee") held the 4th Merger and Reorganization Committee meeting of the Merger and Reorganization Committee in 2020 to examine and approve the issuance of shares and convertible corporate bonds and cash for purchase of assets and connected transactions by the Company. According to the results of the examination and approval meeting, the Company fails to pass the examination and approval procedures for issuance of shares, convertible corporate bonds and cash for purchase of assets and connected transactions. On April 11, 2020, the Company duly received the Decision on Disapproving the Application for Issuance of Shares and Convertible Corporate Bonds to Purchase Assets by Boya Bio-pharmaceutical Group Co., Ltd (Zheng Jian Xu Ke [2020] No. 550) issued by the CSRC.

**8. Others: none**

**XVII. Notes to key Item of parent company financial statements****1. Accounts Receivable****(1) Disclosure of Accounts Receivable by Category**

Unit: Chinese yuan

Category	Ending Balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion	Amount	Accrual Percentage	
Accounts receivable to be provided for on a case-by-case basis for bad debts	4,865,255.84	1.39%	4,865,255.84	100.00%	
Where:					
Receivables to make provision for bad debts by portfolio basis	343,931,948.39	98.61%	19,416,209.56	5.65%	324,515,738.83
Where:					
Aging Portfolio	332,646,679.24	95.37%	19,416,209.56	5.84%	313,230,469.68
Affiliate Portfolio	11,285,269.15	3.24%			11,285,269.15
Total	348,797,204.23	100.00%	24,281,465.40	6.96%	324,515,738.83
Category	Opening balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion	Amount	Accrual Percentage	
Accounts receivable to be provided for on a case-by-case basis for bad debts	4,865,255.84	1.71%	4,865,255.84	100.00%	
Where:					
Receivables to make provision for bad debts by portfolio basis	280,082,567.22	98.29%	14,136,930.35	5.05%	265,945,636.87
Where:					
Aging Portfolio	280,082,567.02	98.29%	14,136,930.35	5.05%	265,945,636.67
Affiliate Portfolio	0.20				0.20
Total	284,947,823.06	100.00%	19,002,186.19	6.67%	265,945,636.87



Receivables to which bad debt provision shall be made on an item-by-item basis:

Unit: Chinese yuan

Name	Ending Balance			
	Book Balance	Provision for bad debts	Accrual Percentage	Reasons for Provision
Hebei Provincial Center of Health and Biological Products Supply	1,089,214.81	1,089,214.81	100.00%	Anticipated Irrecoverable
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd.	822,042.83	822,042.83	100.00%	Anticipated Irrecoverable
Henan Jinding Pharmaceutical Co., Ltd.	679,800.00	679,800.00	100.00%	Anticipated Irrecoverable
Minsheng Group Henan Pharmaceutical Co., Ltd.	1,108,555.00	1,108,555.00	100.00%	Anticipated Irrecoverable
Hainan Lihui Pharmaceutical Co., Ltd.	30,693.20	30,693.20	100.00%	Anticipated Irrecoverable
Chongqing Beining Bio-Pharmaceuticals Co., Ltd.	37,810.00	37,810.00	100.00%	Anticipated Irrecoverable
Chengdu Luyan Guangfu Pharmaceutical Co., Ltd.	1,097,140.00	1,097,140.00	100.00%	Anticipated Irrecoverable
Total	4,865,255.84	4,865,255.84	--	--

Accounts Receivable in Portfolio with Provision for Doubtful Accounts Based on Aging Analysis

Unit: Chinese yuan

Name	Ending Balance		
	Book Balance	Provision for bad debts	Accrual Percentage
Less than 1 years	276,969,167.33	13,848,458.37	5.00%
1 to 2 years	55,677,511.91	5,567,751.19	10.00%
2 to 3 years			
Over 3 years			
Total	332,646,679.24	19,416,209.56	5.84%

Portfolios: Accounts Receivable in respect of bad debts provision for a portfolio of related parties within the consolidated scope

Unit: Chinese yuan

Name	Ending Balance		
	Book Balance	Provision for bad debts	Accrual Percentage
Guangdong Fuda Pharmaceutical Co., Ltd.	11,285,269.15		0.00%
Total	11,285,269.15		--

**(2) Status of provisions for bad debts made, recovered or reversed in the current period**

Unit: Chinese yuan

Category	Opening balance	Current Variation Amount				Ending Balance
		Withdrawal	Retract or Reverse	Write-off	Miscellaneous	
Accounts receivable to be provided for on a case-by-case basis for bad debts	4,865,255.84					4,865,255.84
Receivables for which the provision for bad debts is made according to the aging combination	14,136,930.35	5,279,279.21				19,416,209.56
<b>Total</b>	<b>19,002,186.19</b>	<b>5,279,279.21</b>				<b>24,281,465.40</b>

**(3) Accounts receivable to be actually written off in the current period: none****(4) Accounts receivable that rank top five in respect of ending balance by party to whom they are owed**

Unit: Chinese yuan

Company Name	Accounts Receivable Ending Balance	Percentage of Total Receivables Ending Balances	Provision for Bad Debts Ending Balance
Customers 1	58,563,000.00	16.79%	2,928,150.00
Customers 2	29,008,909.80	8.32%	2,900,890.98
Customers 3	21,031,347.01	6.03%	1,051,567.35
Customers 4	15,661,876.00	4.49%	783,093.80
Guangdong Fuda Pharmaceutical Co., Ltd.	11,285,269.15	3.23%	
<b>Total</b>	<b>135,550,401.96</b>	<b>38.86%</b>	

**(5) Accounts Receivable with Termination of Recognition due to Financial Assets Transfer: None****(6) Amount of the assets and liabilities created by the transfer of accounts receivable and continuous involvement in the transfer: None****2. Other receivables**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Other receivables	318,625,517.62	147,813,486.17
<b>Total</b>	<b>318,625,517.62</b>	<b>147,813,486.17</b>

**(1) Interest receivable****1) Category of interest receivable: none****2) Material overdue interest: none**

**3) Provision for bad debts: None****(2) Dividends receivable****1) Classification of dividends receivable: None****2) Important dividends receivable more than one year old: None****3) Provision for bad debts: None****(3) Other receivables****1) Other Receivables by Nature of Payments**

Unit: Chinese yuan

Nature of payments	Closing Book Balance	Opening Book Balance
Temporary Borrowings of Subsidiaries	287,390,130.05	143,008,438.67
Deposit		1,386,100.00
Deposit	30,165,000.00	1,213,000.00
Imprest Fund		43,634.10
Employee Loans	1,981,981.27	2,100,000.00
Miscellaneous	865,213.07	479,069.61
<b>Total</b>	<b>320,402,324.39</b>	<b>148,230,242.38</b>

**2) Provision for Bad Debts**

Unit: Chinese yuan

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Anticipated Credit Loss in Next 12 Months	Anticipated Credit Loss throughout Duration (No Credit Impairment Occurred)	Anticipated Credit Loss throughout Duration (Credit Impairment Has Occurred)	
January 1, 2019 Balance	416,756.21	-	-	416,756.21
Jan. 1, 2019 Remaining Outstanding Current				
- Moving to Phase 2	-	-	-	-
- Moving to Phase 3	-	-	-	-
- Turning back Phase 2	-	-	-	-
- Turning back Phase 1	-	-	-	-
Current provision	1,360,089.28	-	-	1,360,089.28
Current Reversal	-	-	-	-
Current Write-Off	38.72	-	-	38.72
Current Write-off	-	-	-	-
Ending Balance	1,776,806.77	-	-	1,776,806.77

**3) Other receivables by Class**

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Category	Ending Balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion (%)	Amount	Accrual Percentage (%)	
Other receivables to make provision for Bad Debts Individually	—	—	—	—	—
Other receivables to provide for bad debts in combination:	320,402,324.39	100.00	1,776,806.77	0.55	318,625,517.62
Where: Aging Portfolio	33,012,194.34	10.30	1,776,806.77	5.38	31,235,387.57
Affiliate Portfolio	287,390,130.05	89.70	—	—	287,390,130.05
Total	320,402,324.39	100.00	1,776,806.77	0.55	318,625,517.62
Category	Opening balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion (%)	Amount	Accrual Percentage (%)	
Other receivables to be provided for individually for bad debts	—	—	—	—	—
Other receivables for which the provision for bad debts shall be made according to the combination of the receivables:	148,230,242.38	100.00	416,756.21	0.28	147,813,486.17
Where: Aging Portfolio	5,221,803.71	3.52	416,756.21	7.98	4,805,047.50
Affiliate Portfolio	143,008,438.67	96.48	—	—	143,008,438.67
Total	148,230,242.38	100.00	416,756.21	0.28	147,813,486.17

Other receivables to be provided for individually for bad debts in the current period.

Other receivables included in the portfolio for the provision for doubtful accounts based on the aging method

Aging	Ending Balance		
	Other receivables	Provision for bad debts	Accrual Percentage
Less than 1 years	32,722,119.34	1,636,105.97	5.00%
1 to 2 years	9,600.00	960.00	10.00%
2 to 3 years	234,557.00	93,822.80	40.00%
Over 3 years	45,918.00	45,918.00	100.00%
Total	33,012,194.34	1,776,806.77	5.38%

Other receivables that are provided for bad debts in accordance with affiliate portfolios within the consolidated scope

Project name:	Ending Balance	
	Book Balance	Provision for bad debts
Nancheng Jinshan Apheresis Plasma Co., Ltd.	93,981.75	—
Chongren Boya Apheresis Plasma Co., Ltd.	8,197,187.08	—
Jinxi Boya Apheresis Plasma Co., Ltd.	63,262.14	—
Ganzhou Nankang Boya Apheresis Co., Ltd.	35,300.00	—
Yuechi Boya Apheresis Plasma Co., Ltd.	17,021,190.07	—
Linshui Boya Apheresis Plasma Co., Ltd.	6,522,277.65	—
Fengcheng Boya Apheresis Plasma Co., Ltd.	253,751.00	—
Xinfeng Boya Apheresis Plasma Co., Ltd.	11,079,944.59	—
Yudu Boya Apheresis Plasma Co., Ltd.	49,800.00	—
Duchang Boya Apheresis Plasma Co., Ltd.	1,934,933.00	—
Guangchang Boya Apheresis Plasma Co., Ltd.	3,692,509.99	—
Le 'an Boya Apheresis Plasma Co., Ltd.	3,131,905.48	—
Guangdong Fuda Pharmaceutical Co., Ltd.	44,000,000.00	—
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	191,314,087.30	—
Total	287,390,130.05	—

Status of provisions for bad debts made, recovered or reversed in the current period

Category	Opening balance	Current Variation Amount				Ending Balance
		Withdrawal	Retaking or Reverting	Reversal or Writing-Off	Miscellaneous	
Other receivables for which the provision for bad debts is made according to the aging combination	416,756.21	1,360,089.28	—	38.72	—	1,776,806.77
Total	416,756.21	1,360,089.28	—	38.72	—	1,776,806.77

**4) Other receivables to be actually written-off in the current period**

Unit: Chinese yuan

Item	Write-off amount
Employee Loans	38.72

**5) Other receivables ranked in top five in terms of ending balance by debtor**

Unit: Chinese yuan

Company Name	Nature of payment	Ending Balance	Aging	Proportion of other receivables to total ending balance	Provision for Bad Debts Ending Balance
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	Temporary Borrowings of Subsidiaries	191,314,087.30	Less than 1 years	59.71%	
Guangdong Fuda Pharmaceutical Co., Ltd.	Temporary Borrowings of Subsidiaries	44,000,000.00	1 - 2 years	13.73%	
Fuzhou Hengda Real Estate Development Co., Ltd.	Deposit	30,000,000.00	Less than 1 years	9.37%	1,500,000.00
Yuechi Boya Apheresis Plasma Co., Ltd.	Temporary Borrowings of Subsidiaries	17,021,190.07	Less than 1 years	5.31%	
Xinfeng Boya Apheresis Plasma Co., Ltd.	Temporary Borrowings of Subsidiaries	11,079,944.59	2 - 3 years	3.46%	
Total	--	293,415,221.96	--	91.58%	1,500,000.00

**6) Receivables Involving Government Grants: none****7) Other receivables the recognition of which is terminated due to financial asset transfer: none****8) the amount of the assets and liabilities created by transferring other receivables and continuous involvement in the transfer: none****3. Long-term Equity Investment**

Unit: Chinese yuan

Item	Ending Balance			Opening balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Investment in Subsidiaries	1,471,114,418.00		1,471,114,418.00	1,471,114,418.00		1,471,114,418.00
Investment in Joint Ventures, Joint Venture	133,340,087.97		133,340,087.97	144,163,414.53		144,163,414.53
Total	1,604,454,505.97		1,604,454,505.97	1,615,277,832.53		1,615,277,832.53

**(1) Investment in Subsidiaries**

Unit: Chinese yuan

Investees	Opening Balance (Book Value)	CURRENT INCREASE OR DECREASE CHANGES				Ending Balance (Book Value)	Impairment Provision Closing Balance
		ADDITIONAL INVESTMENT	REDUCTION OF INVESTMENT	Provision for Impairment	Miscellaneous		
Nancheng Jinshan Apheresis Plasma Co., Ltd.	10,000,000.00					10,000,000.00	
Chongren Boya Apheresis Plasma Co., Ltd.	4,592,915.00					4,592,915.00	
Jinxi Boya Apheresis Plasma Co., Ltd.	5,780,143.00					5,780,143.00	
Ganzhou Nankang Boya Apheresis Co., Ltd.	3,830,000.00					3,830,000.00	
Yuechi Boya Apheresis Plasma Co., Ltd.	5,000,000.00					5,000,000.00	
Beijing Boya Xinnuo Biotechnology Co., Ltd.	10,000,000.00					10,000,000.00	
Linshui Boya Apheresis Plasma Co., Ltd.	40,000,000.00					40,000,000.00	
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	250,000,000.00					250,000,000.00	
Xinfeng Boya Apheresis Plasma Co., Ltd.	20,000,000.00					20,000,000.00	
Fengcheng Boya Apheresis Plasma Co., Ltd.	20,000,000.00					20,000,000.00	
Yudu Boya Apheresis Plasma Co., Ltd.	20,000,000.00					20,000,000.00	

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Duchang Boya Apheresis Plasma Co., Ltd.	20,000,000.00					20,000,000.00	
Nanjing Xinbai Pharmaceutical Co., Ltd.	620,000,000.00					620,000,000.00	
Guizhou Tianan Pharmaceutical Co., Ltd.	182,391,360.00					182,391,360.00	
Guangdong Fuda Pharmaceutical Co., Ltd.	253,520,000.00					253,520,000.00	
Nanjing Boya Bio-pharmaceutical Co., Ltd.	5,000,000.00					5,000,000.00	
Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd.	1,000,000.00					1,000,000.00	
Total	1,471,114,418.00					1,471,114,418.00	



**(2) Investment in Joint Ventures and Joint Ventures**

Unit: Chinese yuan

Investment Units	Opening Balance (Book Value)	Current Increase Or Decrease Changes								Ending Balance (Book Value)	Impairment Provision Closing Balance
		— Additional Investment	Reduction Of Investment	Gains Or Losses On Investments Recognized Under The Equity Method	Other Comprehensive Income Adjustment	Other Changes In Interest	Declaration of Cash Dividends or Profits	Provision for Impairment	Miscellaneous		
I. Joint Venture Enterprise											
II. Associated Enterprise											
Qianhai Youxiang	44,255,421.44			-3,526,844.06						40,728,577.38	
Zhuji Rui 'An	48,349,985.34		6,743,062.40	-749,978.82			-131,963.23			40,724,980.89	
Shenzhen Ruibao	51,558,007.75			328,521.95						51,886,529.70	
Subtotal	144,163,414.53		6,743,062.40	-3,948,300.93			-131,963.23			133,340,087.97	
Total	144,163,414.53		6,743,062.40	-3,948,300.93			-131,963.23			133,340,087.97	

**(3) Other Notes: None****4. Operating Revenue & Operating Costs**

Unit: Chinese yuan

Item	Current Amount Incurred		Amount Incurred in the Previous Period	
	Revenues	Costs	Revenues	Costs
Principal Business	1,032,594,334.99	358,377,524.23	903,520,058.65	311,914,140.31
Other Business	1,844,919.29		224,379.50	52,113.29
Total	1,034,439,254.28	358,377,524.23	903,744,438.15	311,966,253.60

Have the new revenue standard been followed:  Yes  No

**5. Investment Income**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Gains from Long-Term Equity Investments	-3,948,300.93	-4,319,794.80
Income on Investments in Bank Financial Products	3,937,721.92	18,511,205.48
Dividend Income of Subsidiaries	74,999,400.00	64,999,500.00
Total	74,988,820.99	79,190,910.68

**6. Others: none****XVIII. Supplementary Information****1. Statement of Non-recurring Profit and Loss for the Current Period**

√ Applicable □ N/A

Unit: Chinese yuan

Item	Year 2019 Amount
Gains or Losses on the Disposal of Non-current Assets (including write-off of the provision for asset impairment)	1,437,350.71
Government subsidies recorded in the profit and loss for the current period (excluding those government subsidies closely related to the business of the enterprise and enjoyed by the enterprise in accordance with the national unified standard or fixed amount)	18,512,505.42
Gains or Losses on Entrust Others to Invest or Manage Assets	4,078,987.17
Other non-operating income and expense in addition to the foregoing	
Other profit and loss Item consistent with the Definition of Non-recurring Profit and Loss	-3,696,664.42
Investment Proceeds from Disposal of Long-Term Equity Investment	
Less: Income Tax Impact	2,905,325.14
Influence on Minority Equity (After Tax)	75,536.16
Total	17,351,317.58

Reasons shall be given for the non-recurring profit and loss Item as defined in the Interpretative Announcement of Information Disclosure by Companies That Offer Securities to the Public No. 1 - Non-recurring Profit and Loss and for defining the non-recurring profit and loss Item listed in the Interpretative Announcement of Information Disclosure by Companies That Offer Securities to the Public No. 1 - Non-recurring Profit and Loss as Recurring Profit and Loss, □ Applicable √ N/A

**2. Return on Net Assets and Earnings Per Share**

Profit for the Reporting Period	Weighted Average Return on Net Assets	Earnings Per Share	
		Basic Earnings Per Share (RMB/share)	Diluted Share (RMB/share)
Net profits attributable to shareholders of the Company	11.38%	1.00	1.00
Net profits attributable to shareholders of the Company's ordinary shares after deducting non-recurring profit and loss	10.92%	0.96	0.96

**3. Difference of Accounting Data under Domestic and Foreign Accounting Standards**

**(1) the differences between the net profits and net assets in the financial statements disclosed in accordance with international accounting standards and China GAAP;**

Applicable  N/A

**(2) the differences between the net profits and net assets in accordance with foreign accounting standards and the financial statements disclosed in accordance with PRC GAAP;**

Applicable  N/A

**(3) Reason for difference of accounting data under domestic and foreign accounting standards. If difference adjustment is made to the data audited by overseas auditing institutions, the name of the overseas auditing institutions shall be indicated: None**

**4. Others: None**

**4. Unaudited Consolidated Financial Statements For The Six Months Ended 30 June 2020**

## Section XI Financial Report

### I. Audit Report

Have the semi-annual report been audited:  Yes  No

The semi-annual financial report has not been audited.

### II. Financial Statements

Unit in the financial notes: Chinese yuan

#### 1. Consolidated Balance Sheet

Prepared by: Boya Bio-Pharmaceutical Group Co., Ltd.

June 30, 2020

Unit: Chinese yuan

Item	June 30, 2020	December 31, 2019
Current Assets:		
Monetary Funds	533,458,329.76	568,749,271.48
Settlement Provision		
Lending Money		
Transaction Financial Assets	111,000,000.00	
Derivative financial assets		
Notes Receivable	177,406,641.30	164,431,443.50
Accounts receivable	580,497,018.33	615,098,656.58
Receivables Financing	150,965,652.70	190,612,082.01
Advance Payment	842,362,989.65	836,380,835.00
Premium receivable		
Reinsurance Receivable		
Reinsurance contract reserve receivable		
Other receivables	144,667,678.75	39,312,820.16
Including: Interest receivable		
Dividends receivable		
Purchase of Resalable Financial Assets		

Inventories	658,819,505.97	621,400,248.25
Contract Assets		
Holdings of assets for sale		
Non-current assets maturing within one year		
Other current assets	16,822,041.93	16,998,035.48
Total Current Assets	3,215,999,858.39	3,052,983,392.46
Non-current Assets:		
Advance of Loans and Advances		
Creditor's Rights Investment		
Other Creditor's Rights Investments		
Long-term receivables		
Long-term equity investments	131,577,413.15	133,340,087.97
Other Equity Instruments Investment	175,200,000.00	
Other Non-current Financial Assets		
Investment properties		
Fixed Assets	706,123,971.61	720,254,464.50
Construction-in-Progress	108,396,223.65	94,546,219.67
Productive biological assets		
Oil and gas assets		
Access Assets		
Intangible Assets	183,372,160.32	175,614,920.13
Development expenditures	103,411,204.21	105,099,110.42
Goodwill	663,841,978.78	663,841,978.78
Long-term Deferred Expenses	56,576,876.49	55,907,389.96
Deferred income tax assets	18,439,091.36	26,001,986.81
Other non-current assets	45,399,703.96	229,101,050.48
Total Non-current assets	2,192,338,623.53	2,203,707,208.72
Total assets	5,408,338,481.92	5,256,690,601.18
Current Liabilities:		
Short-term borrowing	420,885,923.61	256,832,525.00
Loans borrowed from the Central Bank		
Borrowed Fund		
Transactional Financial Indebtedness		
Derivative financial indebtedness		

Notes payable	75,339,459.05	78,723,975.84
Accounts Payable	274,414,968.44	171,949,104.39
Advance Receipts	15,915,368.49	15,142,194.49
Contractual Liabilities		
Sale of Repurchased Financial Assets		
Absorption of Deposits and Interbank Deposits		
Agency payment for securities purchase and sale		
Underwriting monies of Securities		
Staff remuneration payable	37,111,730.30	70,901,724.36
Taxes payable	41,530,668.30	50,355,916.30
Other payables	171,502,042.56	215,047,702.25
Including: Interest payable		
Dividends payable	7,500,000.00	
Charges and Commission Payable		
Reinsurance Accounts Payable		
Holdings of indebtedness to be sold		
Non-current liabilities due within one year	105,451,251.39	97,556,154.75
Other current liabilities		
Total current liabilities	1,142,151,412.14	956,509,297.38
Non-current Liabilities:		
Reserve for Insurance Contracts		
Long-term borrowing	140,000,000.00	269,000,000.00
Bonds payable		
Including: Preferred shares		
Perpetual Debt		
Lease Indebtedness		
Long-term payables		
Long-term remuneration payable		
Estimated liabilities		
Deferred income	33,985,017.00	35,765,015.00
Deferred income tax liabilities	6,585,413.03	6,829,571.27
Other non-current liabilities		
Total non-current liabilities	180,570,430.03	311,594,586.27
Total liabilities	1,322,721,842.17	1,268,103,883.65

Ownership interest:		
Share capital	433,324,863.00	433,324,863.00
Other Equity Instruments		
Including: Preferred shares		
Perpetual Debt		
Capital Reserves	1,946,866,631.66	1,946,866,631.66
Less: Treasury Shares	199,963,593.69	199,963,593.69
Other Comprehensive Income		
Special Reserves		
Surplus Reserves	176,059,400.15	176,059,400.15
Provision for Risks		
Undistributed Profits	1,652,668,910.97	1,555,447,227.36
Total ownership interest vested in parent company	4,008,956,212.09	3,911,734,528.48
Minority Shareholders' Interest	76,660,427.66	76,852,189.05
Total Ownership Interest	4,085,616,639.75	3,988,586,717.53
Total indebtedness and ownership interest	5,408,338,481.92	5,256,690,601.18

Legal Representative: Liao Xinxi, Person in charge of accounting: Tu Yanshi, Head of Accounting: Wei Yuanxin

## 2. Parent Company's Balance Sheet

Unit: Chinese yuan

Item	June 30, 2020	December 31, 2019
Current Assets:		
Monetary Funds	435,905,796.29	516,241,124.57
Transactional financial assets	110,000,000.00	
Derivative financial assets		
Notes Receivable	177,406,641.30	164,431,443.50
Accounts receivable	228,846,992.59	324,515,738.83
Receivables financing	113,101,508.95	140,907,901.16
Advance Payment	870,367,017.50	836,513,881.40
Other receivables	521,414,018.36	318,625,517.62
Including: Interest receivable		
Dividends receivable	22,500,000.00	
Inventories	409,607,702.49	448,970,639.68
Contract Assets		



Holdings of assets for sale		
Non-current assets maturing within one year		
Other current assets		
Total Current Assets	2,866,649,677.48	2,750,206,246.76
Non-current Assets:		
Debt Investment		
Other Investments		
Long-term receivables		
Long-term equity investments	1,602,691,831.15	1,604,454,505.97
Other Equity Instrument Investments	175,200,000.00	
Other Non-current Financial Assets		
Investment properties		
Fixed Assets	156,954,591.36	154,828,694.18
Construction-in-Progress	37,361,162.84	42,959,611.40
Productive biological assets		
Oil and gas assets		
Access Assets		
Intangible Assets	17,557,150.26	12,588,049.07
Development expenditures	46,904,275.31	43,833,493.79
Goodwill		
Long-term Deferred Expenses	41,645,273.79	40,730,036.24
Deferred income tax assets	3,194,379.31	9,952,350.67
Other non-current assets	13,599,560.00	195,563,860.72
Total Non-current assets	2,095,108,224.02	2,104,910,602.04
Total assets	4,961,757,901.50	4,855,116,848.80
Current Liabilities:		
Short-term borrowing	300,325,923.61	200,257,858.33
Transactional financial indebtedness		
Derivative financial indebtedness		
Notes payable	128,345,331.49	74,807,095.28
Accounts Payable	74,213,657.28	80,274,965.52
Advance Receipts	6,442,446.53	1,295,419.58
Contractual Liabilities		
Staff remuneration payable	5,391,632.03	20,862,134.19

Taxes payable	16,456,720.52	22,876,728.56
Other payables	446,748,830.90	451,816,267.66
Including: Interest payable		
Dividends payable		
Holdings of indebtedness to be sold		
Non-current liabilities due within one year	10,213,090.28	17,246,010.42
Other current liabilities		
Total current liabilities	988,137,632.64	869,436,479.54
Non-current Liabilities:		
Long-term borrowing	85,000,000.00	159,000,000.00
Bonds payable		
Including: Preferred shares		
Perpetual Debt		
Lease Indebtedness		
Long-term payables		
Long-term remuneration payable		
Estimated liabilities		
Deferred income	30,800,000.00	32,350,000.00
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	115,800,000.00	191,350,000.00
Total liabilities	1,103,937,632.64	1,060,786,479.54
Ownership interest:		
Share capital	433,324,863.00	433,324,863.00
Other Equity Instruments		
Including: Preferred shares		
Perpetual Debt		
Capital Reserves	2,122,716,277.43	2,122,716,277.43
Less: Treasury Shares	199,963,593.69	199,963,593.69
Other Comprehensive Income		
Special Reserves		
Surplus Public Reserves	176,059,400.15	176,059,400.15
Undistributed Profits	1,325,683,321.97	1,262,193,422.37
Total Ownership Interest	3,857,820,268.86	3,794,330,369.26

Total indebtedness and ownership interest	4,961,757,901.50	4,855,116,848.80
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### 3. Consolidated Income Statement

Unit: Chinese yuan

Item	2020 Semi-annual	2019 Semi-annual
I. Gross operating revenue	1,327,906,812.03	1,375,693,619.65
Including: operating revenue	1,327,906,812.03	1,375,693,619.65
Interest income		
Premiums Earned		
Handling fees and commission income		
II. Total operating cost	1,134,836,993.40	1,111,401,040.86
Including: operating cost	617,934,953.74	536,303,371.43
Interest Expense		
Handling fees and commission expenses		
Surrender value		
Net loss expenses		
Net Reserve for Insurance Liabilities		
Expense for policy dividends		
Reinsurance expenses		
Taxes and Charges	8,934,403.03	9,857,327.51
Sales expenses	386,607,624.55	451,026,632.52
Management expenses	74,147,977.83	78,373,582.03
Research and development expenses	36,027,961.41	29,713,825.78
Finance expenses	11,184,072.84	6,126,301.59
Including: interest expense	16,307,843.53	14,527,964.75
Interest income	5,369,517.40	8,660,516.97
Plus: Other income	4,959,361.70	3,746,133.46
Investment income (loss to be marked with "-")	-1,692,178.37	-2,127,461.39
Including: income on investments in associates and joint ventures	-1,762,674.82	-2,159,897.40
Termination Recognition Gain on Financial Assets Measured at Amortized Cost		
Exchange income (loss to be marked with sign "-")		
Net Exposure Hedging Gain (loss to be marked with sign "-")		
Income from changes in fair value (loss to be marked with sign "-")		
Credit Impairment Loss (loss to be marked with sign "-")	6,204,090.05	-14,262,594.39

Asset Impairment Loss (loss to be marked with sign "-")	-1,020,091.82	
Proceeds on disposal of assets (loss to be marked with sign "-")	-1,511,083.70	-28,417.03
III. Operating profit loss to be marked with sign "-")	200,009,916.49	251,620,239.44
Plus: Non-operating income	14,330,828.57	12,818,714.42
Less: Non-operating expenses	8,886,578.97	1,106,410.79
IV. Total profits (total losses to be marked with sign "-")	205,454,166.09	263,332,543.07
Less: income tax expense	37,033,219.42	42,336,362.34
V. Net income (net loss to be marked with sign "-")	168,420,946.67	220,996,180.73
(1) Classification by continuity of operation		
1. Net profit from continuing operations (net loss to be marked with sign "-")		
2. Net profit from discontinued operations (Net loss to be marked with sign "-")		
(II) Classification by ownership		
1. Net profit attributable to owners of the parent company	161,112,708.06	213,163,378.40
2. Minority Shareholders' Gains or Losses	7,308,238.61	7,832,802.33
VI. Net after-tax amount of other comprehensive income		
Net after-tax amount of other comprehensive income attributable to owners of the parent company		
(I) Other comprehensive income that cannot be reclassified as profit or loss		
1. Re-measurement of changes in defined benefit plan		
2. Other comprehensive income that cannot be realized under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of the enterprise's own credit risk		
5. Miscellaneous		
(II) Other comprehensive income to be reclassified as profit or loss		
1. Other comprehensive income available for gains or losses under the equity method		
2. Changes in fair value of other debt investments		
3. Amount included in other comprehensive income after reclassification of financial assets		
4. Provision for other debt investments credit impairment		
5. Cash flow hedging reserve		
6. Translation differences of foreign currency financial statements		
7. Miscellaneous		
Net after-tax amount of other comprehensive income attributable to minority shareholders		
VII. Total Comprehensive Income	168,420,946.67	220,996,180.73
Total comprehensive income attributable to owners of the parent company	161,112,708.06	213,163,378.40
Total comprehensive income attributable to minority shareholders	7,308,238.61	7,832,802.33

VIII. Earnings per share:		
(I) Basic earnings per share	0.38	0.50
(II) Diluted earnings per share	0.38	0.50

In the case of a merger of enterprises under common control during the period, the net profit of the merged party before the merger is RMB 0.00 and that of the merged party for the prior period is RMB 0.00.

Legal Representative: Liao Xixi, Person in charge of accounting: Tu Yanshi, Head of Accounting: Wei Yuanxin

**4. Income Statement of the Parent Company**

Unit: Chinese yuan

Item	2020 Semi-annual	2019 Semi-annual
I. Operating revenue	468,513,779.34	472,329,274.71
Less: operating costs	208,788,945.40	154,848,450.98
Taxes and Charges	2,145,495.24	2,185,041.60
Sales expenses	91,737,741.49	86,115,889.53
Management expenses	30,555,006.22	29,828,005.02
Research and development expenses	19,314,255.76	18,692,817.96
Finance expenses	7,403,599.63	3,002,637.98
Including: Interest expense	11,695,087.27	10,817,150.20
Interest income	4,416,553.59	7,873,882.35
Plus: Other income	3,164,306.79	3,016,000.00
Investment income (loss to be marked with sign "-")	20,737,325.18	57,839,502.60
Including: income of investments on associates and joint ventures	-1,762,674.82	-2,159,897.40
Termination recognition gain on financial assets measured at amortized cost		
Net exposure hedging gain (loss to be marked with sign "-")		
Income from changes in fair value (loss to be marked with sign "-")		
Credit impairment loss (loss to be marked with sign "-")	8,944,722.52	-10,689,544.57
Asset impairment loss (loss to be marked with sign "-")		
Proceeds on disposal of assets (loss to be marked with sign "-")	-1,506,004.26	
II. Operating profit (loss to be marked with sign "-")	139,909,085.83	227,822,389.67
Plus: Non-operating income	12,986,083.86	9,303,000.01
Less: Non-operating expenses	6,694,787.01	1,000,001.70
III. Total profits (total losses to be marked with sign "-")	146,200,382.68	236,125,387.98
Less: Income tax expense	18,819,458.63	26,742,882.80
IV. Net profit (net loss to be marked with sign "-")	127,380,924.05	209,382,505.18
(1) Net profit from continuing operations (net loss to be marked with sign "-")	127,380,924.05	209,382,505.18

(II) Net profit from discontinued operations (net loss to be marked with sign "-")		
V. Net after-tax amount of other comprehensive income		
(I) Other comprehensive income that cannot be reclassified as profit or loss		
1. Re-measurement of changes in defined benefit plan		
2. Other comprehensive income that cannot be realized under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of enterprise's own credit risk		
5. Miscellaneous		
(II) Other comprehensive income to be reclassified as profit or loss		
1. Other comprehensive income available for gains or losses under the equity method		
2. Changes in fair value of other debt investments		
3. Amount included in other comprehensive income in the reclassification of financial assets		
4. Provision for other debt investment credit impairment		
5. Cash flow hedging reserve		
6. Translation of foreign currency financial statements		
7. Miscellaneous		
VI. Total comprehensive income	127,380,924.05	209,382,505.18
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

## 5. Consolidated Cash Flow Statement

Unit: Chinese yuan

Item	2020 Semi-annual	2019 Semi-annual
I. Cash Flow generated from Operating Activities:		
Cash Received from Goods Sold and Services Rendered	1,301,941,864.68	1,239,896,313.72
Net increase in customer deposits and interbank deposits		
Net increase in borrowing from Central Bank		
Net Increase of Borrowed Funds from Other Financial Institutions		
Cash received from premium received on original insurance contracts		
Net cash received in reinsurance business		
Net Increase of Policyholder Deposits and Investment Amounts		
Cash to collect interests, charges and commissions		
Net increase in funds borrowed		

Net increase in funds of repurchase		
Net cash received from securities traded through agency		
Refunds of Taxes and Fees Received		
Other cash receipts in relation to Operating Activities	79,850,381.31	58,036,809.05
Sub-Total Cash Inflows from Operating Activities	1,381,792,245.99	1,297,933,122.77
Cash for Goods Purchased or Services Received	377,279,815.42	576,895,713.78
Net increase in customer's loans and advances		
Net increase in deposits with central bank and interbank deposits		
Cash to pay indemnities under original insurance contracts		
Net increase in funds lent		
Cash for payments of interests, charges and commissions		
Cash to pay policy dividends		
Cash Payments to and for Employees	142,966,727.64	136,461,019.31
Taxes and Fees paid	100,947,306.40	147,469,250.39
Other Cash Payments in Relation to Operating Activities	519,311,310.80	537,963,490.18
Sub-Total of Cash Outflows from Operating Activities	1,140,505,160.26	1,398,789,473.66
Net cash flow from operating activities	241,287,085.73	-100,856,350.89
II. Cash Flow Activities:		
Cash Received from Cash Return of Investments		
Cash Received from Proceeds of Investments		
Net Cash Received on Disposal of Fixed Assets, Intangible Assets and Other Long Term Assets	529,980.00	181,423.93
Net Cash Received on Disposition of Subsidiaries and Other Business Units		
Other Cash Received in Relation to Investing Activities	231,850,000.00	123,282,436.01
Sub-Total of Cash Inflows from Activities	232,379,980.00	123,463,859.94
Cash Payments for Construction of Fixed Assets, Intangible Assets and Other Long Term Assets	41,959,685.05	37,375,686.39
Cash Payments for Investments	118,340,000.00	18,512,737.22
Net Pledge Loan Increase		
Net Cash Payments for Acquisition of Subsidiaries and Other Business Units		
Other Cash Payments in relation to Investment Activities	342,850,000.00	324,250,000.00
Sub-Total of Cash Outflows from Investing Activities	503,149,685.05	380,138,423.61
Net Cash Flow from Investing Activities	-270,769,705.05	-256,674,563.67
III. Cash Flow arising from Financing Activities:		
Cash Received from Absorbing Investments		
Including: Cash received by subsidiaries from minority investments		



Cash Receipts from Borrowings	210,000,000.00	102,000,000.00
Cash Receipts in Relation to Other Financing Activities	100,000,000.00	190,225,667.71
Sub-Total of Cash Inflow from Financing Activities	310,000,000.00	292,225,667.71
Cash Payments for Repayment of Indebtedness	221,000,000.00	214,000,000.00
Cash Payments for Distribution of Dividends, Profits or Interest Payments	78,997,189.77	77,413,191.23
Including: dividends and profits paid to minority shareholders by subsidiaries		
Cash Payments in Relation to Financing Activities	0.00	154,067,468.20
Sub-Total of Cash Outflow from Financing Activities	299,997,189.77	445,480,659.43
Net Cash Flow from Financing Activities	10,002,810.23	-153,254,991.72
IV. Effect of Change in Exchange Rate on Cash and Cash Equivalents		
V. Net Increase in Cash and Cash Equivalents	-19,479,809.09	-510,785,906.28
Plus: Opening Cash and Cash Equivalents Balance	538,089,460.11	1,163,298,260.33
VI. Ending Balance of Cash and Cash Equivalents	518,609,651.02	652,512,354.05

## 6. Cash Flow Statement of Parent Company

Unit: Chinese yuan

Item	Semi-annual 2020	2019 Semi-annual
I. Cash Flow generated from Operating Activities:		
Cash Received from Goods Sold and Services Rendered	591,716,067.66	430,123,541.31
Refunds of Taxes and Fees Received		
Other cash receipts in relation to Operating Activities	189,192,697.71	319,752,488.88
Sub-Total Cash Inflows from Operating Activities	780,908,765.37	749,876,030.19
Cash for Goods Purchased or Services Received	253,523,744.47	350,547,214.28
Cash Payments to and for Employees	53,410,729.19	52,267,143.11
Taxes and Fees paid	34,634,212.11	70,799,356.15
Other Cash Payments in Relation to Operating Activities	215,712,775.41	324,704,126.30
Sub-Total of Cash Outflows from Operating Activities	557,281,461.18	798,317,839.84
Net cash flow from operating activities	223,627,304.19	-48,441,809.65
II. Cash Flow Activities:		
Cash Received from Cash Return of Investments		
Cash Received from Proceeds of Investments		59,999,400.00
Net Cash Received on Disposal of Fixed Assets, Intangible Assets and Other Long Term Assets	409,395.00	
Net Cash Received on Disposition of Subsidiaries and Other Business Units		
Other Cash Received in Relation to Investing Activities		

Sub-Total of Cash Inflows from Activities	409,395.00	59,999,400.00
Cash Payments for Construction of Fixed Assets, Intangible Assets and Other Long Term Assets	11,701,466.91	7,762,940.10
Cash Payments for Investments	118,340,000.00	18,512,737.22
Net Cash Payments for Acquisition of Subsidiaries and Other Business Units		
Other Cash Payments in relation to Investment Activities	110,000,000.00	201,000,000.00
Sub-Total of Cash Outflows from Investing Activities	240,041,466.91	227,275,677.32
Net Cash Flow from Investing Activities	-239,632,071.91	-167,276,277.32
III. Cash Flow arising from Financing Activities:		
Cash Received from Absorbing Investments		
Cash Receipts from Borrowings	200,000,000.00	102,000,000.00
Cash Receipts in Relation to Other Financing Activities		
Sub-Total of Cash Inflow from Financing Activities	200,000,000.00	102,000,000.00
Cash Payments for Repayment of Indebtedness	181,000,000.00	189,000,000.00
Cash Payments for Distribution of Dividends, Profits or Interest Payments	74,130,560.56	70,824,935.68
Cash Payments in Relation to Financing Activities		154,067,468.20
Sub-Total of Cash Outflow from Financing Activities	255,130,560.56	413,892,403.88
Net Cash Flow from Financing Activities	-55,130,560.56	-311,892,403.88
IV. Effect of Change in Exchange Rate on Cash and Cash Equivalents		
V. Net Increase in Cash and Cash Equivalents	-71,135,328.28	-527,610,490.85
Plus: Opening Cash and Cash Equivalents Balance	507,041,124.57	1,128,406,586.19
VI. Ending Balance of Cash and Cash Equivalents	435,905,796.29	600,796,095.34

## 7. Consolidated Statement of Changes in Ownership Equity

Unit: Chinese yuan

Item	Semi-annual											Total Ownership Interest		
	Ownership Interest vested in Parent Company													
	Share capital	Other Equity Instruments		Capital Reserves	Less: Treasury Shares	Miscellaneous Composite Combined Proceeds	Exclusive Item Reserves	Surplus Reserves	General Wind Insurance Prepare	Undistributed Profits	Miscellaneous		Subtotal	Minority Rights Benefits
Preferred Shares		Miscellaneous												
I. Balance at the end of Previous Year	433,324,863.00			1,946,866.63	199,963.59			176,059.40		1,555,447,227.36		3,911,734,528.48	76,852,189.05	3,988,586,717.53
Plus: Changes in Accounting Policy				1.66	3.69			0.15						
Prior-Period Error Correction														
Merger of Enterprises under Common Control														
Miscellaneous														
II. Balance at Beginning of Year	433,324,863.00			1,946,866.63	199,963.59			176,059.40		1,555,447,227.36		3,911,734,528.48	76,852,189.05	3,988,586,717.53
III. Amount of Change/Increase/Decrease in Current Period (decrease by "-")				1.66	3.69			0.15		97,221,683.61		97,221,683.61	-191,761.39	97,029,922.22
Insert in the column)														
(I) Total comprehensive income														168,420,946.67
(II) Input and Reduction of Capital by Owner														









## 8. Statement of Changes in Ownership Equity of Parent Company

Unit: Chinese yuan

Item	2020 Semi-annual											
	Share capital	Other Equity Instruments			Capital Reserves	Less: Treasury Shares	Contracts of Income	Special Reserves	Surplus Reserves	Undistributed Profits	Miscellaneous	Total Ownership Interest
		Preferr ed Shares	Perpetu al Debt	Miscellane ous								
I. Balance at the End of Previous Year	433,324,863.00				2,122,716,277.43	199,963,593.69			176,059,400.15	1,262,193,422.37		3,794,330,369.26
Plus: Change in Accounting Policy												
Prior-Period Error Correction												
Miscellaneous												
II. Balance at Beginning of Year	433,324,863.00				2,122,716,277.43	199,963,593.69			176,059,400.15	1,262,193,422.37		3,794,330,369.26
III. Current Change Price (decrease to be marked with sign “-” )										63,489,899.60		63,489,899.60
(I) Total comprehensive income										127,380,924.05		127,380,924.05
(II) Input and Reduction of Capital by Owner												
1. Common Shares Input by Owner												
2. Capital Contributed by Other Equity Instrument Holder												
3. Amount Included in Ownership Interest in Share Payment												





2019 Semi-annual

Item	Share capital	Other Equity Instruments			Capital Reserves	Less: Treasury Shares	Contracts of Income	Special Reserves	Surplus Reserves	Undistributed Profits	Miscellaneous	Total Ownership Interest
		Preferred Shares	Perpetual Debt	Miscellaneous								
I. Balance at the End of Previous Year	433,324,863.00				2,122,716,277.43	45,890,427.23			140,444,254.54	1,006,655,809.27		3,657,250,777.01
Plus: Changes in Accounting Policies												
Prior-Period Error Correction												
Miscellaneous												
II. Balance at Beginning of Year	433,324,863.00				2,122,716,277.43	45,890,427.23			140,444,254.54	1,006,655,809.27		3,657,250,777.01
III. Changes in Current Period Increase or Decrease Amount (decrease to be marked with sign "-")						154,073,166.46				144,383,807.84		-9,689,358.62
(I) Total comprehensive income										209,382,505.18		209,382,505.18
(II) Input and Reduction of Capital by Owner						154,073,166.46						-154,073,166.46
1. Common Shares Input by Owner												
2. Capital Contributed by Other Equity Instrument Holder												
3. Amount Included in Ownership Interest in Share Payment												



### III. Basic Information of the Company

#### 1. History

Boya Bio-Pharmaceutical Group Co., Ltd., which was renamed from Jiangxi Boya Biopharmaceutical Co., Ltd., Jiangxi Boya Biopharmaceutical Co., Ltd., which was wholly restructured from Jiangxi Boya Biopharmaceutical Co., Ltd. (hereinafter referred to as the "Company" or the "Company"), was founded on November 6, 1993 and was jointly invested in and established by the Department of Health of Jiangxi Province, the Bureau of Health of Fuzhou Prefecture, and the Bureau of Health of Fuzhou (now Linchuan District) with a registered capital of RMB 10 million, among which the Department of Health of Jiangxi Province shall contribute RMB 1 million, accounting for 10.00% of the registered capital; Fuzhou Local Bureau of Health shall contribute RMB 2 million, accounting for 20.00% of the registered capital, and the Bureau of Health of Fuzhou City shall contribute 7 million, accounting for 70.00% of the registered capital.

In accordance with the Notice on Transferring the Shares of Boya Company Held by the Former Fuzhou Municipal Health Bureau to the Administration of the State-owned Assets Supervision and Administration Bureau of Nanchang City (Linfu Zi) promulgated by the People's Government of Linchuan City on January 19, 2000 [2000] No. 12), all of the 70.00% of the shares of Fuzhou City held by Fuzhou Municipal Health Bureau were transferred to Linchuan State-owned Assets Supervision and Administration Bureau.

On April 2, 2000, the shareholders' meeting of the company deliberated and approved that the Department of Health of Jiangxi Province and the Fuzhou Prefectural Health Bureau transferred all of their shares in the company. The Department of Health of Jiangxi Province transferred 6.65%, 1.35% and 2.00% of the registered capital respectively to Jiangxi Industrial Investment Company, Linchuan State-owned Assets Supervision and Administration Bureau, and Linchuan Chuangxin Technology Development Co., Ltd., while the Fuzhou Prefectural Health Bureau transferred all of the 20.00% of the registered capital held by it to Linchuan Chuangxin Technology Development Co., Ltd.

On April 26, 2000, the shareholders' meeting of the company deliberated and approved that the Linchuan State-owned Assets Supervision and Administration Bureau transferred part of its shares, including: a 7.98% of the registered capital was transferred to Jiangxi Linchuan Liquor Co., Ltd., a 6.65% of the registered capital was transferred to Linchuan Xingxin Medical Instrument Co., Ltd., and a 2.66% of the registered capital was transferred to the Institute of Biophysics of the CAS.

On September 18, 2000, the shareholders' meeting of the company deliberated and approved that the Linchuan State-owned Assets Supervision and Administration Bureau, Linchuan Chuangxin Technology Development Co., Ltd., Jiangxi Linchuan Liquor Co., Ltd., Jiangxi Industrial Investment Co., Ltd. and Linchuan Xingxin Medical Instrument Co., Ltd. transferred all of their shares respectively. Specifically, the Linchuan State-owned Assets Supervision and Administration Bureau transferred 50.01% of the registered capital to Beijing Ruize Network Sales Co., Ltd., and a 4.05% of the registered capital to CITIC Hainan Pharmaceutical Industry Co., Ltd., which transferred 20.00% of the registered capital to Beijing Yatai Technology Development Co., Ltd. and a 4.05% of the registered capital. 2.00% of the shares were transferred to Shenzhen Tsinghua Technology Development Co., Ltd., and Jiangxi Linchuan Liquor Co., Ltd. transferred its 7.98% of the registered capital to Shenzhen Tsinghua Technology Development Co., Ltd., and Jiangxi Industrial Investment Co., Ltd. transferred its 6.65% of the registered capital to Shanghai Focus Enterprise Development Co., Ltd., and Linchuan Xingxin Medical Instrument Co., Ltd. transferred its 6.65% of the registered capital to Shanghai Focus Enterprise Development Co., Ltd.

In accordance with the Official Reply on Approving the Change of Jiangxi Boya Biopharmaceutical Co., Ltd. to Jiangxi Boya Biopharmaceutical Co., Ltd. (Gan Gu [2001] No.5) issued by the Jiangxi Joint Stock Reform and Stock Issuance Joint Examination Team on January 19, 2001, Jiangxi Company changed its audited net assets on November 30, 2000 to 44.3591 million shares, with a par value of RMB 1 per share, into a company limited by shares with a registered capital of RMB 44.3591 million. On February 15, 2001, it obtained the business license for a company limited by shares from Jiangxi Provincial Administration for Industry and Commerce.

On March 31, 2004, Beijing Ruize Network Sales Co., Ltd. and Beijing Yatai Shiji Technology Development Co., Ltd. transferred their entire shares respectively.(22,183,997 shares, accounting for 50.01% of the total share capital, 8,871,824 shares, accounting for 20.00% of the total share capital) Transferred to Kerui Tiancheng Investment Holding Limited. On April 10, 2004, Shanghai Focus Enterprise Development Co., Ltd. transferred all of its shares (5,899,763 shares, accounting for 13.30% of the total share capital) to Qingdao Jiantie Bio-Investment Limited.

On December 27, 2006, Qingdao Jiantie Bio-Investment Limited transferred all of its shares (5,899,763 shares, accounting for 13.30% of the total share capital) to Beijing Keruicheng Mining Investment Co., Ltd.

On May 21, 2007, Kerui Tiancheng Investment Holding Limited transferred all of its shares of the Company (31,055,821 shares, accounting for 70.01% of the total share capital) to Nanchang Herui Industry Co., Ltd.

On June 15, 2007, July 8, August 26 and September 17, 2007, Beijing Keruicheng Mining Investment Co., Ltd., CITIC Pharmaceutical Industry Co., Ltd., Institute of Biophysics of China Academy of Sciences and Shenzhen Tsinghua Lihe Venture Capital Co., Ltd. respectively transferred 5,899,763 shares, 1,796,544 and 1,179,953 shares. 4,427,041 shares (accounting for 13.30%, 4.05%, 2.66% and 9.98% of the total share capital respectively) were transferred to Jiangxi HRI Co., Ltd.

On December 9, 2007, Nanchang Herui Industry Co., Ltd. transferred all of the shares it held (31,055,821 shares, accounting for 70.01% of the total share capital) to Shenzhen GTJA Investment Group Co., Ltd., and Jiangxi Xinxing Biotechnology Development Co., Ltd. transferred part of the shares it held (6,649,432 shares, accounting for 14.99% of the total share capital) to Shenzhen GTJA Investment Group Co., Ltd.

On May 12, 2008, Shenzhen GTJA Investment Group Co., Ltd. transferred part of its shares to Xu Jianxin, Zhang Xiang and Zhang Jianhui respectively, among which: 4,435,912 shares (accounting for 10.00% of the total share capital) were transferred to Xu Jianxin, 4,435,912 shares (accounting for 10.00% of the total share capital) were transferred to Zhang Xiang, and 2,217,956 shares (accounting for 5.00% of the total share capital) were transferred to Zhang Jianhui.

On July 11, 2009, the shareholders' meeting of the Company considered and approved the capital and share increase plan, pursuant to which the share capital of the Company was increased to 56,779,689 shares by 12,420,567 shares, par value RMB1 per share at a per share issuance price of RMB 5.6358 per share, and Xiamen Haixia Venture Capital Co., Ltd., Nanchang Dazheng Chuyuan Investment Co., Ltd. and Shenzhen GTJA Huifu Investment Partnership (Limited Partnership) contributed RMB 50 million to subscribe for 8,871,834 shares, RMB 10 million to 1,774,366 shares and RMB 10 million to 1,774,367 shares, respectively. After completion of the issuance, the registered capital of the Company shall be increased to RMB 56,779,689. On August 13, 2009, the Company completed registration of amendment with the administrative authority for industry and commerce and obtained a new business license.

On September 1, 2010, Zhang Xiang signed an equity transfer agreement with Shenzhen Ronghua Investment Co., Ltd., under which Zhang Xiang transferred all 4,435,912 shares of its equity to Shenzhen Ronghua Investment Co., Ltd. at a transfer price of RMB25.55 million; on September 2, 2010, Xu Jianxin signed an equity transfer agreement with Shenzhen Ronghua Investment Co., Ltd., under which Xu Jianxin transferred 2,210,000 shares to Shenzhen Ronghua Investment Co., Ltd. at a transfer price of RMB12.73 million; Xiamen Haixia Venture Capital Co., Ltd. transferred all 8,871,834 shares it held to Xiamen Shunjia Investment Partnership (L.P.) and 5,323,100 shares of Xiamen Shengyang Investment Partnership (Limited Partnership) at a transfer price of RMB20 million and RMB30 million respectively.

On February 29, 2012, upon approval by the China Securities Regulatory Commission (CSRC) through the "Document Zheng Jian Xu Ke [2012] No.178", the Company issued 19,020,211 ordinary shares (A-shares) to the public at a price of CNY25.00 per share. On March 5, 2012, the net amount of funds raised by the company after deducting the issuance cost is RMB 432,736,273.00, of which RMB 19,020,311.00 will be included in the registered capital, and the premium of RMB 413,715,962.00 will be included in the capital reserves. The above funds raised were verified by Jiangsu Gongzheng Tianye Certified Public Accountants and the Capital Verification Report (Su Gong W [2012] No. B013) was issued on March 5, 2012. After the IPO, the registered capital of the Company was increased to RMB75.8 million with a total of 75.8 million shares (with a par value of RMB1 per share), and the Company was listed on ChiNext of Shenzhen Stock Exchange on March 8, 2012. On April 6, 2012, amendment registration procedures with the administration for industry and commerce were completed and the Business License for Enterprise Legal Person reissued by the Fuzhou Municipal Administration for Industry and Commerce was obtained.

The profit distribution plan for 2014 was examined and approved at the 2014 annual Shareholders' Meeting held on March 3, 2015: on the basis of 75,800,000 total share capital at the end of 2014, the Company will distribute cash dividends in the total amount of RMB 45,480,000.00 for every 10 shares (tax-inclusive). On the basis of 75,800,000 total share capital at the end of 2014, the Company will be converted into 5 shares for every 10 shares in the capital reserve fund to be converted into 37,900,000 shares in the total amount of cash dividends and, after such increase, the total share capital of the Company will be changed into 113,700,000 shares.

The plan for distribution of interests considered and approved at the third extraordinary Shareholders' Meeting of 2015 held on September 8, 2015 is as follows: using the current total share capital of the Company. On the basis of 113,700,000 shares, the capital reserve fund will be converted into 10 shares of all the shareholders. The total share capital of the Company before such increase will be 113,700,000 shares and the total share capital of the Company after such increase will be 227,400,000 shares.

According to the resolutions of the third interim shareholders' meeting of the Company in 2015 and the Approval Reply regarding the Issuance of Shares by Jiangxi Boya Biopharmaceutical Co., Ltd. to Shanghai GTJA Yikang Investment Partnership (L.P.) for the Purchase of Assets and Raising of Supporting Funds issued by China Securities Regulatory Commission (Zheng Jian Xu Ke [2015] No. 2634), the Company issued a request for issuance of Shares by Jiangxi Boya Biopharmaceutical Co., Ltd. to Shanghai GTJA Yikang Investment Partnership (L.P.) has issued 22,127,659 shares to purchase 83.87% of the equity interest in Nanjing Xinbai Pharmaceutical Co., Ltd. In the meantime, the Company conducts a private placement of 17,857,142 shares to purchase assets and raised funds to support the issuance. After the issuance, the Company has issued 267,384,801 shares.

The 2016 annual Shareholders' Meeting held on April 14, 2017 has examined and approved the profit distribution plan for 2016: based on the total share capital of 267,384,801 shares at the end of 2016, the Company shall be converted into 5 shares for every 10 shares to be converted into 133,692,400 shares in the aggregate and the total shares of the Company shall be changed into 401,077,201 shares after such conversion.

According to the resolutions of the second interim shareholders' meeting of the Company in 2017 and the Approval Reply regarding the Private Placement of Shares by Boya Bio-Pharmaceutical Group Co., Ltd. (Zheng Jian Xu Ke [2018] No. 117) issued by China Securities Regulatory Commission, the Company will make a private placement of 32,247,662 ordinary shares of RMB 31.01. The share capital of the Company after issuance will be 433,324,863 shares. The new shares were listed on April 20, 2018. 32,247,662 shares were listed on April 20, 2018.

## 2. Information on Registration of Enterprise Legal Person with the Administration for Industry and Commerce

Unified social credit code for enterprise as a legal person: 913610007277556904 Domicile: No. 333 Huiquan Road, Fuzhou Hi-tech Industrial Development Zone, Fuzhou City, Jiangxi Province; Legal representative: Liao Xinji; registered capital: 433,324,863 yuan; type of company: other joint stock limited company (listed).

Business scope: production of blood products (Valid term of the Permit will expire on December 31, 2020); export of self-produced products and relevant technologies by the Company and its member enterprises (except for products whose operation is restricted to companies or whose export is prohibited); import of raw and auxiliary materials, machinery and devices, instruments and meters, spare parts and relevant technologies needed for production and scientific research by the Company and its member enterprises (except for products whose operation is restricted to companies or whose import is prohibited by the State); processing with imported materials and businesses of "processing with supplied materials and parts and compensation trade", as well as technology development, technology consultation, technology transfer and technical services (except for those specifically provided for in State laws and regulations).

## 3. Organizational Structure of the Company

Under the Company, there are: Audit and Law Department, Administration Department, Quality Management Department, Production and Engineering Department, Procurement and Supply Department, Storage and Transportation Department, Research and Development Department, Plasma Management Center, Engineering Management Department, Marketing Management Center, Human Resources Department, Securities Investment Department, Planning and Finance Department and other functional departments, as well as Nancheng Jinshan Apheresis Plasma Co., Ltd., Chongren Boya Apheresis Plasma Co., Ltd., Jinxi Boya Apheresis Plasma Co., Ltd., Ganzhou Nankang Boya Apheresis Plasma Co., Ltd., Yuechi Boya Apheresis Plasma Co., Ltd., Linshui Boya Apheresis Plasma Co., Ltd., Beijing Boya Xinnuo Biotechnology Co., Ltd., Jiangxi Boya Pharmaceutical Investment Co., Ltd., Xinfeng Boya Apheresis Plasma Co., Ltd., Fengcheng Boya Apheresis Plasma Co., Ltd., Nanjing Xinbai Pharmaceutical Co., Ltd., Yu Du Boya Apheresis Plasma Co., Ltd., Duchang Boya Apheresis Plasma Co., Ltd., Guangdong Fuda Pharmaceutical Co., Ltd., Nanjing Boya Bio-pharmaceutical Development Co., Ltd., Fuzhou Boxin Medical Technology Development Co., Ltd., Tunchang Boya Apheresis Plasma Co., Ltd., 17 subsidiaries of Jiangxi Boyin Seaxe-Pharmaceutical Co., Ltd., and Guizhou Tianan Co., Ltd.



## 4. Authorizer and Date of Submission of Financial Reports

The financial reports of the Company will be issued on August 27, 2020 subject to approval by the board of directors of the Company.

## Scope of Consolidated Financial Statements and Changes Thereto

Beijing Boya Xinnuo Biotechnology Co., Ltd.	RMB 10 million	100%	Yes	Yes	
Guizhou Tianan Pharmaceutical Co., Ltd.	RMB 36.7 million	89.681%	Yes	Yes	
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	RMB 50 million	100%	Yes	Yes	
Xinfeng Boya Apheresis Plasma Co., Ltd.	RMB 10 million	100%	Yes	Yes	
Fengcheng Boya Apheresis Plasma Co., Ltd.	RMB 10 million	100%	Yes	Yes	
Yudu Boya Apheresis Plasma Co., Ltd.	RMB 10 million	100%	Yes	Yes	
Duchang Boya Apheresis Plasma Co., Ltd.	RMB 10 million	100%	Yes	Yes	
Nanjing Xinbai Pharmaceutical Co., Ltd.	RMB 147.85 million	100%	Yes	Yes	
Nanjing Boya Bio-pharmaceutical Co., Ltd.	RMB 5 million	100%	Yes	Yes	
Guangdong Fuda Pharmaceutical Co., Ltd.	RMB 80 million	75%	Yes	Yes	
Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd.	RMB 5 million	100%	Yes	Yes	
Tunchang Boya Apheresis Plasma Co., Ltd.	RMB 10 million	80%	Yes	No	Incorporated on April 17, 2020

## **IV. Basis for Preparing the Financial Statements**

### **1. Basis for Preparation**

The financial statements of the Company are prepared on the basis of going concern assumptions for transactions and events actually taken place, in accordance with the Accounting Standard for Business Enterprises – Basic Standard, 42 specific accounting standards issued and amended on February 15, 2006 and thereafter, application guidelines for accounting standards for business enterprises, interpretations and other relevant regulations of accounting standards for business enterprises (collectively, the "Accounting Standards for Business Enterprises"), as well as the disclosure requirements set forth in the Rules for the Preparation and Reporting of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting issued by CSRC.

In accordance with the relevant provisions of the Accounting Standards for Business Enterprises, the Company's accounting shall be based on the accrual basis. Except for some financial instruments, the measurement in this financial statement shall be based on the historical cost. Where an asset is impaired, the corresponding impairment provision shall be made in accordance with the relevant provisions.

### **2. Going concern**

Within 12 months from the end of the reporting period, there shall be no factor that obviously affects the sustainable operation ability of the company available through comprehensive assessment.

## **V. Important accounting policies and accounting estimates**

Prompts for specific accounting policies and accounting estimates:

The Company has formulated several specific accounting policies and accounting estimates on transactions and events such as revenue recognition in accordance with the actual characteristics of production and operation and in accordance with related accounting standards for business enterprises. Please refer to the descriptions in Article 5 and Article 39 "Revenue" in these notes. For the explanation on the significant accounting judgments and estimates made by the management, please refer to the notes "V. 44 Changes in Important Accounting Policies and Accounting Estimates".

### **1. Declaration on compliance with the Accounting Standards for Business Enterprises**

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises and truthfully and completely reflect the financial status of the Company on 30 June 2020, its operating results and cash flow in 2020 and other related information.

### **2. Accounting period**

The accounting period of the Company is divided into a full accounting year and an interim period. An interim accounting period refers to a reporting period shorter than a full accounting year. This Company shall adopt the Gregorian calendar year as its fiscal year, commencing on January 1 and ending on December 31 of the Gregorian calendar.

### **3. Business cycle**

The normal operating cycle is the period during which the Company commences from the purchase of the assets for processing to the realization of cash or cash equivalents. This Company takes 12 months as an operating period, which shall be taken as the standard for classification of liquidity of assets and liabilities.

### **4. Functional currency**

The Company shall adopt RMB as its bookkeeping currency.

### **5. Accounting Methods for Merger of Enterprises under Same Control and Enterprises Not under Common Control**

The term "business combination" means the transaction or event that consolidates two or more separate enterprises into one reporting entity. Business combinations are divided into the business combination under common control and business combination not under common control.

#### **(1) Business Merger under Common Control**

A business combination under common control means that the undertakings to the merger are ultimately controlled by the same party or parties before and after the business combination and such control is not transitory. All assets and liabilities acquired by the merging party in a business combination shall be measured at their carrying amounts in the merged party (parties) on the date of merger. The difference between the carrying amount of the net assets acquired by the merging party and the carrying amount of the merger consideration paid by the merging party (or the total face value of the shares issued) shall be adjusted to adjust the capital reserves (share premium). If the capital reserves (share premium) are insufficient for such reductions, the retained earnings shall be adjusted. All direct expenses incurred by the merging party for the business combination shall be recorded in the profit and loss account for the current period when they are incurred. The merger date shall be the date on which the merging party acquires actual control of the merged party (s).

#### **(2) Business Combination Not under Common Control**

A business combination not under common control occurs when the undertakings to the merger are not ultimately controlled by the same party or parties before and after the business combination. If this Company, as the acquirer, is the sum of the fair value on the acquisition date of the assets acquired from the acquiree (including the acquiree's equity held by it before the acquisition date) and the liabilities incurred or assumed by it in order to obtain the control of the acquiree (s) minus the fair value of the identifiable net assets acquired from the acquiree (s). If the sum is negative, this Company shall first review the fair value of all the assets, liabilities and contingent liabilities it acquires from the acquiree (s) as well as the measurement of the combination costs. If the combined costs are still less than the fair value of the identifiable net assets it acquires from the acquiree (s), it shall be recorded in the profit and loss account for the current period. All other direct expenses incurred for the business combination shall be recorded in the profit and loss account for the current period. The difference between the fair value of the assets acquired and their carrying amount shall be recorded in the profit and loss account for the current period. This Company shall, on the acquisition date, recognize at fair value all the identifiable assets, liabilities and contingent liabilities that are acquired from the acquiree (s) and meet the conditions for recognition. "Purchase Date" refers to the date that the acquirer acquires actual control of the Acquiree.

## 6. Methodology of Preparing Consolidated Financial Statements

### (1) Determination of Scope of Merger

The parent company shall prepare consolidated financial statements on the basis of the financial statements of itself and its subsidiaries and in light of other relevant materials. Consolidation Scope of Consolidated Financial Statements Determined on the basis of. This Company will subject to reassessment once any change in relevant facts and circumstances have led to the change of relevant elements relevant to the above definitions of control.

### (2) Basis of Control

If the Investor has power to the Investee, enjoys variable returns by participating in relevant activities of the Investee, and has the ability to exercise its power to the Investee to affect the amount of returns, it shall be deemed as controlling the Investee by the Investor. "Relevant Activities": The Relevant Activities are activities that have a material impact on the returns of the Investee.

### (3) Merger Procedure

This Company begins to merge a subsidiary from the date when it acquires actual control of such subsidiary and ceases to exist from the date when it loses actual control. All material current balances, investments, transactions and unrealized profits between the Company and its subsidiaries, and between subsidiaries will be offset in the preparation of consolidated financial statements. For disposed subsidiaries, the operating results and cash flows of such subsidiary prior to the disposal date have been appropriately included in the consolidated income statement and consolidated cash flow statement, and it does not adjust the opening balance in the consolidated balance sheet. The operating results and cash flows of subsidiaries increased by merger of undertakings which are not under common control have been properly included in the consolidated income statement and consolidated cash flow statement after the Purchase Date, and there is no adjustment to the opening balance and comparison balance in the consolidated financial statements. The operating results and cash flows of subsidiaries increased by merger of undertakings which are under common control from the beginning of the period in which such merger occurs to the merger date have been properly included in the consolidated income statement and consolidated cash flow statement, and the comparative figures of the consolidated financial statements will be adjusted simultaneously.

If a subsidiary does not adopt the accounting policies or accounting periods different from those adopted by the Company, the financial statements of the subsidiary shall be consolidated after an adjustment is made to the subsidiary according to the accounting policies or accounting periods adopted by the Company when the consolidated financial statements are prepared.

For subsidiaries acquired by merger of undertakings which are not under common control, when preparing consolidated financial statements, it will adjust their individual financial statements on the basis of the fair value of identifiable net assets on the purchase date; for subsidiaries acquired by merger of undertakings which are under common control, when preparing consolidated financial statements, the parties to the merger are deemed to have existed in the current status when the ultimate controlling party starts to control.

The "net profits attributable to the owners of the parent company" is fully offset by the unrealized insider transaction profits or losses arising from the sale of assets by the Company to a subsidiary. The unrealized internal transaction profits or losses arising from the sale of assets by a subsidiary to the Company shall be distributed and offset against the "net profits attributable to the owners of

the parent company" and "minority profits or losses" based on the distribution proportion of the Company to the subsidiary. The unrealized internal transaction profits or losses arising from the sale of assets between subsidiaries shall be distributed and offset against the "net profits attributable to the owners of the parent company" and "minority profits or losses" based on the distribution proportion of the Company to the selling subsidiary.

The share of the owner's equity of a subsidiary that does not belong to the Company shall be listed as "minority shareholders' equity" under the owner's equity in the consolidated balance sheet. The share of the current net profits or losses of the subsidiary that belongs to minority shareholders' equity shall be listed as "minority shareholders' profit or loss" under the net profit item in the consolidated income statement. The subsidiary's share of comprehensive income attributable to minority shareholders' equity in the current period shall be listed as "total comprehensive income attributable to minority shareholders" in the consolidated income statement. If there are minority shareholders, the column of "minority shareholders' equity" shall be added to the consolidated statement of changes in ownership equity to reflect changes in minority shareholders' equity. If the current losses shared by the minority shareholders of a subsidiary exceed their share in the ownership interest of the subsidiary at the beginning of the period, the balance will still be offset against minority shareholders' equity.

If control of the subsidiary is lost as a result of disposal of a portion of the equity investment or otherwise, the remaining equity interest shall be revalued at its fair value on the date of loss of control. The difference between the consideration received for the disposition of the equity interest and the fair value of the remaining equity interest and the net assets of the original subsidiary continuously calculated since the date of purchase which is entitled to such subsidiary calculated based on the original shareholding percentage shall be recorded in the investment gains of the current period in which control is lost. Other comprehensive income relating to the equity investment in the original subsidiary shall be accounted for on the same basis as the acquiree directly disposes of relevant assets or liabilities in the event of loss of control of the original subsidiary (that is, except for changes arising from the net liabilities or net assets in the defined benefit plan by the original subsidiary, the remaining income shall be converted into investment income for the current period). Thereafter, for the subsequent measurement of such remaining equity according to the Accounting Standards for Business Enterprises No. 2 — Long-term Equity Investments or the Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, please refer to this Note 5 and 22 "Long-term Equity Investments" or this Note 5 and 10 "Financial Instruments" for details.

If the Company disposes of its equity investment in its subsidiaries step by step through multiple transactions until it loses the control right, it shall distinguish the equity investment in the subsidiaries until it loses the control right.

Whether the above transaction belongs to a package transaction. If the terms, conditions and economic effects of various transactions involving the disposal of the equity investment in the subsidiary meet one or more of the following circumstances, it usually indicates that the multiple transaction events shall be accounted as a package transaction: a. These transactions are concluded simultaneously or with mutual effects taken into account; b. These transactions can only achieve a complete commercial result as a whole; d. The occurrence of one transaction depends on the occurrence of at least one other transaction; d. One transaction is uneconomical if viewed individually, but economical when considered together with other transactions. If the above transaction is not a package transaction, accounting treatment shall be made for each transaction according to the applicable principles of "partial disposal of the long-term equity investment in the subsidiary without losing the control right" (see this Note 5 and 22 (2) ④ and "loss of control right over the subsidiary originally owned by the subsidiary due to disposal of a portion of the equity investment or for other reasons" (see the preceding paragraph for details). If the various transactions of the disposal of the equity investment in the

subsidiary until the loss of the control right are package transactions, the various transactions shall be accounted as one transaction for the disposal of the subsidiary and the loss of control right; however, before the loss of control right, the balance between the proceeds from each transaction disposed of the investment and the corresponding share of the net assets of the subsidiary enjoyed by the enterprise shall be recognized as other comprehensive income in the consolidated financial statements, and shall, when the control right is lost, be transferred into the profits and losses of the current period when the control right is lost.

## **7. Classification of arrangements for cooperative operation and accounting treatment for joint operation**

The company shall classify the arrangements for cooperative operation into joint operation and joint venture in accordance with its rights and obligations in the arrangements for cooperative operation.

The company shall recognize the following Item related to its share of interests in the joint operation, and conduct accounting treatment in accordance with relevant accounting standards for business enterprises:

- (1) Recognize the assets it holds separately and jointly held based on its share;
- (2) Recognize the liabilities it bears and the liabilities it jointly bears based on its share;
- (3) Recognize the revenue generated from sale of its share of the output arising from the joint operation;
- (4) Recognize the revenue generated from the sale of output in the joint operation according to its share;
- (5) Recognize expenses incurred separately and expenses incurred in the joint operation according to its share.

## **8. Criteria for the Determination of Cash and Cash Equivalents**

Cash equivalents are investments held by an enterprise for a short term (generally, the maturity within three months from the date of purchase), highly liquid and readily convertible to known amount of cash, and which are subject to little risk of change in value.

## **9. Foreign currency transactions and foreign currency statement translation**

Transactions conducted in foreign currency shall be converted into the bookkeeping base currency at the middle rate of the market rate published by the People's Bank of China on the day of such transaction. In the case of conversion of foreign currency or transactions involving foreign currency exchange, conversion shall be made at the exchange rate actually adopted.

On the balance sheet date, the balance of the foreign currency monetary assets and liabilities account shall be converted into the reporting currency at the middle rate of the market rate published by the People's Bank of China on the balance sheet date. The differences between the amounts restated into the reporting currency at the exchange rate prevailing on the balance sheet date and the amounts stated in the reporting currency of the original book amount shall be dealt with as foreign exchange gains or losses. Foreign exchange gains or losses arising from foreign currency loans relating to the acquisition or construction of fixed assets shall be treated in accordance with the principle of capitalization of borrowing costs, and the remaining amount shall be recorded as financial expenses for the current period.

On the balance sheet date, foreign currency non-monetary Item measured at historical cost shall be converted at the middle rate of the market rate published by the People's Bank of China on the day of transaction, without changing the original reporting currency amount. Foreign currency non-monetary Item measured at fair value shall be converted at the middle rate of the market rate published by the People's Bank of China on the day of fair value determination, and the foreign exchange gains or losses arising therefrom shall be recorded in the profits and losses of the current period as foreign exchange gains or losses on changes in fair value.

With regard to an overseas operation, the company shall translate its functional currency into Renminbi in preparing financial statements: the assets and liabilities in the balance sheet shall be adopted as assets. Translation of the spot exchange rate on the balance sheet date. Shareholders' equity Item, except for those as "undistributed profits", shall be translated at the spot exchange rate at the time of occurrence; and the income and expenses in the income statement shall be translated at the average exchange rate of the current period when the transaction occurs. Any difference arising from the translation of foreign currency financial statements in accordance with the above translation shall be recognized as other comprehensive income and listed in other comprehensive income under the shareholder's equity item in the balance sheet. When disposing of an overseas business, other comprehensive income relating to the overseas business shall be transferred into the profits and losses of the current period of disposal, and in case of partial disposal, the disposal ratio shall be adopted in the calculation.

Foreign currency cash flows and cash flows of overseas subsidiaries shall be translated at the average exchange rate of the period in which the cash flows occur. The effect of exchange rate change on cash shall be separately presented in the cash flow statement as an adjustment item.

## 10. Financial instruments

A financial instrument refers to a contract under which the financial assets of one party are formed and the financial liability or right instruments of the other party are formed. When the company becomes a party to a financial instrument, it shall recognize relevant financial assets or financial liabilities.

### (1) Financial assets

#### 1) Classification and measurement

The company shall, in accordance with the business model for managing financial assets and the characteristics of contractual cash flow of financial assets, classify the financial assets into: (1) financial assets measured at amortized cost; (2) financial assets measured at fair value through other comprehensive income; and (3) financial assets measured at fair value through current profits and losses.

A financial asset shall be measured at its fair value at its initial recognition. For the financial assets measured at fair value through current profits and losses, the relevant transaction expenses shall be directly included in the profits and losses of the current period; for other categories of financial assets, the relevant transaction expenses shall be included in the initially recognized amount. For the accounts receivable or notes receivable arising from sales of products or provision of labor services that do not include or take any major financing component into account, the company shall take the amount of consideration to be collected as the initially recognized amount.

#### Debt Instruments

Debt instruments held by the company refer to those instruments which, from the perspective of the issuer and which meet the definition of Financial Indebtedness, and are measured in the following three ways:

##### (a) To be measured at amortized cost:

The business model under which the company manages such financial assets is to collect contractual cash flow, and the characteristics of the contractual cash flow of such financial assets are consistent with those of the basic debit and credit arrangement, i.e. the cash flow generated at a specific date is only the payment of principal and interest on the basis of the outstanding principal. We shall recognize interest income of such financial assets by using the effective interest method. Such financial assets mainly include monetary funds, notes receivable, accounts receivable, other receivables, debt investments, long-term receivables, etc. The company shall present the debt investments and long-term receivables due within one year (inclusive) from the balance sheet date as non-current assets due within one year; and the debt investments with a term of within one year (inclusive) upon acquisition thereof as other current assets.

##### (b) To be measured at fair value through other comprehensive income:

The business model under which the company manages such financial assets is to collect contractual cash flow as well as to sell, and the characteristics of the contractual cash flow of such financial assets are consistent with those of the basic debit and credit arrangement. Such financial assets are measured at fair value through other comprehensive income, but the impairment losses or gains, exchange gains and interest income calculated under the effective interest method shall be included in the current profits and losses. Such financial assets shall be presented as other debt investments. Other debt investments due within one year (inclusive)



from the balance sheet date shall be presented as non-current assets due within one year; and other debt investments due within one year (inclusive) upon acquisition shall be presented as other current assets.

(c) To be measured at fair value through current profits and losses;

This Corporation shall present the debt instruments that are not classified as those measured at the amortized cost and at fair value through other comprehensive income as transactional financial assets measured at fair value through current profits and losses as those measured at fair value through current profits and losses. Upon initial recognition, the company designates certain financial assets in order to eliminate or significantly reduce accounting mismatch. Are the financial assets measured at their fair values and of which the variation is recorded into the profits and losses of the current period. Those due after one year from the balance sheet date and expected to be held for more than one year shall be presented as other non-current financial assets.

An enterprise shall not re-classify a financial asset once it designates a financial asset as a financial asset measured at its fair value through current profits and losses upon its initial recognition as another type of financial asset, nor shall it re-designate any other type of financial asset after its initial recognition as a financial asset measured at fair value through current profits and losses.

#### Equity Instruments

This Corporation shall measure the equity instrument investment over which this Corporation has no control, joint control or significant influence according to its fair value and include the change in the current profits and losses, and present it as transactional financial assets; where this Corporation is expected to hold such investment for more than one year from the balance sheet date, it shall present it as other non-current financial assets. In addition, the company may designate a portion of non-transactional equity instrument investments as financial assets measured at fair value through other comprehensive income, and present them as other equity instrument investments. The dividend income of this type of financial asset shall be recorded into current profits and losses.

#### 2) Impairment

For the financial assets measured at amortized costs, debt instrument investments measured at fair value through other comprehensive income, financial guarantee contracts, etc., the company shall recognize the loss provision on the basis of expected credit losses.

The Company shall, by taking relevant past events, current situations and forecast of future economic conditions as the weight of default risk, calculate the present value of the difference between the contractual cash flow receivable and the expected cash flow to recognize the expected credit loss by taking relevant past events, current situations and forecast of future economic conditions as the weight of default risk.

On each balance sheet date, the company shall respectively measure the expected credit losses of the financial instruments at different stages. If the credit risks of a financial instrument do not increase significantly after its initial recognition, and it is at the first stage, the company shall measure the loss provision based on the expected credit loss in the next 12 months; if the credit risks of a financial instrument have increased significantly after its initial recognition but no credit impairment has occurred, and it is at the second stage, the company shall measure the loss provision based on the expected credit loss in the whole duration of the instrument; if the financial instrument has suffered credit impairment after its initial recognition, it is at the third stage, the company shall measure the loss provision based on the expected credit loss in the whole duration of the instrument.

For the financial instruments with relatively low credit risks on the balance sheet date, the company shall measure the loss provision based on the expected credit losses in the next 12 months on the assumption that the credit risks do not increase significantly after their initial recognition.

The company shall calculate the interest income of the financial instruments at the first stage and second stage and with relatively low credit risks based on the book balance without deducting impairment provision and the actual interest rate. For the financial instruments in the third stage, interest income is calculated based on their book balance less amortized cost after provision for impairment and at actual interest rates.

For the notes and receivables, we measure the provision for loss based on expected credit losses for the entire period of existence, whether or not there is material financing element.

When it is impossible to evaluate the information about expected credit losses for a single note receivable, accounts receivable and other receivables at reasonable cost, we divide the note receivable, accounts receivable and other receivables into several combinations according to the characteristics of the credit risk, and calculate the expected credit losses on the basis of the combination. The combination is determined on the following basis:

Combination Type	Combination Item
Combination of notes receivable 1	Trade Acceptance Bills
Combination of notes receivable 2	Bankers' acceptances
Accounts receivable 1	Aging Combination
Accounts receivable in combination 2	Combination of Affiliates within the Merger
Other receivables in combination 1	Aging Combination
Other receivables in combination 2	Combination of Affiliates within the Merger

I) Criteria for the recognition of and method of provision for losses on accounts receivable and other receivables in aging portfolios

Aging	Percentage of provision for receivables (%)	Percentage of other receivables (%)
Within 1 year (including 1 year, the same below)	5	5
1 - 2 years	10	10
2 - 3 years	40	40
Over 3 years	100	100

ii) Accounts receivable and other receivables in combination of affiliates within the Merger

No provision shall be made for losses in the event that the receivables between the parent company and the subsidiary within the Merger scope are tested individually and have not been impaired.

We record the provision for losses set aside or reversed in the profit and loss of the current period. For debt instruments held by us which are measured at fair value through other comprehensive income, we account for impairment losses or gains in profit and loss for the current period, and at the same time adjust other comprehensive income.

3) Termination Confirmation

Where a financial asset satisfies any of the following conditions, it shall be terminated from recognition: (1) the contractual right to collect the cash flow of the financial asset is terminated; (2) the financial asset has been transferred, and the company has transferred to the transferee almost all the risks and rewards in respect of ownership of the financial asset; or (3) the financial asset has been transferred, but the company has neither transferred nor retained almost all the risks and rewards in respect of ownership of the financial asset, but it has given up its control over the financial asset.

When the recognition of other equity instruments is terminated, the difference between the carrying amount thereof and the aggregate amount of changes in the fair value originally included in other comprehensive income shall be recorded in the retained earnings. When the recognition of other financial assets is terminated, the difference between the carrying amount thereof and the aggregate amount of changes in the fair value originally included in other comprehensive income shall be recorded in the profit and loss for the current period.

## (2) Financial liabilities

The financial liabilities shall, when they are initially recognized, be classified as the financial liabilities measured at their amortized costs and the financial liabilities measured at their fair values through the profits and losses of the current period.

The Company's Financial liabilities mainly consist of Financial liabilities measured at amortized costs, including notes payable, account payable, other payables, short-term borrowings and bonds payable, etc. Such Financial Liabilities shall be initially measured at their fair value after deducting transaction expenses, and subsequently measured at their actual interest rate method. For those with a term of less than one year (inclusive), it shall be presented as current liabilities; for those with a term of more than one year but due within one year (inclusive) from the balance sheet date, it shall be presented as non-current liabilities; and other matters shall be presented as non-current liabilities.

When the outstanding obligations of the Financial Indebtedness have been discharged in whole or in part, the Company shall terminate to recognize the discharged part of such Financial Indebtedness or obligations. The difference between the carrying amount of the terminated part and the consideration paid by them shall be recognized as profit and loss for the current period.

## **11. Notes receivable**

Please refer to "Financial Instruments" of these Notes V and X in detail for the method of determination and accounting treatment of the expected credit loss with respect to the notes receivable.

## **12. Accounts receivable**

Please refer to "Financial Instruments" of these Notes V and X to this Company for the method of determining and accounting treatment of expected credit loss on accounts receivable.

## **13. Accounts receivable Financing**

Please refer to "Financial Instruments" of these Notes V and X to this Company for the method of determining and accounting treatment of expected credit loss on accounts receivable.

## **14. Other accounts receivable**

Method for the Determination and Accounting Treatment of Expected Credit Loss of Other Receivables

Please refer to "Financial Instruments" of these Notes V and X to this Company for the method of determining and accounting treatment of expected credit loss on accounts receivable.

## 15. Inventories

### (1) Classification of Inventories

The inventories of the Company shall be divided into raw materials, low-value consumables, work-in-progress, inventory goods, etc.

### (2) Valuation Method of Outgoing Inventory

The weighted average method shall be adopted for the materials sent out, and weighted average method shall be adopted for the goods sent out.

### (3) Basis for the determination of the net realizable value of inventories and the method of provision for decline in value of inventories

Ending inventories are valued at the lower of cost or net realizable value. At the end of the period, a provision for decline in value of inventories is made on the basis of a complete inventory count, for those parts of the inventories that are expected to be irrecoverable because of damage, all or part of the obsolescence or selling prices lower than cost. The provision for decline in value of inventories for finished goods and main raw materials is made according to the difference between the cost of each item and the net realizable value of the inventories, and for other raw and auxiliary materials with large quantities and low unit price, the provision for decline in value of inventories is made according to the category.

The net realizable value of such inventories as finished goods, merchandise and materials used for sale, etc. directly available for sale is determined on the basis of the estimated sale price of such inventories less the estimated selling costs and related taxes and expenses. The net realizable value of such inventories held for production is determined on the basis of the estimated selling price of the finished goods produced less the estimated costs of completion, estimated selling costs and related taxes and expenses. The net realizable value of inventories held for the execution of sales contracts or labor contracts shall be calculated on the basis of the contract price. Where the quantity of inventories held is more than that ordered in the sales contracts, the net realizable value of such excess shall be calculated on the basis of the general selling price.

### (4) System of Inventories

The perpetual inventory system shall be adopted for the inventory taking of the Company, and physical inventory shall be taken on a regular basis.

### (5) Method of Amortization of Low Value Consumables

Low-value consumables received by the Company shall be amortized through the one-time inventory method.

## 16. Contract Assets: none

## 17. Contract Costs: none

## 18. Holding of Assets for Sale

We shall recognize a non-current asset or disposal group as held for sale if (i) a non-current asset or disposal group is available under the current conditions only on customary terms for the sale of such asset or disposal group; and (ii) a sale is likely to occur if the Company has adopted a resolution in connection with a sale plan and made certain purchase commitments. Expected Sale Will be completed within one year. If the proposed sale plan is required to be approved by the shareholders or regulatory authorities, such approval should have been obtained.

### (1) Measurement of Non-current Assets or Disposal Groups Classified as Held for Sale on the Acquisition Date

For the non-current assets or disposal groups classified as held for sale on the Acquisition Date, the Company measured for initial measurement as an amount equal to the lower of initial measurement amount and fair value if it were not classified as held for sale. Except for the non-current assets or disposal groups acquired in a business combination, the difference between the fair value of the non-current assets or disposal groups less expenses to sell shall be recorded in the profits and losses of the current period.

### (2) Initial and Subsequent Measurement of the Held for Sale

Before the Company classifies a non-current asset or disposal group as held for sale for the first time, the Company shall measure the book value of each asset and liability in the non-current assets or disposal group according to relevant accounting standards.

When the Company re-measures a non-current asset or disposal group held for sale on the Initial Measurement or on the Balance Sheet Date, if its book value is higher than the net amount of expenses to sell, the book value shall be written down to the net amount of expenses to sell, and the amount written down shall be recognized as the loss from asset impairment and shall be recorded in the profits and losses of the current period. At the same time, the provision for impairment of the assets held for sale shall be made. With regard to the amount of asset impairment losses recognized by a disposal group held for sale, if the disposal group contains goodwill, it shall first write down the book value of goodwill in the disposal group, and then write down the book value of each non-current asset in proportion to the weight of the book value of each asset in the disposal group. If the net amount of the fair value of the non-current assets held for sale on the Subsequent Balance Sheet Date minus the expenses to sell increases, the amount written down previously shall be recovered and shall be reversed within the amount of asset impairment losses recognized after the classification as held for sale, and the reversed amount shall be recorded in the profits and losses of the current period. The asset impairment losses recognized before the classification as held for sale shall not be reversed. If the net amount of the fair value of the disposal group held for sale increases after deducting the expenses to sell on the Subsequent Balance Sheet Date, the amount written down previously shall be reversed within the amount of asset impairment losses recognized after the classification as held for sale, and the reversed amount shall be recorded in the profits and losses of the current period. The book value of goodwill that has been offset and the asset impairment losses recognized before the classification as held for sale shall not be reversed.

When a non-current asset or disposal group ceases to be classified as held for sale because it no longer meets the conditions for classification as the category of held for sale or when a non-current asset is removed from a disposal group held for sale, it shall be measured at the lower of:

① The book value before being classified as held for sale. The amount after adjustment for depreciation, amortization or impairment that would have been recognized if it were not classified as held for sale;

② Recoverable amount.

**19. Debt Investment: none**

**20. Other Investments: none**

**21. Long-term Receivables: none**

## 22. Long-term Equity Investment

For the purpose of this Section, the term "long-term equity investment" refers to the long-term equity investment that the Company has control, joint control or significant influence over the investee entity. See notes 5 and 10 to "Financial Instruments" for the accounting policies for the long-term equity investment of which the Company does not have control, joint control or significant effect on the investee companies, and for the accounting of financial assets measured as fair value through other comprehensive income, or for the accounting of financial assets measured as fair value through current profits and losses.

### (1) Determination of initial investment cost

The investment cost of the Company's long-term equity investment shall be recognized in the following methods depending on the method of acquisition:

1) For the long-term equity investment obtained by merger of enterprises under common control, on the date of merger, the share of the book value of the owner's equity of the merged party in the consolidated financial statements of the final controlling party shall be recognized as the initial investment cost of the long-term equity investment. The balance between the initial investment cost of the long-term equity investment and the book value of the paid cash, transferred non-cash assets as well as the assumed debts shall be adjusted against the capital reserve; if the capital reserve is insufficient for the offset, the retained earnings shall be adjusted. If equity securities are issued as the merger consideration, on the date of merger, the share of the book value of the shareholders' equity of the merged party in the consolidated financial statements of the final controlling party shall be recognized as the initial investment cost of the long-term equity investment, and the total par value of the shares issued shall be recognized as the capital reserve, and the balance between the initial investment cost of the long-term equity investment and the total par value of the shares issued shall be adjusted against the capital reserve; if the capital reserve is insufficient for the offset, the retained earnings shall be adjusted. Where the equity of the merged party under the same control is obtained step by step through multiple transactions, which ultimately forms a business combination under the same control, whether it is classified as a "package transaction" shall be handled differently: where it is classified as a "package transaction", all transactions shall be accounted for as one transaction with the right to control. If it is not a "package transaction", on the date of merger, the share of the book value of the shareholder's equity of the merged party in the consolidated financial statements of the final controlling party shall be recognized as the initial investment cost of the long-term equity investment, and the balance between the initial investment cost of the long-term equity investment and the book value of the long-term equity investment reaching the merger plus the book value of the new consideration paid for further acquisition of shares on the date of merger shall be adjusted; if the capital reserve is insufficient for the offset, the retained earnings shall be adjusted. For the equity investment held before the date of merger, other comprehensive income recognized due to the financial assets accounted for by equity method or measured at fair value through other comprehensive income shall not be subject to accounting temporarily.

2) For the long-term equity investment obtained from merger of enterprises not under common control, the initial investment cost of the long-term equity investment shall be recognized as the merger cost calculated from the fair value of the assets involved in the transaction date, the equity instruments issued and the liabilities incurred or assumed plus the costs directly related to the acquisition. On the date of merger, the identifiable assets of the merged party (parties) and the liabilities (including contingent liabilities) assumed by them shall all be measured at their fair values, regardless of the amount of minority shareholders' equity. The amount of the merger cost exceeding the fair value of the identifiable net assets of the merged party acquired by this company shall be recorded as goodwill, while the amount lower than the fair value of the identifiable net assets of the merging party shall be directly



recognized in the profit and loss statement of the merger. For the acquisition of the equities of the acquiree in steps through multiple transactions, resulting in a merger of enterprises not under common control, whether it is a "package transaction" shall be handled differently: In the case of a "package transaction", each transaction shall be accounted for as one transaction with the right to control. In the case of a "package transaction", the initial investment cost of the long-term equity investment accounted for using the cost method is the sum of the book value of the equity investment originally held by the acquiree plus the newly increased investment cost. If the originally held equity is accounted for using the equity method, accounting treatment shall not be carried out for relevant other comprehensive income for the time being. For the originally held equity investment of a financial asset measured at fair value through other comprehensive income, the balance between the fair value and the book value thereof and the cumulative changes in the fair value originally recorded into other comprehensive income shall be transferred into the profits and losses of the current period.

3) Long-term investment acquired by other means

A. For the long-term equity investment acquired by paying cash, the purchase price actually paid is recognized as the investment cost.

B. For the long-term equity investment acquired by issuing equity securities, the investment cost is recognized as the fair value of the equity securities issued.

C. For the long-term equity investment acquired by exchange of non- monetary assets, if it is commercial in nature, the fair value of the assets surrendered is recognized as the investment cost of the long-term equity investment received; if it is not commercial in nature, the book value of the assets surrendered is recognized as the investment cost of the long-term equity investment received.

D. For the long-term equity investment acquired by debt restructuring, the investment cost is recognized according to the fair value of the long-term equity investment.

(2) Subsequent measurement of long-term equity investment

1) The investment that can control the investee shall be accounted for using the cost method.

2) For the long-term equity investment in the investee with joint control (except constituting a joint undertaking) or significant influence, the equity method shall be adopted.

If the equity method is adopted, if the initial cost of the long-term equity investment is higher than the attributable share of the fair value of the investee's identifiable net assets on the investment, the initial cost of the long-term equity investment shall not be adjusted; if the initial cost of the investment is lower than the attributable share of the fair value of the investee's identifiable net assets on the investment, the difference is recorded into the profit and loss of the current period, and the cost of the long-term equity investment shall be adjusted at the same time.

For the equity method, the investment income and others shall be recognized respectively according to the attributable share of the investee's net profits and losses and other comprehensive income. Consolidated income, which shall at the same time adjust the book value of the long-term equity investment; calculate the attributable share of the investee's profit or cash dividend declared to be distributed, and reduce the book value of the long-term equity investment accordingly; for other changes in the owner's equity of the investee other than net profits and losses, other Consolidated income and profit distribution, the book value of the long-term equity investment shall be adjusted and included in the capital reserve. The net profit of the investee shall be recognized after adjustment on the basis of the investee's fair value of all identifiable assets on the investee's when the investment is obtained. If the investee's accounting policy and accounting period are inconsistent with those of this company, the investee's financial statements shall be adjusted in accordance with this company's accounting policy and accounting period, based on which investment income and other comprehensive income shall be recognized. For transactions between this company and its associated enterprises or between a joint

venture, if the invested or sold assets do not constitute business, the portion of the unrealized internal transaction profit and loss that is calculated according to the proportion enjoyed by this company shall be offset, and the investment profit and loss shall be recognized on this basis. However, the unrealized internal transaction losses incurred by this company and the investee belong to the impairment losses of the transferred assets, and shall not be offset. If the assets invested by this company to a joint venture or associated enterprise constitute business, and the investor therefore obtains the long-term equity investment but does not obtain the control right, the fair value of the invested business shall be deemed as the initial investment cost of the new long-term equity investment, and the difference between the initial investment cost and the book value of the invested business shall be recorded in the current profit and loss in full. If the assets sold by this company to a joint venture or associated enterprise constitute business, the difference between the consideration obtained and the book value of the business shall be recorded in the current profit and loss in full. If the assets purchased by this company from its associated enterprises and joint ventures constitute business, accounting treatment shall be made in accordance with the Accounting Standards for Business Enterprises No. 20 — Merger of Enterprises, and the gains or losses relating to the transaction shall be recognized in full.

In recognizing the investee's net loss that shall be assumed, the book value of the long-term equity investment and other long-term rights and interests that actually constitute the net investment in the investee are reduced to zero. In addition, if this company is obliged to bear additional losses to the investee, this company shall recognize the estimated liabilities based on the obligation it is expected to bear, and record them in the current investment loss. If the investee realizes net profits in subsequent periods, this company shall resume recognizing its share of profits after the share of profits makes up the share of the unrecognized loss.

### 3) Acquisition of minority shares

When preparing the consolidated financial statements, the capital reserve shall be adjusted for the difference between the newly increased long-term equity investment due to the purchase of minority shares and the share of net assets continuously calculated since the purchase date (or merger date) of the subsidiary calculated in accordance with the newly increased shareholding proportion. If the capital reserve is insufficient for the offset, the retained earnings shall be adjusted.

### 4) Disposal of long-term equity investment

In the consolidated financial statements, if the parent company partially disposes of its long-term equity investment in a subsidiary without losing its control right, the difference between the disposal proceeds and the net assets of the subsidiary that the parent company is entitled to with respect to the disposal of the long-term equity investment shall be accounted for as shareholders' equity; if the parent company partially disposes of its long-term equity investment in a subsidiary and thus loses its control right over the subsidiary, the relevant accounting policies described in the "Methods for Preparing Consolidated Financial Statements" in these Notes shall be applied.

In the case of disposal of long-term equity investment in other cases, the difference between the book value of the disposed equity and the actual purchase price shall be recorded in the profits and losses of the current period.

If the equity method is adopted for the long-term equity investment, if the equity method is still adopted for the remaining equity after disposal, the other comprehensive income originally included in the shareholders' equity shall be accounted for on the same proportion as the investee directly disposes of relevant assets or liabilities. The owner's equity recognized as a result of changes in the owner's equity other than the net profit and loss, other comprehensive income and profit distribution of the investee shall be recorded in the profits and losses of the current period on a pro rata basis.

If the cost method is adopted for the long-term equity investment, if the cost method is still adopted for the remaining equity after disposal, other comprehensive income recognized as a result of using the equity method or the standards for recognition and measurement of financial instruments prior to obtaining control over the investee shall be recorded on the same basis as the investee directly disposes of relevant assets or liabilities, and shall be recorded in the profits and losses of the current period on a pro rata basis. Other changes in the owner's equity recognized as a result of the equity method, other comprehensive income and profit distribution of the investee shall be recorded in the profits and losses of the current period on a pro rata basis.

If the company loses control over the investee due to disposal of part of its equity investment, and the remaining equity after disposal can exert joint control over or significant influence on the investee, the equity method shall be adopted instead, and the remaining equity shall be adjusted as if the equity method had been adopted since acquisition; if the remaining equity after disposal can not exert joint control over or significant influence on the investee, the accounting shall be conducted in accordance with the relevant provisions of the standards for recognition and measurement of financial instruments. The difference between the fair value and the book value on the date when control is lost shall be included in the current profits and losses. For other comprehensive income recognized as a result of adopting equity method or the standards for recognition and measurement of financial instruments before the Corporation obtains control over the investee, accounting treatment shall be adopted on the same basis on which the investee directly disposes of relevant assets or liabilities when the investee is lost control over the investee. In the net assets recognized as a result of adopting equity method, other changes in owner's equity, other than net profit and loss, other comprehensive income and profit distribution, shall be carried forward to the profits and losses of the current period when control over the investee is lost. Among them, if the remaining equity after disposal adopts equity method, other comprehensive income and other owner's equity shall be carried forward in proportion; if the remaining equity after disposal adopts the standards for recognition and measurement of financial instruments, other comprehensive income and other owner's equity shall be carried forward in full.

If the Corporation loses its joint control over or significant impact on the investee due to disposal of part of its equity investment, the remaining equity after disposal adopts the standards for recognition and measurement of financial instruments, and the difference between the fair value and the book value on the date of loss of joint control or significant impact shall be included in the profits and losses of the current period. Other comprehensive income recognized as a result of adopting equity method for the original equity investment shall be accounted on the same basis on which the investee directly disposes of relevant assets or liabilities when the equity method is terminated. Owner's equity recognized as a result of changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution of the investee shall be all transferred into the investment income of the current period when the equity method is terminated.

The Corporation disposes of its equity investment in the subsidiary step by step through multiple transactions until it loses its control. If the aforesaid transactions are a package transaction, the Corporation shall conduct accounting treatment for all the transactions as one transaction in which the equity investment of the subsidiary is disposed of and the control right is lost. The balance between the disposal proceeds in each transaction and the book value of the long-term equity investment corresponding to the disposed equity before losing the control right shall be recognized as other comprehensive income, and when the control right is lost, it shall be included in the profits and losses of the current period when the control right is lost.

### (3) Methods for testing and accruing depreciation reserves of long-term equity investment

Please refer to Annotations 5 and 31 "Depreciation of Long-term Assets" for the methods of testing and withdrawing depreciation reserves of long-term equity investment.

### (4) Criteria for determining joint control and significant impact

Joint control refers to the common control over an arrangement under relevant agreement, and the relevant activities of the arrangement cannot be decided until the participants sharing the control right reach a unanimous consent. When judging whether

there is joint control, first judge whether all participants or participants association controls the arrangement collectively, and then judge whether the decision on the relevant activities of the arrangement must be made with the unanimous consent of the participants collectively controlling the arrangement.

Significant impact refers to the power of the investor to participate in making decisions on the financial and operating policies of the investee, but not to control or jointly with other parties the formulation of such policies. When determining whether the investor can exert significant impact on the investee, take into account potential factors of voting rights such as the current convertible corporate bonds and current executable warrants of the investee held by the investor and other parties.

### **23. Investment Properties**

Measurement Method of Investment Properties: cost approach

Depreciation and amortization shall be computed using the straight- line method based on the estimated useful life of the asset, where depreciation shall be accrued for real estate based on (the legal service life or the estimated service life, whichever is lower), and the legal service life of real estate shall be amortized. The entry value of investment real estate is determined based on its cost. The cost of investment real estate purchased from external parties includes the purchase price, relevant taxes and other expenses directly attributable to the asset; the cost of self-constructed investment real estate consists of the necessary expenses incurred for preparing the asset for its intended use; the investment real estate invested by an investor shall be recorded at the value agreed upon in the investment contract or agreement; however, if the agreed value is unfair in the contract or agreement, it shall be recorded at the fair value.

See Article 31 "Impairment of Long Term Assets" in Section V for the method of testing and provision for impairment of investment properties.

## 24. Fixed Assets

### (1) Confirmation Conditions

Fixed assets refer to tangible assets held for the production of commodities, provision of labor services, lease or business management, which have a useful life of more than one year and a relatively high unit value.

### (2) Depreciation method

Category	Depreciation method	Depreciation life	Residual value rate	Annual depreciation rate
Premises and Buildings	Straight-Line method	20-30	5%	4.75%-3.17%
Machinery Devices	Straight-Line method	10	5%	9.50%
Transport devices	Straight-Line method	4-9	5%	23.75%-10.56%
Electronics Devices	Straight-Line method	3	5%	31.67%
Other Devices	Straight-Line method	5	5%	19.00%

Depreciation will be provided for fixed assets as soon as they reach the scheduled usable condition. The straight-line method shall be adopted for depreciation. The depreciation amount shall be calculated by deducting the accumulated amount of provision for impairment of fixed assets that has been made.

Please refer to Notes V and I. "Depreciation of Long-term Assets" for the methods of testing and withdrawing depreciation reserves of fixed assets.

### (3) The basis, pricing and depreciation method of the fixed assets under finance lease: none

## 25. Construction-in-Progress

The fixed assets constructed by the Company shall, when they reach the expected usable condition, be carried forward to the estimated value based on the budget, price or actual cost of the construction, and provision for depreciation shall begin from the next month. The difference of the original value of fixed assets may be adjusted after the completion and final account procedures have been fulfilled.

Please refer to notes 5 and 31 to Impairment of Long-term Assets "for the impairment methods and provision for the construction in progress.

## **26. Borrowing Expenses**

### (1) Principle of Capitalization of Borrowing Costs

Borrowing costs include interest accrued on the borrowings, amortization of discounts or premiums, ancillary expenses, and exchange differences arising from foreign currency borrowings. The borrowing costs incurred to this Company that are incurred from the fixed assets acquired or constructed or from the special borrowings or general borrowings used for developing investment real estate or inventory shall be capitalized and recorded into the relevant cost of assets; other borrowing costs shall be recognized as expenses when incurred and recorded into the profits and losses of the current period. The relevant borrowing costs shall be capitalized when all of the following conditions are met: the expenditures of the assets have been incurred; the borrowing costs have been incurred; and the acquisition or construction activities that are necessary to prepare the assets for their intended use have begun.

### (2) Period of capitalization of borrowing costs

The borrowing expenses incurred for the acquisition or construction of fixed assets, investment real estate or inventory that meet the above-mentioned conditions for capitalization and that are incurred before the assets are ready for its intended use or sale shall be included in the cost of assets. The borrowing expenses incurred in the acquisition or construction of fixed assets, investment real estate or inventory are interrupted abnormally and the interruption period exceeds consecutively. After three months, the capitalization of the borrowing expenses shall be suspended and shall be recognized as expenses of the current period until the acquisition or construction of the asset is restarted. When the asset reaches the anticipated condition for use or sale, the capitalization of the borrowing expenses shall be ceased. The borrowing expenses incurred thereafter shall be directly included in the finance expenses in the current period in which they are incurred.

### (3) Method for calculating the amount of capitalization of borrowing costs

As for the special borrowings borrowed for the acquisition and construction or production and development of assets eligible for capitalization, the actual amount of interest expenses incurred for the current period of the special borrowings minus the interest income derived from depositing the unused borrowing funds in the bank or from investment.

If the general borrowings are used for the acquisition and construction or production and development of assets eligible for capitalization, the amount of interests to be capitalized on the general borrowings shall be calculated and determined by multiplying the weighted average asset disbursements by the capitalization rate of the general borrowings used. The capitalization rate shall be calculated and determined according to the weighted average interest rate of general borrowings.

## **27. Biological assets: none**

## **28. Oil and gas assets: none**

## **29. Assets in Possession of Right to Use: none**

### **30. Intangible assets**

#### **(1) Valuation method, service life, impairment test**

(1) Valuation method of intangible assets:

The intangible assets of the company include land use right, patented technologies and non-patented technologies, etc.

For intangible assets acquired, the actual cost is the consideration actually paid and other related expenses.

The actual cost of intangible assets invested by investors shall be determined according to the value as stipulated in the investment contract or agreement; if the value as stipulated in the contract or agreement is unfair, the actual cost shall be determined according to the fair value.

The intangible assets acquired through non-monetary assets exchange shall be recorded at the fair value of the assets surrendered if they are commercial in nature or at the book value of the assets surrendered if they are not commercial in nature.

The intangible assets acquired through debt restructuring shall be determined according to their fair value.

(2) Methods and time limit for the amortization of intangible assets:

The land use right of this Company shall be amortized averagely over the years of transfer from the initial date of transfer or the date of obtaining the land use right, and the patented technologies, non-patented technologies and other intangible assets of this Company shall be amortized by equal installments over the shortest of the three periods: the estimated years of use, the period of benefit stipulated by the contract, and the Valid period stipulated by law. The amount of amortization shall be recorded in the relevant asset costs and current profits and losses according to the beneficiaries.

See Notes 5 and 31 "Impairment of Long-term Assets" for the methods of testing intangible assets and the methods of setting aside depreciation reserves.

#### **(2) Accounting policies for internal research and development expenditures**

For intangible assets developed by the company itself, the research disbursements shall be recorded in the profits and losses of the current period when they are incurred; the development disbursements simultaneously meeting the following conditions shall be determined as intangible assets (patented technologies and non-patented technologies):

- ①. It is technically feasible to complete the intangible assets so that they can be used or sold;
- ②. It is intended to complete and use or sell the intangible assets;
- ③. There is a market for the products manufactured by applying the intangible assets or there is a market for the intangible assets itself;
- ④. It is supported by sufficient technologies, financial resources and other resources so that it can complete the development of the intangible assets, and it is able to use or sell the intangible assets; and
- ⑤. The development disbursements of the intangible assets can be reliably measured.

The development disbursements that do not meet the above conditions shall be recorded in the profits and losses of the current period when they are incurred. Development expenditures which have been recorded as profits and losses in the previous period shall not be recognized as assets in the subsequent period. The development disbursements that have been capitalized shall be listed as development disbursements on the balance sheet, and shall be converted into intangible assets upon reaching the expected conditions for use.

### **31. Impairment of Long-term Assets**

For non-current non-financial assets such as fixed assets, projects under construction, intangible assets with limited useful life, investment real estate measured in the mode of cost, and long-term equity investments in subsidiaries, joint ventures and associates, this Company shall judge whether there is any sign of impairment on the balance sheet date. If there is any sign of impairment, the recoverable amount thereof shall be estimated for impairment test. No matter whether there is any sign of impairment, intangible assets with uncertain service life and intangible assets that have not reached the usable conditions, an impairment test shall be conducted annually.

If the result of an impairment test shows that the recoverable amount of assets is lower than its book value, a provision for impairment shall be made on the basis of the difference between them and recorded in the impairment loss. The recoverable amount shall be the higher one between the net amount of the fair value of the asset minus the disposal expenses and the current value of the expected future cash flow of the asset. The fair value of an asset shall be determined according to the price as agreed in the sales agreement in the arm's length transaction. If there is no sales agreement but there is an active market for the asset, the fair value shall be determined according to the price as offered by the buyer of the asset. If there is no sales agreement and there is no active market for the asset, the fair value of the asset shall be estimated on the basis of the best information available. The disposal expenses shall include the relevant legal expenses, relevant taxes, truckage as well as the direct expenses for bringing the asset into a marketable condition. The current value of the expected future cash flow of an asset shall be determined by the discounted cash amount with an appropriate discount rate, on the basis of the expected future cash flow generated during the continuous use or final disposal of the asset. The reserve for asset impairment shall be calculated and confirmed on the basis of single item assets. Where it is difficult to estimate the recoverable amount of a single item asset, it shall be determined on the basis of the group assets to which the asset belongs. An asset group is the minimum combination of assets that can generate cash inflows independently.

The business reputation separately presented in the financial statements. When making an impairment test, it apportions the carrying value of the business reputation to the asset group or combination of asset groups that are expected to benefit from the synergy effect of enterprise merger. Where the test results show that the recoverable amount of the asset group or combination of asset groups containing the apportioned business reputation is lower than the carrying value thereof, it shall be recognized as the corresponding impairment loss. The amount of the impairment loss shall first charge against the carrying value of the business reputation which are apportioned to the asset group or combination of asset groups, then charge it against the carrying value of other assets in proportion to the weight of other assets in the asset group or combination of asset groups with the business reputation excluded.

Once any of the above-mentioned loss of asset impairment is recognized, the part may not be reversed in the future period.



### **32. Long-term Prepaid Expenses**

The long-term prepaid expenses incurred by a company shall be priced at the actual cost and evenly amortized in the expected beneficial period. As for an item of long-term prepaid expenses that cannot benefit any future accounting period, the amortized value of this item shall, when being determined, be entirely recorded into the profits and losses of the current period.

### **33. Contractual Indebtedness: none**

### **34. Employee Remuneration**

#### **(1) Accounting treatments of short-term remunerations**

During the accounting period in which its employees provide services to it, the company shall recognize the short-term remuneration actually incurred as a liability and record it into the profits and losses of the current period, unless it is required or allowed by other accounting standards to be recorded into the assets costs; the employee's welfare expenses incurred shall be recorded into the profits and losses of the current period or the relevant assets costs at the actual amount when they are actually incurred. The employee's welfare expenses in the form of non- monetary benefits shall be measured according to the fair value; for the medical insurance premiums, work-related injury insurance premiums, maternity insurance premiums and other social insurance premiums and public accumulation funds for housing construction paid by an enterprise for its employees, as well as the labor union expenditures and employee education expenditures accrued in accordance with the provisions, the corresponding amount of employee's remuneration shall be calculated and determined based on the accrual basis and proportion, recognized as a liability, and recorded into the profits and losses of the current period or the relevant assets costs.

#### **(2) Accounting treatments of post-demission benefits**

The post-demission benefits refer to the remunerations and welfare in various forms provided by the company after the employees retire or terminate the labor relationship with the enterprise in return for services provided by the company to its employees, other than the short-term remuneration and dismiss welfare. All the post-demission benefits of the company are defined contribution plan, that is, the company shall calculate and pay to the local government handling organ the old-age insurance premiums based on the specified contribution base and proportion during the period in which its employees provide services to the company as required by relevant laws and regulations. During the accounting period in which its employees provide services to it, the company shall recognize the post-demission benefits actually incurred as a liability, and record them into the costs of fixed assets, intangible assets, products and labor or into the profits and losses of the current period according to the beneficiaries of services provided by the employees.

#### **(3) Accounting treatments of dismiss welfare**

Where a company makes compensations for terminating the labor relationship with an employee before the expiration of the labor contract or for encouraging the employees to accept the layoff voluntarily, it shall recognize the liabilities arising from the compensation for terminating the labor relationship and record them into the profits and losses of the current period, whichever occurs earlier when the company cannot unilaterally withdraw the termination plan or the layoff proposal or the layoff proposal and when it recognizes the payment of the reorganization-related costs and expenses relating to the restructuring involving dismiss welfare. The internal retirement plans of employees shall follow the principles the same as above for dismiss welfare. When the conditions for the recognition of expected liabilities are met, the salaries and social insurance premiums to be paid for the employees who have retired

from the date when the employees cease to provide services to their normal retirement date shall be recorded into the profits and losses of the current period (dismiss welfare).

#### **(4) Accounting Treatment Methods for Other Long-term Employee Benefits**

This Company also provides the employees who satisfy certain conditions with supplementary retirement benefits beyond those provided for by relevant state insurance systems. Such supplementary retirement benefits fall under defined benefit plans. The defined benefit liabilities recognized on the balance sheet shall be the present value of defined benefit obligations minus the fair value of plan assets. Each year, the independent actuary shall adopt the treasury bond interest rate similar to the term and currency of the obligation and the expected unit of benefit method to calculate the defined benefit obligation. The cost of service (including the current service costs, past service costs and settlement gains or losses) and net interest relating to the supplementary retirement benefit are accounted for as current profits and losses or relevant asset costs, and the change from the remeasurement of net liabilities or net assets of the defined benefit plan are accounted for as other comprehensive income.

#### **35. Leasehold Indebtedness: none**

#### **36. Estimated Liabilities**

##### (1) Principles of recognition

When the business related to external guarantee, pending litigation or arbitration, product quality assurance, redundancy plan, loss-making contract, restructuring obligation, disposal obligation of fixed assets and other contingencies meets the following conditions simultaneously, the Company shall recognize it as a liability:

Such obligation is a present obligation of the Company;

The performance of the obligation is likely to cause an outflow of economic benefits from the undertaking; the amount of the obligation can be measured in a reliable way.

(2) Measurement method: the best estimate of the expenses required to discharge the contingency;

#### **37. Payments by Shares: none**

#### **38. Preferred stock, perpetual bonds and other financial instruments: none**

### 39. Income

#### Accounting Policies Adopted for Confirmation and Measurement of Revenue General Principles for Confirmation of Revenue

When the Company performs the performance obligation under the contract, that is to say, when the client obtains the control of relevant product or service, the Company recognizes the revenue based on the transaction price apportioned to the performance obligation. A performance obligation is a promise in a contract that this Company promises to transfer to the client clearly identifiable product or service. Obtaining the control of relevant product refers to being able to dominate the use of the product and obtain almost all the economic benefits therefrom.

This Company assesses the contract at the contract commencement date, identifies all individual performance obligations involved in the contract, and determines whether each individual performance obligation is performed within a certain period of time or at a point of time. A performance obligation is considered as a performance obligation over a period of time, if either of the following conditions is met, for which our company will recognize revenue within a period of time according to the performance progress:

(1) The customer obtains and consumes economic benefits of our company's performance simultaneously with the performance of our contract;

(2) The customer can control the goods under construction in the process of performance;

(3) The company has irreplaceable use for the goods produced in the course of performance, and we have a right to receive payment of accumulated performance performed to date for the entire contract period. Otherwise, this Company will recognize revenue at the time when the customer obtains the control of relevant product or service. With respect to the obligations performed over a period of time, we will recognize revenue according to the performance progress during that period of time. Where it is not reasonably ascertainable that the performance progress can be reasonably ascertainable, revenue will be recognized in accordance with the amount of costs incurred until the performance progress can be reasonably ascertainable.

#### The Method of Revenue Recognition

When we perform our performance obligations under a contract, that is, revenue is recognized when the customer obtains the control of relevant goods or service. If there are two or more performance obligations in a contract, we will allocate the transaction price to each individual performance obligation in the relative proportion of the stand-alone selling price of the promised goods or service under each performance obligation. The revenue will be measured as that allocated to each individual performance obligation. The transaction price is the amount of consideration to which we expect to be entitled in respect of goods or services transferred to our customer, excluding payment received on behalf of third parties. The transaction prices recognized by us do not exceed the amount of the accumulated revenue recognized until the relevant uncertainty is removed, and it is highly unlikely that the revenue recognized will occur. Material reverse amount. Any payment that is expected to be returned to the customer is a liability for the return of goods, which will not be added to the transaction price. If there is a significant financing element in this contract, we will recognize the transaction price based on the amount payable by us if we assumed the customer would have paid in cash at the time he obtained control of the goods or service. The difference between the transaction price and contract consideration will be amortized by applying the effective interest rate method during the term of the contract.

Where any of the following conditions is met, the Company shall be deemed to perform the contract within a certain period of time, otherwise it shall be deemed to perform the contract at a certain point of time:

(1) The customer obtains and consumes economic benefits of our performance simultaneously with the performance of our contract;

(2) The customer can control the goods under construction in the process of performance;

(3) The goods produced by us in the course of performance can be used for irreplaceable purposes, and we have a right to receive payment of accumulated performance performed to date for the entire contract period. In respect of the obligations performed over a period of time, we will recognize revenue according to the performance schedule during that period. Where it is impossible to reasonably ascertain the performance schedule, and if the expenses incurred can be recovered by us, revenue will be recognized according to the amount of expenses incurred until the performance schedule can be reasonably ascertained.

In respect of the performance obligations performed at a point of time, we will recognize revenue at the point at which the customer obtains control of relevant goods or service. In determining whether a customer has obtained control of any goods or service, we will take the following signs into consideration:

(1) We have current right of payment in respect of such goods or services;

(2) We have transferred physical goods of the goods to our customer; or

(3) We have transferred major risks and remuneration as to the legal or title to the goods to the customer;

(4) the Customer has accepted such goods or services, etc.

We have the right to receive consideration for transferring goods or services to our customer (and subject to any factor other than lapse of time), as assets of the Contract. We have the unconditional right (subject only to lapse of time) to receive consideration from customers, shown as receivables. The obligation to transfer goods or services to customers for consideration received or receivable by us is shown as a contractual liability.

The specific principle for recognition of commodity sale revenues by the company is to account for general commodity sales principle, and the revenue is recognized upon the delivery of goods, issuance of an Finished Goods Delivery Note, sales invoice and receipt of the documents signed by the other party.

#### **40. Government Subsidies**

##### (1) Types of government subsidies

Government subsidies refer to the monetary assets and non-monetary assets (excluding the capital invested by the government as the owner) obtained by the company free of charge from the government. Government subsidies are classified into government subsidies relating to assets and government subsidies relating to income based on the nature of recipients of such grants as specified in the relevant government documents.

If the recipients of the subsidies are not specified in the government documents, the Company shall classify such government subsidies as assets-related or income-related to income based on whether such government subsidies are to be used for purchase or construction or to form long-term assets otherwise.

##### (2) Recognition of government subsidies

A government subsidy shall be recognized when the conditions attached to the government subsidy can be received.

Government subsidies in the form of monetary assets shall be measured based on the amount received or receivable. Government subsidies in the form of non-monetary assets shall be measured at their fair values. If the fair value cannot be reliably obtained, it shall be measured at its nominal amount.

##### (2) Accounting treatment of government subsidies

Government subsidies relating to assets shall be offset against the book value of relevant assets or recognized as deferred income. Where government grants related to assets are recognized as deferred income, such grants shall be included in the profit and loss account by reasonable and systematic stages within the useful life of the relevant assets. Government subsidies measured at their nominal amount shall be recorded directly into the profit and loss account for the current period. Government subsidies relating to income shall be treated as follows respectively: those to be used as compensation for relevant costs, expenses and losses in subsequent periods shall be recognized as deferred income and shall be recorded into the profit and loss account for the current period or used to offset relevant costs in the period in which relevant costs, expenses and losses are recognized; those to be used as compensation for relevant costs already incurred shall be recorded directly into the profit and loss account for the current period or used to offset relevant costs.

Government grants relating to the daily activities of a company shall be recorded as other income or used to offset the relevant costs and expenses according to the nature of the business. Government grants irrelevant to the daily activities of a company shall be recorded as non-operating income.

#### **41. Deferred income tax assets/deferred income tax liabilities**

(1) The deferred income tax assets or deferred income tax liabilities shall be calculated and recognized in accordance with the balance between the book value of assets and liabilities and the tax base thereof (if the tax base of Item not recognized as assets and liabilities may be determined in accordance with the tax law, the balance between the tax base and the book value thereof shall be calculated and recognized in accordance with the applicable tax rate during the period in which the assets are expected to be recovered or the liabilities are settled).

(2) Deferred income tax assets shall be recognized to the extent of the taxable income which is likely to be obtained from the deductible temporary differences. If, at the balance sheet date, there is any exact evidence showing that enough taxable income is likely to be obtained in future periods to offset the deductible temporary differences, the deferred income tax assets unrecognized in previous accounting periods shall be recognized.

(3) On the balance sheet date, the book value of the deferred income tax assets shall be reviewed and if enough taxable income is likely to be obtained in future periods to offset the benefits of the deferred income tax assets, the book value of the deferred income tax assets shall be written down. When enough taxable income is likely to be obtained, the written-down amount shall be reversed.

(4) The income tax of the current period and deferred income tax of the company shall be recorded in the current profits and losses as income tax expenses or incomes, but excluding the income tax arising under the following circumstances: merger of enterprises or transactions or events directly recognized in owners' equity.

## **42. Leasing**

### **(1) Accounting treatment methods for operating leases**

The rentals paid by the company for renting assets shall be amortized by the straight- line method and recorded in the expenses of the current period without deducting the rent-free period. The initial direct expenses related to leasing transactions paid by the company shall be recorded in the expenses of the current period.

When the lesser bears the expenses related to leasing which shall be borne by the company, the company shall deduct such expenses from the total rentals, amortize the rentals after the deduction within the lease period and record them in the expenses of the current period.

The rentals collected by the company for leasing assets shall be amortized by the straight- line method during the entire lease period without deducting the rent-free period. The initial direct expenses related to leasing transactions paid by the company shall be recorded in the expenses of the current period; if the amount is large, they shall be capitalized and recorded in the proceeds of the current period by stages on the same basis as the lease income during the entire lease period.

When the company bears the expenses related to leasing which shall be borne by the lessee, the company shall deduct such expenses from the total rentals and distribute them in the lease period according to the rentals after the deduction.

### **(2) Accounting treatment methods for finance leases**

Assets under finance leases: The company shall record the lower of the fair value of the leased assets and the present value of the minimum lease payments in an account on the commencement date of the lease, record the minimum lease payments in an account as the long-term payables in an account, and record the balance between the fair value of the leased assets and the current value of the minimum lease payments in an account as unrecognized finance charges. The company adopts the effective interest rate method to amortize the unrecognized financing charges during the lease period and record them in the financial charges. The initial direct expenses incurred by the company shall be recorded in the value of the leased assets.

Assets under finance leases: The company shall, on the commencement date of the lease, recognize the balance between the sum of the unsecured residual value of the accounts receivable and the current value of the accounts receivable as unrealized finance gains and recognize them in each period in which the rentals are received in the future as lease income. The initial direct expenses incurred by the company in relation to leasing transactions shall be recorded in the initial measurement of the finance lease accounts receivable and the amount of proceeds recognized in the lease period shall be reduced.

## **43. Other important accounting policies and accounting estimates: None**

**44. Changes in important accounting policies and accounting estimates****(1) Changes in important accounting policies**

√ Applicable □ N/A

Contents of and reasons for changes in accounting policies	Approval Procedures	Remark
In July 2017, the Ministry of Finance promulgated the Revised Accounting Standards for Business Enterprises No.14— Revenue > Notice (Cai Kuai [2017] No.22) (hereinafter referred to as the "New Revenue Standards"). The New Revenue Standards provide that the enterprises listed both at home and abroad and the enterprises which are listed abroad and prepare financial statements under the IFRS or the Accounting Standards for Business Enterprises shall implement the New Revenue Standards from January 1, 2018. Adopt the New Revenue Standards. Other domestically listed enterprises shall implement the New Revenue Standards as of January 1, 2020. Entry Standards. Non-listed enterprises shall implement the New Revenue Standards as of January 1, 2021. The company shall from The New Revenue Standards shall be implemented as of January 1, 2020.	The 33rd meeting of the sixth board of directors and the 29th meeting of the sixth supervisory board held on April 27, 2020 have considered and adopted the Proposal on Change in Accounting Policies.	None

**(2) Significant changes in accounting estimates**

□ Applicable √ N/A

**(3) Information on relevant Item that are adjusted to implement the New Revenue Standards and New Lease Standards for the first time starting from 2020 and implemented in the financial statements at the beginning of the current year**

Application

Is it necessary to adjust the titles of the beginning balance sheet: □ Yes √ No

Balance sheet titles not necessary to be adjusted Explanation: None

**(4) Explanation of Preliminary Data Retrospectively Adjusting the New Revenue Standards and New Lease Standards for the First Time Starting from 2020**

□ Applicable √ N/A



## 45. Miscellaneous

In the course of applying accounting policies, the Company needs to make judgments, estimates and assumptions about the book value of Item that cannot be measured accurately due to the uncertainties inherent in operating activities. These judgments, estimates and assumptions are made on the basis of the past experience of the Company's management and on the basis of other relevant factors. These judgments, estimates and assumptions affect the reported amount of income, expenses, assets and liabilities, and the disclosure of contingent liabilities on the balance sheet date. However, these uncertainties may result in actual results that differ from those currently estimated by the Company's management, resulting in significant adjustments to the carrying amount of assets or liabilities that may be affected in the future.

The Company will regularly review the foregoing judgments, estimates and assumptions on an on-going basis. If a change in an accounting estimate affects only the period of the change, the effect of the change is recognized in the period of the change. If a change in an accounting estimate affects both the period of the change and future periods, the effect of the change is recognized in the period of the change and future periods.

The key areas in which the Company is required to make judgments, estimates and assumptions about the amounts of Item in its financial statements at the balance sheet date are as follows:

(1) Provision of anticipated loss of credit

We calculate anticipated credit loss through EAD and anticipated credit loss, and determine anticipated credit loss based on PD and LGD. In determining anticipated credit loss ratio, the Company uses data such as internal historical credit loss experience with current conditions and forward-looking information when determining anticipated credit loss ratio. When considering forward-looking information, the Company uses indicators such as risks of the economic downturn, increased anticipated unemployment rate, external market conditions, technical conditions and customer conditions. We monitor and review the assumptions relating to the calculation of anticipated credit loss regularly.

(2) Provision for decline in value of inventories

The Company shall, in accordance with the inventory accounting policies, measure the inventory at the cost or net realizable value, whichever is lower, and make provision for loss on decline in value of inventories whose cost is higher than the net realizable value, or for obsolete and unmarketable inventories. Impairment of inventories to net realizable value is based on an assessment of the salability of inventories and their net realizable value. To identify impairment of inventories, the management is required to make a judgment and estimate on the basis of obtaining unambiguous evidence and taking into consideration the purpose for holding inventories and the impact of events occurring after the balance sheet date. Any difference between the actual results and the previously estimated results will affect the inventories and the provision for decline in value of inventories and the period in which the estimate is changed.

(3) Depreciation and amortization

The Company shall withdraw depreciation and amortization of investment real estate, fixed assets and intangible assets by the straight-line method within their useful lives after taking into account their residual values. The Company periodically reviews its useful life to determine the amount to be included in the depreciation and amortization expense for each reporting period. Useful life

is determined by the Company based on its previous experience of similar assets and in the light of expected technology innovation. Depreciation and amortization expense will be adjusted in future periods if previous estimates change materially.

(4) Income Tax

In normal course of business activities, in some transactions of this Company, the final tax treatment and calculation may be uncertain. Whether some Item can be disbursed before tax shall require the approval of the competent taxation authority. If the final determination of these tax matters differs from their initially estimated amount, the difference will affect the current income tax and deferred income tax for the period when they are finally determined.

## VI. Tax Matters

### 1. Main tax categories and tax rates

Tax categories	Tax basis	Tax Rate
VAT	Taxable income	3%/13%
Consumption tax	None	None
Urban Maintenance and Construction Tax	Turnover tax payable in the current period	5%/7%
Enterprise Income Tax	Income tax payable in the current period	15%/25%
Education tax surcharge	Turnover tax payable in the current period	3%
Local education surcharge	Turnover tax payable in the current period	2%

There are taxpayers who pay taxes at different enterprise income tax rates. Explanation of Disclosure

Name of Tax Payer	Income tax rate
Boya Bio-Pharmaceutical Group Co., Ltd.	15%
Nancheng Jinshan Apheresis Plasma Co., Ltd.	25%
Chongren Boya Apheresis Plasma Co., Ltd.	25%
Jinxi Boya Apheresis Plasma Co., Ltd.	25%
Ganzhou Nankang Boya Apheresis Plasma Co., Ltd.	25%
Yuechi Boya Apheresis Plasma Co., Ltd.	25%
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	25%
Linshui Boya Apheresis Plasma Co., Ltd.	25%
Beijing Boya Xinnuo Biotechnology Co., Ltd.	25%
Guizhou Tianan Pharmaceutical Co., Ltd.	15%
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	15%
Xinfeng Boya Apheresis Plasma Co., Ltd.	25%
Fengcheng Boya Apheresis Plasma Co., Ltd.	25%
Yudu Boya Apheresis Plasma Co., Ltd.	25%
Duchang Boya Apheresis Plasma Co., Ltd.	25%
Nanjing Xinbai Pharmaceutical Co., Ltd.	15%
Nanjing Boya Bio-pharmaceutical Co., Ltd.	25%
Guangdong Fuda Pharmaceutical Co., Ltd.	25%
Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd.	25%
Tuanchang Boya Apheresis Plasma Co., Ltd.	25%

## 2. Tax Preferences

Boya Bio-Pharmaceutical Co., Ltd. was jointly recognized as a high-tech enterprise by Jiangxi Provincial Department of Science and Technology, Department of Finance of Jiangxi Province, State Taxation Administration of Jiangxi Province and Jiangxi Provincial Local Taxation Bureau on November 15, 2016 in accordance with the Measures for the Administration on Certification of Hi-tech Enterprises promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation. The certificate No.: GF 201636000480. Valid term of the certificate is three years. Boya Bio-Pharmaceutical Co., Ltd. passed the reexamination on September 16, 2019 and obtained the Certificate of Hi-tech Enterprise No. GR 201936001259. Valid term of the certificate is three years. Boya Bio-Pharmaceutical Co., Ltd. is entitled to the preferential income tax of 15% in 2018, 2019 and 2020.

Tianan Pharmaceutical Co., Ltd., in accordance with the Measures for the Administration on Certification of Hi-tech Enterprises promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation, was promulgated by the Department of Science and Technology of Guizhou Province on November 13, 2017. Guizhou Provincial Department of Finance, State Taxation Administration of Guizhou Province and the Local Taxation Bureau of Guizhou Province jointly recognized as a high-tech enterprise. The certificate No.: GR 201752000216. Valid term of the certificate is three years. Tianan Pharmaceutical Co., Ltd. is entitled to the preferential income tax of 15% in 2018, 2019 and 2020.

In accordance with the Measures for the Administration on Certification of Hi-tech Enterprises promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation, Xinbai Pharmaceuticals was jointly recognized as a high-tech enterprise by the Department of Science and Technology of Jiangsu Province, the Department of Finance of Jiangsu Province, the State Administration of Taxation Jiangsu Bureau and the Local Taxation Bureau of Jiangsu Province on November 28, 2018. Valid term of the certificate is three years. Xinbai Pharmaceuticals is entitled to the preferential income tax of 15% in 2018, 2019 and 2020.

On January 18, 2019, the State Administration of Taxation ("SAT") promulgated the Announcement on Issues concerning the Implementation of Inclusive Income Tax Deduction and Exemption Policies for Small Low-profit Enterprises (the "Announcement"). According to the Announcement, from January 1, 2019 to December 31, 2021, the part of the annual taxable income of small low-profit enterprises which does not exceed 1 million yuan shall be included in the taxable income at the reduced rate of 25% and subject to the enterprise income tax at the reduced rate of 20%; the part of the annual taxable income of more than 1 million yuan but not exceeding 3 million yuan shall be included in the taxable income at the reduced rate of 50% and subject to the enterprise income tax at the reduced rate of 20%.

Small low-profit enterprises refer to enterprises that engage in industries not restricted or prohibited by the State and meet three requirements, one of which is that the annual taxable income is no more than 3 million yuan, the number of employees is no more than 300, and the total amount of assets is no more than 50 million yuan. Certain Plasma extraction companies under Boya Bio-Pharmaceutical Co., Ltd. satisfy the criteria for small low-profit enterprises and enjoy the aforesaid general income tax policies.

Boya Seehot received a Hi-tech Enterprise Certificate jointly issued by Jiangxi Provincial Department of Science and Technology, the Department of Finance of Jiangxi Province and the State Administration of Taxation of Jiangxi Province. The Certificate No.: GR 201936001681. The Certificate shall be issued on December 3, 2019, and the Valid term shall be three years. In accordance with such regulations, Boya Seehot will be entitled to the relevant national preferential tax policies regarding high-tech enterprises for three years (from year 2019), and corporate income tax shall be levied at a tax rate of 15%.

### 3. Miscellaneous

#### (1) Value-added tax rate

Unit	Year 2020	Year 2019
Boya Bio-Pharmaceutical Group Limited Corporation	3%	3%
Nancheng Jinshan Apheresis Plasma Co., Ltd.	3%	3%
Chongren Boya Apheresis Plasma Co., Ltd.	3%	3%
Jinxi Boya Apheresis Plasma Co., Ltd.	3%	3%
Ganzhou Nankang Boya Apheresis Plasma Co., Ltd.	3%	3%
Yuechi Boya Apheresis Plasma Co., Ltd.	3%	3%
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	3%	3%
Linshui Boya Apheresis Plasma Co., Ltd.	3%	3%
Beijing Boya Xinnuo Biotechnology Co., Ltd.	3%	3%
Guizhou Tianan Pharmaceutical Co., Ltd.	13%	13%/16%
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	13%	13%/16%
Xinfeng Boya Apheresis Plasma Co., Ltd.	3%	3%
Fengcheng Boya Apheresis Plasma Co., Ltd.	3%	3%
Yudu Boya Apheresis Plasma Co., Ltd.	3%	3%
Duchang Boya Apheresis Plasma Co., Ltd.	3%	3%
Nanjing Xinbai Pharmaceutical Co., Ltd.	3%/13%	3%/13%/16%
Nanjing Boya Bio-pharmaceutical Co., Ltd.	13%	13%/16%
Nanjing Xinrui Pharmaceutical Technology Development Co., Ltd.	13%	13%/16%
Guangdong Fuda Pharmaceutical Co., Ltd.	3%/13%	3%/13%/16%

Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd.	3%	3%
Tuanchang Boya Apheresis Plasma Co., Ltd.	3%	--

On January 19, 2009, the Ministry of Finance and the State Administration of Taxation promulgated the Circular on the Application of Low Value-added Tax Rate and Simplified Collection Method to Certain Goods (Cai Shui [2009] No. 9). Paragraph 3 of Article 2 of the Circular stipulates that general taxpayers who sell "biological products made from microorganisms, microbial metabolites, animal toxins, human or animal blood or tissues" may choose to calculate and pay the value-added tax at a rate of 6% under the simplified method, but the input tax may not be deducted. After general taxpayers choose the simplified method to calculate and pay the value-added tax, such method shall not be changed within 36 months. Based on the Circular, Boya Bio-Pharmaceutical Co., Ltd. and its subordinate Plasma collection companies shall calculate and pay value-added tax at a rate of 6% under the simplified method since January 1, 2010, and shall not deduct input tax.

On August 24, 2009, the State Administration of Taxation promulgated the Official Reply on Issues Concerning the Value-added Tax Policies for the Supply of Blood for Non-clinical Use (Guo Shui Han [2009] No. 456). Article 2 of the Circular stipulates that if an Apheresis Plasma station, as a general taxpayer of value-added tax, sells human blood for non-clinical use, the taxable amount may be calculated at a rate of 6% under the simplified method, but no special value-added tax invoice may be issued to any other party; it may also be calculated at a rate of value-added tax according to the method for offsetting the input tax against the output tax and the applicable value-added tax rate. After taxpayers choose the method for calculating and paying the value-added tax, such method shall not be changed within 36 months.

On June 13, 2014, the Ministry of Finance and the State Administration of Taxation promulgated the Circular on Simplifying and Consolidating the Value-added Tax Rate Policies (Cai Shui [2014] No. 57). In order to further regulate the tax system and make tax burdens fair, upon the approval of the Department of State, it is decided to simplify and unify the value-added tax rate, and adjust the value-added tax rate from 6% and 4% to 3%. In July 2014, Boya Bio-Pharmaceutical Co., Ltd. and its subordinate Plasma collection companies start to adopt the simple value-added tax rate of 3%.

As proved by Nanjing Food and Drug Administration in April 2018, the products such as oxytocin Injection and bone peptide Injection produced by Xinbai Pharmaceuticals belong to biological products made by microbes, microbial metabolites, animal toxins, human or animal blood or tissues. As of July 1, 2018, Xinbai Pharmaceuticals has opted to calculate and pay the relevant product VAT at a rate of 3% under the simple method, without any input VAT.

## VII. Notes to Item Consolidated Financial Statements

### 1. Monetary funds

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Cash on Hand	592,098.34	737,255.46
Cash at bank	518,017,552.68	537,352,204.65
Other currency funds	14,848,678.74	30,659,811.37
Total	533,458,329.76	568,749,271.48
Including: Aggregate amounts deposited overseas	0.00	0.00
Total amount of payments imposed on use due to mortgage, pledge or freezing etc.	14,848,678.74	30,659,811.37

Other Note: Other currency funds amounting to RMB 14,848,678.74 as deposit for banker's acceptance bills.

### 2. Transactional Financial Assets

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Financial assets measured at fair values and of which the changes are recorded as current profits and losses	111,000,000.00	
Including: Purchase of Wealth Management Products and Structural Deposits	111,000,000.00	
Total	111,000,000.00	

### 3. Derivative financial assets: none

**4. Notes receivable****(1) Notes receivable classified**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Commercial acceptance notes	177,406,641.30	164,431,443.50
Total	177,406,641.30	164,431,443.50

Unit: Chinese yuan

Category	Ending Balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion	Amount	Accrual Percentage	
Notes receivable to make provision for bad debts by portfolio	181,027,185.00	100.00%	3,620,543.70	2.00%	177,406,641.30
Commercial Acceptance Notes Portfolio	181,027,185.00	100.00%	3,620,543.70	2.00%	177,406,641.30
Total	181,027,185.00	100.00%	3,620,543.70	2.00%	177,406,641.30
Category	Opening balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion	Amount	Accrual Percentage	
Notes receivable to make provision for bad debts by portfolio	167,787,187.25	100.00%	3,355,743.75	2.00%	164,431,443.50
Commercial Acceptance Notes Portfolio	167,787,187.25	100.00%	3,355,743.75	2.00%	164,431,443.50
Total	167,787,187.25	100.00%	3,355,743.75	2.00%	164,431,443.50

Provision for bad debts on a single basis: no

Provision for bad debts is made on a portfolio basis;

Unit: Chinese yuan

Name	Ending Balance		
	Book Balance	Provision for bad debts	Accrual Percentage
Commercial Acceptance Notes Portfolio	181,027,185.00	3,620,543.70	2.00%
Total	181,027,185.00	3,620,543.70	--

If the provision for bad debts of note receivable is made based on the general expected credit loss model, please disclose the relevant information of the provision for bad debts referring to the disclosure method of other receivables: √ N/A



**(2) Provisions for bad debts made, recovered, or reversed in the current period**

Provisions for bad debts in the current period:

Unit: Chinese yuan

Category	Opening balance	Amount of Variation in the Current Period				Ending Balance
		Withdrawal	Retaking or Reverse	Write-off	Miscellaneous	
Provision for bad debts in accordance with Commercial Acceptance Bills Portfolio	3,355,743.75	264,799.95				3,620,543.70
Total	3,355,743.75	264,799.95				3,620,543.70

The amount recovered or reversed of the provision for bad debts in the current period is important:  Applicable  N/A**(3) Note receivable that the Company has pledged at the end of the period**

Unit: Chinese yuan

Item	Ending pledged amount
Bankers' acceptances	54,887,002.94
Total	54,887,002.94

**(4) Note receivable that the Company has endorsed or discounted at the Balance Sheet Date and is not due at the Balance Sheet Date: none****(5) Note to be transferred to the accounts receivable by the Company due to the drawer's default at the end of the period: none****(6) Note Receivable that have been actually written off in the current period: none**

## 5. Accounts receivable

### (1) Disclosure by Category of Accounts Receivable

Unit: Chinese yuan

Category	Ending Balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion	Amount	Accrual Percentage	
Accounts receivable to be provided for on a case-by-case basis for bad debts	90,842,375.72	14.82%	4,865,255.84	5.36%	85,977,119.88
Receivables to make provision for bad debts by portfolio basis	521,984,586.59	85.18%	27,464,688.14	5.26%	494,519,898.45
Aging Portfolio	521,984,586.59	85.18%	27,464,688.14	5.26%	494,519,898.45
<b>Total</b>	<b>612,826,962.31</b>	<b>100.00%</b>	<b>32,329,943.98</b>	<b>5.28%</b>	<b>580,497,018.33</b>
Category	Opening balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion	Amount	Accrual Percentage	
Accounts receivable to be provided for on a case-by-case basis for bad debts	53,957,472.09	8.26%	4,893,660.89	9.07%	49,063,811.20
Receivables to make provision for bad debts by portfolio basis	599,469,499.53	91.74%	33,434,654.15	5.58%	566,034,845.38
Aging Portfolio	599,469,499.53	91.74%	33,434,654.15	5.58%	566,034,845.38
<b>Total</b>	<b>653,426,971.62</b>	<b>100.00%</b>	<b>38,328,315.04</b>	<b>5.87%</b>	<b>615,098,656.58</b>

Provision for bad debts on an item-by-item basis:

Unit: Chinese yuan

Name	Ending Balance			
	Book Balance	Provision for bad debts	Accrual Percentage	Reasons for Provision
Jiangsu Wanbang Biochemical Pharmaceutical Group Co., Ltd.	62,200,946.19			
Nanjing Nanda Pharmaceutical Co., Ltd.	23,776,173.69			
Hebei Provincial Center of Health and Biological Products Supply	1,089,214.81	1,089,214.81	100.00%	Anticipated Irrecoverable
Minsheng Group Henan Pharmaceutical Co., Ltd.	1,108,555.00	1,108,555.00	100.00%	Anticipated Irrecoverable
Chengdu Luyan Guangfu Pharmaceutical Co., Ltd.	1,097,140.00	1,097,140.00	100.00%	Anticipated Irrecoverable
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd.	822,042.83	822,042.83	100.00%	Anticipated Irrecoverable
Henan Jinding Pharmaceutical Co., Ltd.	679,800.00	679,800.00	100.00%	Anticipated Irrecoverable
Hainan Lihui Pharmaceutical Co., Ltd.	30,693.20	30,693.20	100.00%	Anticipated Irrecoverable
Chongqing Bining Bio-Pharmaceutical Co., Ltd.	37,810.00	37,810.00	100.00%	Anticipated Irrecoverable
<b>Total</b>	<b>90,842,375.72</b>	<b>4,865,255.84</b>	<b>--</b>	<b>--</b>

Note: Shandong Wanbang Sainuokang Biochemical Pharmaceutical Co., Ltd. (formerly Zaozhuang Sainuokang Biochemical Co., Ltd.) ("Sainuokang") and Xinbai Pharmaceuticals have entered into an agreement on the joint production of Heparina. The agreement provides that Sainuokang Corporation shall provide qualified crude products of Heparina while Xinbai Pharmaceuticals shall be responsible for the production of Heparina APIs in compliance with the standards and responsible for the quality of such APIs, while Sainuokang Corporation shall be responsible for the sales of Heparina APIs. As Jiangsu Wanbang Biochemical Pharmaceutical Group Co., Ltd., Nanjing Nanda Pharmaceutical Co., Ltd. and NCPC International Corporation are the sales units of Heparina designated by Sainuokang Corporation, Sainuokang Corporation shall be responsible for the receipt of the payment. Therefore, the Company will make no provision for bad debts in the middle of 2008 for the Receivables of the 3 companies. As of the end of 2008, the Company will make the provision for bad debts in the amount of 5% of the balance of the creditor's rights after deducting the corresponding batch of raw materials payments payable in the Agreement.

Provision for bad debts by combination:

Unit: Chinese yuan

Name	Ending Balance		
	Book Balance	Provision for bad debts	Accrual Percentage
Less than 1 years	508,123,930.73	25,406,196.54	5.00%
1 to 2 years	11,986,301.31	1,198,630.13	10.00%
2 to 3 years	1,690,821.80	676,328.72	40.00%
Over 3 years	183,532.75	183,532.75	100.00%
Total	521,984,586.59	27,464,688.14	--

Explanation on which basis for determining the combination: none

If the provision for bad debts of accounts receivable is made based on the general model of anticipated credit loss, please disclose the relevant information of the provision for bad debts referring to the disclosure method of other accounts receivable:

Applicable  N/A

Disclosure by Aging

Unit: Chinese yuan

Aging	Ending Balance
Within 1 year (including 1 year)	594,101,050.61
1 to 2 years	11,986,301.31
2 to 3 years	1,690,821.80
Over 3 years	5,048,788.59
Over 3 to 4 years	183,532.75
4 to 5 years	4,865,255.84
Over 5 years	
Total	612,826,962.31

**(2) Provisions for bad debts made, recovered or reversed in the current period**

Provisions for bad debts in the current period

Unit: Chinese yuan

Category	Opening balance	Amount of Variation in the Current Period				Ending Balance
		Withdrawal	Retaking or Reverse	Write-off	Miscellaneous	
Accounts receivable to be provided for on a case-by-case basis for bad debts	4,893,660.89		28,405.05			4,865,255.84
Receivables to be provided for in an aging combination Accounts	33,434,654.15		5,969,966.01			27,464,688.14
Total	38,328,315.04		5,998,371.06			32,329,943.98

**(3) Accounts receivable to be actually written-off in the current period: none****(4) Accounts receivable to be collected on a top-five basis in terms of ending balance**

Unit: Chinese yuan

Company Name	Accounts receivable Ending Balance	Ratio as a percentage of total accounts receivable ending balance	Provision for Bad Debts Ending Balance
Jiangsu Wanbang Biochemical Pharmaceutical Group Co., Ltd.	62,200,946.19	10.15%	
Yinghe Pharmacy, Haizhu District, Guangzhou	27,332,277.40	4.46%	1,366,613.87
Nanjing Nanda Pharmaceutical Co., Ltd.	23,776,173.69	3.88%	
Jiangxi Hui ren Pharmaceutical Trading Co., Ltd.	22,151,057.01	3.61%	1,107,552.85
Shenzhen Quanyaowang Pharmaceutical Company Limited	16,671,752.00	2.72%	833,587.60
Total	152,132,206.29	24.82%	

**(5) Accounts receivable the recognition of which is terminated due to financial asset transfer: none****(6) Amount of the assets and liabilities created by the transfer of accounts receivable and continuous involvement in the transfer of accounts receivable: none**

**6. Accounts receivable Financing**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Bankers' acceptances	150,965,652.70	190,612,082.01
Total	150,965,652.70	190,612,082.01

Changes in accounts receivable financing in current period and changes in fair value:  Applicable  N/AIf the provision for accounts receivable financing is made based on the general expected credit loss model, please disclose the relevant information on the provision for impairment mutatis mutandis other receivables:  Applicable  N/A**7. Advance payments****(1) Advance payments by aging**

Unit: Chinese yuan

Aging	Ending Balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Less than 1 years	23,940,618.86	2.84%	517,726,691.53	61.90%
1 to 2 years	500,526,329.04	59.42%	202,992,467.34	24.27%
2 to 3 years	202,407,261.41	24.03%	115,432,692.69	13.80%
Over 3 years	115,488,780.34	13.71%	228,983.44	0.03%
Total	842,362,989.65	--	836,380,835.00	--

Explanation of reasons for failure to settle advance payments of significant amounts with age over one year:

Item	Ending Balance	Reasons for failure to settle in time
Boya Bio-Pharmaceutical (Guangdong) Co., Ltd.	818,015,660.97	Failure to obtain approval from the regulatory authority to settle in time due to plasma purchase
Total	818,015,660.97	

**(2) Top five advances on ending balance Collected by person to whom advance payment is made**

The top five prepayments of ending balance collective at the end of period are made to whom prepayments are made, that is RMB 838,621,758.19, which accounts for the ratio of total prepayments to the total ending balance 94.30%。

**8. Other receivables**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Other receivables	144,667,678.75	39,312,820.16
Total	144,667,678.75	39,312,820.16

**(1) Interest receivable****1) Category of interest receivable: none****2) Material overdue interest: none****3) Provision for bad debts: none****(2) Dividends receivable****1) Classification of dividends receivable: none****2) Important dividends receivable more than one year old: none****3) Provision for bad debts: none****(3) Other receivables****1) Other receivables by nature of payments**

Unit: Chinese yuan

Nature of payments	Closing Book Balance	Opening Book Balance
Deposit	463,002.45	297,522.17
Deposit	4,078,356.59	34,554,728.00
Imprest Fund	229,000.00	258,892.00
Employee Loans	3,176,651.68	1,981,981.27
Miscellaneous	15,244,864.96	5,054,412.59
Equity Prepayment	123,840,000.00	
Total	147,031,875.68	42,147,536.03

**2) Provision for bad debts**

Unit: Chinese yuan

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Anticipated Credit Loss in Next 12 Months	Anticipated Credit Loss throughout Duration (No Credit Impairment)	Anticipated Credit Loss throughout Duration (Credit Impairment Occurred)	
Balance on January 1, 2020	2,834,715.87			2,834,715.87
Balance on January 1, 2020 in Current Period	---	---	---	---
-- Move into Phase 2	--	--	--	--
-- Move into Phase 3				
-- Switch back to Phase 2				
-- Back to Phase 1				
Current provision				
Current Reversal	470,518.94			470,518.94
Current Convert-Off				
Current Write-Off				
Other Changes				
June 30, 2020 Balance	2,364,196.93			2,364,196.93

Significant changes in book balance in loss provision for current period: Applicable  Not applicable to disclosure by aging

Unit: Chinese yuan

Aging	Ending Balance
Within 1 Year (including 1 year)	15,551,646.60
1 to 2 years	6,103,658.24
2 to 3 years	933,870.09
Over 3 years	602,700.75
Of which: 3 to 4 years	602,700.75
4 to 5 Years	0
Over 5 years	0
Total	23,191,875.68



**3) Status of provisions for bad debts made, recovered or reversed in the current period**

Status of provisions for bad debts recovered or reversed in the current period

Unit: Chinese yuan

Category	Opening balance	Current Variation Amount				Ending Balance
		Withdr awal	Retract or Reverse	Write-off	Miscellaneo us	
Other receivables for which the provision for bad debts is made according to the aging combination	2,834,715.87		470,518.94			2,364,196.93
Total	2,834,715.87		470,518.94			2,364,196.93

**4) Other accounts receivable that have been actually written-off in the current period: none****5) Other receivables ranked in top five in terms of ending balance by debtor**

Unit: Chinese yuan

Company Name	Nature of payment	Ending Balance	Aging	Proportion of other receivables to total ending balance	Provision for Bad Debts Ending Balance
Equity Prepayment	Equity Prepaid	123,840,000.00	Less than 1 years	84.23%	
Qingchuan Liuku Enterprise Management Consulting Co., Ltd.	Miscellaneous	6,000,000.00	Less than 1 years	4.08%	300,000.00
Liaoning Huiming Pharmaceutical Co., Ltd.	Deposit	3,000,000.00	1 - 2 years	2.04%	300,000.00
Austar Pharna, LLC	Miscellaneous	1,611,099.00	1 - 2 years	1.10%	161,109.90
China National Pharmaceutical Group Guangdong Medical Instrument Co., Ltd.	Miscellaneous	1,400,000.00	Less than 1 years	0.95%	70,000.00
Total		135,851,099.00		92.40%	831,109.90

**6) Receivables Involving Government Grants: none****7) Other receivables the recognition of which is terminated due to financial asset transfer: none****8) the amount of the assets and liabilities created by transferring other receivables and continuous involvement in the transfer: none**

**9. Inventories**

Is the Company required to comply with the disclosure requirements of the real estate industry: No

**(1) Inventory Classification**

Unit: Chinese yuan

Item	Ending Balance			Opening balance		
	Book Balance	Provision for Decline in Inventories or Cost of Performance, Less Value Reserve	Book Value	Book Balance	Provision for Decline in Inventories or Cost of Contract Less Value Reserve	Book Value
Raw Materials	249,300,011.13		249,300,011.13	257,082,938.64		257,082,938.64
Products in Process	207,580,738.62		207,580,738.62	199,102,420.18		199,102,420.18
Inventory Goods	202,289,906.75	2,683,416.42	199,606,490.33	165,333,412.31	1,663,324.60	163,670,087.71
Working Materials	2,332,265.89		2,332,265.89	1,544,801.72		1,544,801.72
Total	661,502,922.39	2,683,416.42	658,819,505.97	623,063,572.85	1,663,324.60	621,400,248.25

**(2) Provision for Decline in Inventories and Cost of Contract Performance**

Unit:

Chinese yuan

Item	Opening balance	Current Increase Amount		Current Reduction Amount		
		Withdrawal	Miscellaneous	Reverse or Reverse	Miscellaneous	
Inventory Goods	1,663,324.60	1,020,091.82				2,683,416.42
Total	1,663,324.60	1,020,091.82				2,683,416.42

**(3) Explanation for Capitalization of Borrowing Costs Included in Balance of Inventory: none**

**(4) Explanation for Amortized Amount of Performance Cost of Current Period: none**

**10. Contract Assets: none**

**11. Held for Sale Assets: none**

**12. Non-current assets maturing within one year: none**

**13. Other current assets**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
To be Credited VAT	16,734,216.02	16,998,035.48
Prepaid lease expense	57,825.91	
Prepaid pollutant discharge fee	30,000.00	
<b>Total</b>	<b>16,822,041.93</b>	<b>16,998,035.48</b>

**14. Debt Investment: none****15. Other Investments: none****16. Long-term Accounts Receivable: none****17. Long-term Equity Investment**

Unit: Chinese yuan

Investees	Opening Balance (Carrying Value)	Current Increase Or Decrease Changes								Ending Balance (Carrying Value)	Impairment Provision Closing Balance
		Addition al Investm ent	Reductio n Of Investm ent	Gains Or Losses On Investments Recognized Under The Equity Method	Other Compreh ensive Income Adjustm ent	Other Changes In Interest	Declar ation Of Cash Divide nds Or Profits	Provis ion For Impair ment	Miscella neous		
I. Joint Venture Enterprise											
II. Associated Enterprise											
Zhuji Ruian	40,724,980.89			-879,132.15						39,845,848.74	
Qianhai Youxiang	40,728,577.38			-703,834.00						40,024,743.38	
Shenzhen Ruibao	51,886,529.70			-179,708.67						51,706,821.03	
Subtotal	133,340,087.97			-1,762,674.82						131,577,413.15	
<b>Total</b>	<b>133,340,087.97</b>			<b>-1,762,674.82</b>						<b>131,577,413.15</b>	

**18. Other Equity Instruments Investment**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Royal (Wuxi) Bio-pharmaceutical Co., Ltd.	175,200,000.00	
Total	175,200,000.00	

During the Reporting Period, the Company acquired 11.68% of the equity interest in Royal (Wuxi) Bio-pharmaceutical Co., Ltd.

**19. Other Non- current Financial Assets: none****20. Investment Property: none**

**21. Fixed Assets**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Fixed Assets	706,123,971.61	720,254,464.50
Total	706,123,971.61	720,254,464.50

**(1) Fixed Assets**

Unit: Chinese yuan

Item	Premises and Buildings	Machinery Devices	Means of Transport	Electronics Devices	Other Devices	Total
I. Original Book Value:						
1. Opening Balance	465,928,631.71	530,722,774.20	27,420,200.84	19,652,876.25	50,084,476.90	1,093,808,959.90
2. Current Increase Amount	701,560.71	13,746,371.69	2,006,708.32	3,147,862.40	7,225,302.36	26,827,805.48
(1) Purchase	701,560.71	13,746,371.69	2,006,708.32	3,147,862.40	7,225,302.36	26,827,805.48
(2) Transfer of Construction-in-Progress						
(3) Increase in Business Combination						
3. Current Reduction Payment Amount		32,715,797.08	2,724,623.51	943,347.83	2,085,205.00	38,468,973.42
(1) Disposal or Abandonment		32,715,797.08	2,506,609.51	510,965.83	293,920.00	36,027,292.42
(2) Other Transfer out			218,014.00	432,382.00	1,791,285.00	2,441,681.00
4. Ending Balance	466,630,192.42	511,753,348.81	26,702,285.65	21,857,390.82	55,224,574.26	1,082,167,791.96
II. Accumulated Depreciation						
1. Opening Balance	96,014,488.05	211,198,804.98	22,507,485.11	16,026,519.44	27,807,197.82	373,554,495.40
2. Current Increase Amount	10,254,417.14	19,756,778.54	1,252,005.10	1,006,974.78	3,762,932.09	36,033,107.65
(1) Withdrawal	10,254,417.14	19,756,778.54	1,252,005.10	1,006,974.78	3,762,932.09	36,033,107.65
3. Current Reduction Payment Amount		30,607,399.92	2,591,652.76	199,731.54	144,998.48	33,543,782.70
(1) Disposal or Condemnation		30,607,399.92	2,384,539.46	195,646.54	137,854.16	33,325,440.08
(2) Other Transfer out			207,113.30	4,085.00	7,144.32	218,342.62
4. Ending Balance	106,268,905.19	200,348,183.60	21,167,837.45	16,833,762.68	31,425,131.43	376,043,820.35

III. Provision for Impairment						
1. Opening Balance						
2. Current Increase Amount						
(1) Withdrawal						
3. Current Reduction Amount						
(1) Disposal or Abandonment						
4. Ending Balance						
IV. Book Value						
1. Book Price Value	360,361,287.23	311,405,165.21	5,534,448.20	5,023,628.14	23,799,442.83	706,123,971.61
2. Book Price Value	369,914,143.66	319,523,969.22	4,912,715.73	3,626,356.81	22,277,279.08	720,254,464.50

(2) Fixed assets idle temporarily: no

(3) Information on the fixed assets leased by finance lease: none

(4) Fixed assets leased by operation lease: none

(5) Information on Fixed Assets without Title Certificates

Unit: Chinese yuan

Item	Book Value	Reasons for Failure to Obtain Title Certificate
Plasma Station Building (Nankang Plasma Station)	6,026,744.37	In Process
Total	6,026,744.37	

(6) Fixed assets clearance: none

**22. Construction-in-Progress**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Construction-in-Progress	108,396,223.65	94,546,219.67
Total	108,396,223.65	94,546,219.67

**(1) Construction-in-Progress**

Unit: Chinese yuan

Item	Ending Balance			Opening balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Ceftriaxone Project	14,000,000.00		14,000,000.00	14,000,000.00		14,000,000.00
Boya Seehot Pharmaceutical Industry Project	27,656,164.16		27,656,164.16	27,408,972.16		27,408,972.16
Coagulation Factor Production Research & Development Building	3,353,198.76		3,353,198.76	4,659,895.56		4,659,895.56
1000 Ton Blood Product Intelligent Factory Construction Project Purpose	17,212,426.48		17,212,426.48	17,198,038.48		17,198,038.48
Management Platform of Apheresis Plasma Station	1,683,142.35		1,683,142.35	4,648,000.00		4,648,000.00
Duchang Plasma Station Construction Project	6,292,737.15		6,292,737.15	858,234.53		858,234.53
Nankang Jian Station Construction Project	158,263.76		158,263.76			
Miscellaneous Works	5,572,028.13		5,572,028.13	7,960,985.13		7,960,985.13
Chongren Plasma Station Construction Project	32,468,262.86		32,468,262.86	17,812,093.81		17,812,093.81
Total	108,396,223.65		108,396,223.65	94,546,219.67		94,546,219.67

**(2) Changes in Major Construction-in-Progress Projects at Current Period**

Unit: Chinese yuan

Project name:	Budget	Opening balance	Current Increase Amount	Fixed Assets Transfer Amount in Current Period	Current Other Reduction Amount	Ending Balance	Proportion of Cumulative Investment to Budget	Construction Schedule	Cumulative Amount to Capitalization of Interest	Of which: Amount to Be Capitalized	Current Interest Capitalization Rate	Source of Funds
Ceftriaxone Project	35,000,000.00	14,000,000.00	-			14,000,000.00	40.00%	40%				Proceeds Raised
Production of Coagulation Factor Products	96,400,000.00	4,659,890.00	-	1,306,690.00		3,353,190.00	3.48%	3.48%				Proceeds Raised

R&D Building Project	00.00	5.56		6.80		8.76						
Boya Seehot Pharmaceutical Industry Project	200,000,000.00	27,408,972.16	247,192.00			27,656,164.16	13.83%		14,277,328.76			Own Funds and Raised
1000 Tons Blood Products Intelligent Factory Construction Design Item	1,360,115,000.00	17,198,038.48	14,388.00			17,212,426.48	1.27%	1.27%				Own and Raised
<b>Total</b>	<b>1,691,515,000.00</b>	<b>63,266,906.20</b>	<b>261,580.00</b>	<b>1,306,696.80</b>		<b>62,221,789.40</b>	<b>--</b>	<b>--</b>	<b>14,277,328.76</b>			<b>--</b>

(3) Provision for the impairment reserves of construction in process in current period: none

(4) Project materials: none

23. Biological productive assets: none

24. Oil and gas assets: none

25. Assets in Possession: none

26. Intangible assets

(1) Description of intangible assets

Unit: Chinese yuan

Item	Land-use Right	Patent Rights	Non-patented technology	Patented technology	Miscellaneous	Total
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I. Original Book Value						
1. Opening Balance	127,675,226.27	9,794,831.07	30,562,626.21	43,794,172.21		211,826,855.76
2. Current Increase Amount		5,475,437.50		7,761,735.99		13,237,173.49
(1) Purchase		47,437.50		86,037.74		133,475.24
(2) Internal R&D				7,675,698.25		7,675,698.25
(3) Increase in Business Combination						
(4) Transfer of Construction-in-Progress		5,428,000.00				5,428,000.00
3. Current Reduction Payment Amount						
(1) Disposal						
4. Ending Balance	127,675,226.27	15,270,268.57	30,562,626.21	51,555,908.20		225,064,029.25
II. Accumulated Amortization						
1. Opening Balance	14,517,057.97	5,040,978.14	7,154,334.27	9,499,565.25		36,211,935.63
2. Current Increase Amount	1,526,475.12	663,784.11	1,524,472.26	1,765,201.81		5,479,933.30
(1) Withdrawal	1,526,475.12	663,784.11	1,524,472.26	1,765,201.81		5,479,933.30
3. Current Reduction Amount						
(1) Disposal						
4. Ending Balance	16,043,533.09	5,704,762.25	8,678,806.53	11,264,767.06		41,691,868.93
III. Provision for Impairment						
1. Opening Balance						
2. Current Increase Amount						
(1) Withdrawal						
3. Reduction Amount						
(1) Disposal						
4. Ending Balance						
IV. Book Value						
1. Closing Book Value	111,631,693.18	9,565,506.32	21,883,819.68	40,291,141.14		183,372,160.32

2. Opening Book Value	113,158,168.30	4,753,852.93	23,408,291.94	34,294,606.96		175,614,920.13
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Intangible assets formed through internal research and development of the Company at the end of the current period account for 3.41% of the balance of intangible assets.

**(2) Information on Land Use Right without Title Certificates: none**

**27. Development Expenditure**

Unit: Chinese yuan

Item	Opening balance	Current Increase Amount			Current Reduction Amount			Ending Balance
		Internal Development Expenditure	Miscellaneous		Confirmed as intangible assets	Transfer-in Current Profit and Loss		
Human Coagulation Factor I	28,846,164.75	2,141,199.42						30,987,364.17
Human Prothrombin Complex	14,987,329.04	929,582.10						15,916,911.14
Intermediate Industrialization Technology for Statins	17,280,618.73		777,693.84					18,058,312.57
Development of Acarbose	6,937,293.81		224,153.88					7,161,447.69
Re-evaluation of Injection and Improvement of Standard	20,651,078.62	1,904,773.91						22,555,852.53
Generic Consistency Evaluation	16,396,625.47		10,388.93		7,675,698.29			8,731,316.11
Total	105,099,110.42	4,975,555.43	1,012,236.65		7,675,698.29			103,411,204.21

## 28. Goodwill

### (1) Book Value of Goodwill

Unit: Chinese yuan

Name of Investee or Event Forming Goodwill Item	Opening balance	Current Increase		Current Reduction		Ending Balance
		Formed by Business Combination		Disposal		
Tianan Pharmaceutical	126,747,644.00					126,747,644.00
Xinbai Pharmaceuticals	371,026,199.46					371,026,199.46
Fuda Pharmaceutical	166,068,135.32					166,068,135.32
Total	663,841,978.78					663,841,978.78

### (2) Provision for Impairment of Goodwill

Tianan Pharmaceutical Co., Ltd., Xinbai Pharmaceuticals and Fuda Pharmaceutical Co., Ltd. are independent in business and can generate cash flow independently. They treat each company as an asset group. The composition scope of the group assets or the combination of group assets includes the operating long-term assets and working capital.

In accordance with the provisions of the Accounting Standards for Business Enterprises No. 8 - Asset Impairment, no matter whether there is any sign of impairment, the business reputation formed by merger of enterprises shall be subject to impairment test every year. Where any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets.

As the Company has no intention of selling Tianan Pharmaceutical Asset Group, Xinbai Pharmaceuticals Asset Group and Fuda Pharmaceutical Asset Group, there is no agreed price for sale; moreover, it is difficult to find any transaction cases that are identical or similar to those of Tianan Pharmaceutical Asset Group, Xinbai Pharmaceuticals Asset Group and Fuda Pharmaceutical Asset Group in the open market, the management of the Company is unable to obtain information through such information. The materials and information of the Company can reliably estimate the net amount of the fair value of the asset group minus the disposal expenses. Therefore, the recoverable amount of Tianan Pharmaceutical Asset Group, Xinbai Pharmaceuticals Asset Group and Fuda Pharmaceutical Asset Group shall be determined according to the current value of the future cash flow as predicted by the asset groups. The management shall, on the basis of the financial budget for the future five years, predict the cash flow in the future, and the discount rate for calculating the current value shall be the pre-tax discount rate, which can reflect the specific risks of the relevant asset group.

#### 1) Important assumptions and bases

##### A. Important assumptions and bases

On-going concern assumption: it is assumed that, after the base date of valuation, the evaluated unit can continue to operate and all the assets of the enterprise can continue to be used for the original purpose;

Transaction assumption: it is assumed that all the assets to be evaluated have been in the process of transaction, and the valuation is made on the basis of the transaction conditions of the assets to be evaluated in a simulated market;

Open market assumption: it is assumed that the assets traded or planned to be traded in the market shall have equal status to each other and each party has the opportunity and time to obtain sufficient market information so as to make rational judgments on the function, purpose and transaction price of the assets. The open market assumption is based on that the assets may be traded in the market in a public manner.

#### B. Specific assumptions

There is no major change in the current laws, regulations and policies of the state or in the macro-economic situation of the state; There is no major change in the political, economic and social environment of the regions where the parties to the transaction are located;

Assume that, on the basis of the current management methods and management proficiency, the business scope and methods of the entity to which the asset group belongs shall keep consistent with the current direction. The operators of the company shall be responsible, the management of the company shall be able to take their positions, there is no obviously adverse change in the core team, and the company has fully abided by all the relevant laws and regulations;

Assume that the qualifications such as the specific administrative license, franchise qualification and specific contract project, etc. of the entity to which the asset group belongs can be continued upon expiration and the market practice of the relevant qualifications remains unchanged;

Assume that the accounting policies to be adopted by the entity to which the asset group belongs in the future are basically consistent with the accounting policies it adopts in the preparation of the report, and that there is no major adverse effect on the evaluated entity due to force majeure or unforeseeable factors.

Upon test, there is no sign of impairment in any of the above-mentioned asset groups.

**29. Long-term deferred expenses**

Unit: Chinese yuan

Item	Opening balance	Current Increase Amount	Current Amortization Amount	Other Reduction Amount	Ending Balance
Decoration Works	18,173,506.97	2,155,538.83	2,561,904.40		17,767,141.40
Plasma Station Expansion	37,499,999.55		3,000,000.06		34,499,999.49
Car Rental Fee	233,883.44		61,013.10		172,870.34
GE Gel (Chromatography)		1,856,500.00	92,825.01		1,763,674.99
Fillings		2,324,700.00	116,235.00		2,208,465.00
Nucleic Acid Laboratory Decoration		174,414.99	9,689.72		164,725.27
Total	55,907,389.96	6,511,153.82	5,841,667.29		56,576,876.49

**30. Deferred income tax assets/deferred income tax liabilities****(1) Deferred income tax assets not subject to offset**

Unit: Chinese yuan

Item	Ending Balance		Opening balance	
	Deductible Temporary Variation	Deferred income tax assets	Deductible Temporary Variation	Deferred income tax assets
Provision for Impairment of Assets	48,791,965.24	8,204,617.84	46,182,099.26	7,768,977.04
Unrealized profits from intercompany transactions	37,255,317.55	6,166,596.72	43,423,610.88	7,700,124.66
Accrued expenses	8,817,216.77	2,204,304.19	44,925,636.69	7,620,567.18
Unpaid remuneration	12,423,817.39	1,863,572.61	19,415,452.92	2,912,317.93
Total	107,288,316.95	18,439,091.36	153,946,799.75	26,001,986.81

**(2) Deferred income tax liabilities not subject to offset**

Unit: Chinese yuan

Item	Ending Balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Appraisal Appreciation of Assets of Tianan Pharmaceutical Not Under Common Control	7,784,763.80	1,167,714.57	8,410,420.42	1,261,563.07
Appraisal Appreciation of Assets of Xinbai Pharmaceuticals Merger Not Subject to Common Control	35,908,794.73	5,386,319.21	36,910,859.67	5,536,628.95
Accelerated depreciation of fixed assets	125,616.95	31,379.25	125,616.95	31,379.25
Total	43,819,175.48	6,585,413.03	45,446,897.04	6,829,571.27

**(3) Deferred income tax assets or liabilities net after set-off**

Unit: Chinese yuan

Item	Deferred income tax assets and liabilities ending offset amount	Deferred income tax assets or liabilities after set-off Ending Balance	Opening Offset amount of deferred income tax assets and liabilities	Opening balance of deferred income tax assets or liabilities after offset
Deferred income tax assets		18,439,091.36		26,001,986.81
Deferred income tax liabilities		6,585,413.03		6,829,571.27

**(4) Detailed list of unrecognized deferred income tax assets**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Deductible Loss	72,363,025.02	56,097,836.16
Total	72,363,025.02	56,097,836.16

**(5) The deductible loss of an unrecognized deferred income tax asset will fall due in the following year**

Unit: Chinese yuan

Year	Ending amount	Opening amount
Year 2020		2,297,736.62
Year 2021	6,698,490.61	7,690,773.54
Year 2022	4,785,252.17	4,785,252.17
Year 2023	6,483,809.01	6,483,809.01
Year 2024	34,840,264.82	34,840,264.82
Year 2025	19,555,208.41	
Total	72,363,025.02	56,097,836.16

**31. Other non-current assets**

Unit: Chinese yuan

Item	Ending Balance			Opening balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Advance payment for engineering devices	16,782,027.09		16,782,027.09	20,597,333.61		20,597,333.61
Advance Payment for Technology Transfer	28,617,676.87		28,617,676.87	27,803,716.87		27,803,716.87
Advance Payment for Equity Transfer Price				180,700,000.00		180,700,000.00
Total	45,399,703.96		45,399,703.96	229,101,050.48		229,101,050.48

**32. Short-term Loan****(1) Classification of Short-term Loans**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Guaranteed Loan	560,000.00	10,560,000.00
Credit Borrowing	320,000,000.00	200,000,000.00
Discounting	100,000,000.00	46,000,000.00
Interest Payable on Borrowing	325,923.61	272,525.00
Total	420,885,923.61	256,832,525.00

Explanation of Classification of Short-term Loan: Note Discounting is the amount discounted from undue acceptances issued between the companies within consolidated accounts.

**(2) overdue but unpaid short-term loans: none****33. Transactional Financial Indebtedness: none****34. Derivative Financial Indebtedness: none****35. Notes Payable**

Unit: Chinese yuan

Categories	Ending Balance	Opening balance
Bankers' acceptances	75,339,459.05	78,723,975.84
Total	75,339,459.05	78,723,975.84

The total amount of the Note Payable that is due but unpaid at the end of this period is RMB 0.

**36. Accounts Payable****(1) Accounts Payable**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Less than 1 years	249,140,726.80	135,455,556.55
1 to 2 years	10,675,838.74	26,350,145.95
2 to 3 years	11,099,802.51	5,931,428.67
Over 3 years	3,498,600.39	4,211,973.22
<b>Total</b>	<b>274,414,968.44</b>	<b>171,949,104.39</b>

**(2) Material accounts payable that are more than one year old;**

Unit: Chinese yuan

Item	Ending Balance	Reason for Outstanding or Carry Forward
Jiangxi Dingshun Construction Engineering Co., Ltd.	3,043,961.18	Last payment for quality assurance
Jiangxi Chuanze Construction Co., Ltd.	962,000.00	Last payment for quality assurance
Jinfu Construction Group Co., Ltd.	6,958,019.46	Last payment for quality assurance
Suzhou Tianrui Environmental Technology Co., Ltd.	2,547,747.74	Last payment for quality assurance
Jiangxi Gusu Purification Technology Co., Ltd.	1,882,072.57	Last payment for quality assurance
Shenzhen Saizhuo Environmental Technology Co., Ltd.	708,068.37	Last payment for quality assurance
Nanchang Helisi Biotechnology Co., Ltd.	614,305.00	Last payment for quality assurance
<b>Total</b>	<b>16,716,174.32</b>	--



**37. Payment Received in Advance****(1) Listing of payments received in advance**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Less than 1 years	15,739,285.78	14,399,886.37
1 to 2 years	10,056.97	498,060.60
2 to 3 years	13,000.40	73,059.00
Over 3 years	153,025.34	171,188.52
<b>Total</b>	<b>15,915,368.49</b>	<b>15,142,194.49</b>

**(2) Important advances with age more than one year: none****38. Contractual Indebtedness: none**

**39. Employee Remuneration Payable****(1) List of compensation payable**

Unit: Chinese yuan

Item	Opening balance	Current Increase	Current Reduction	Ending Balance
I. Short-term remuneration	70,592,609.50	109,882,062.14	143,711,245.79	36,763,425.85
II. Post-employment Benefits - Defined Contribution Plan	309,114.86	2,535,803.21	2,496,613.62	348,304.45
Total	70,901,724.36	112,417,865.35	146,207,859.41	37,111,730.30

**(2) Listing of short-term compensation**

Unit: Chinese yuan

Item	Opening balance	Current Increase	Current Reduction	Ending Balance
1. Wages, Bonuses, Allowances and Subsidies	69,630,725.00	92,627,953.10	126,748,209.55	35,510,468.55
2. Employee welfare		7,960,247.09	7,907,123.09	53,124.00
3. Social Security Contribution	143,768.43	2,923,436.21	2,906,965.92	160,238.72
Including: Medical insurance premium	122,573.44	2,732,523.32	2,721,433.11	133,663.65
Work-related Injury Insurance Premium	14,007.89	41,458.40	37,645.18	17,821.11
Maternity Insurance Premium	7,187.10	149,454.49	147,887.63	8,753.96
4. Housing Fund	172,775.00	5,217,861.45	5,199,877.03	190,759.42
5. Trade Union Funds and Employee Educational Fund	355,882.07	639,079.24	752,269.96	242,691.35
8. Dismissal Benefits				
9. Employee Bonus and Welfare Fund				
10. Miscellaneous	289,459.00	513,485.05	196,800.24	606,143.81
Total	70,592,609.50	109,882,062.14	143,711,245.79	36,763,425.85

**(3) List of establishment of contribution plan**

Unit: Chinese yuan

Item	Opening balance	Current Increase	Current Reduction	Ending Balance
1. Basic Pension Insurance	287,549.88	2,437,136.91	2,400,507.56	324,179.23
2. Unemployment Insurance Premium	21,564.98	98,666.30	96,106.06	24,125.22
Total	309,114.86	2,535,803.21	2,496,613.62	348,304.45

**40. Taxes Payable**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
VAT	14,399,924.64	15,490,168.00
Enterprise Income Tax	23,340,345.98	30,098,048.82
Individual Income Tax	674,932.59	746,488.90
Urban Maintenance and Construction Tax	925,206.23	1,028,253.56
Property Tax	923,913.07	917,393.48
Land Use Tax	440,184.89	448,099.95
Education Surcharge	759,640.53	803,893.02
Stamp Duties	64,540.40	816,476.27
Environmental Protection Tax	1,979.97	7,094.30
<b>Total</b>	<b>41,530,668.30</b>	<b>50,355,916.30</b>

**41. Other Payables**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Dividends payable	7,500,000.00	
Other payables	164,002,042.56	215,047,702.25
<b>Total</b>	<b>171,502,042.56</b>	<b>215,047,702.25</b>

**(1) Interest Payable: None****(2) Dividends Payable**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Ordinary Dividends	7,500,000.00	
<b>Total</b>	<b>7,500,000.00</b>	

Other explanatory notes, including important dividends payable which have not been paid for more than 1 year. The reason for non-payment shall be disclosed: none

**(3) Other Payables****1) Other payables by nature of amount**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Market Service Fee	65,204,551.35	183,166,125.23
Deposit	21,268,014.10	24,937,812.13
Miscellaneous	77,529,477.11	6,943,764.89
<b>Total</b>	<b>164,002,042.56</b>	<b>215,047,702.25</b>

**2) Important other payables with aging more than one year;**

Unit: Chinese yuan

Item	Ending Balance	Reason for Outstanding or Carry Forward
Jiangxi Angrong Consulting Co., Ltd.	1,052,520.00	Deposit Pending
Guangdong Shanyu Biotechnology Co., Ltd.	532,000.00	Deposit Pending Refundable
Jiangxi Dingshun Construction Engineering Co., Ltd.	397,536.26	Outstanding Settlement of Work
Lanzhou Longyuan Bio-Pharmaceutical Co., Ltd.	501,000.00	Deposit Pending
<b>Total</b>	<b>2,483,056.26</b>	<b>--</b>

**42. Held Pending Liabilities: none****43. Non- current liabilities due within one year**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Long-term loans maturing within one year	105,000,000.00	97,000,000.00
Interest due and payable within one year	451,251.39	556,154.75
<b>Total</b>	<b>105,451,251.39</b>	<b>97,556,154.75</b>

**44. Other current liabilities: none**

**45. Long-term Loan****(1) Classification of Long-term Loans**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Pledge Loan		76,000,000.00
Guaranteed Loan	150,000,000.00	190,000,000.00
Credit Borrowing	95,000,000.00	100,000,000.00
Less: Long-term Loans maturing within one year	105,000,000.00	97,000,000.00
Total	140,000,000.00	269,000,000.00

Description of Classification of Long-term Loans:

Details of Long-term Loans to be set forth:

Unit of Loan	Type of Loan	Commencement Date of Loan	Termination Date of Loan	Interest Rate	Ending Balance
Fuzhou Branch of Bank of China	Credit Borrowing	2019-10-23	2022-10-20	4.28%	85,000,000.00
Fuzhou Branch of Industrial and Commercial Bank of China	Guarantee	2017-3-14	2022-3-12	4.75%	55,000,000.00
Total	—	—	—	—	140,000,000.00

**46. Bonds payable: none****47. Leasehold indebtedness: none****48. Long-term Payables: none****49. Long-term Wages payable: none****50. Estimated Liabilities: none**

**51. Deferred income**

Unit: Chinese yuan

Item	Opening balance	Current Increase	Current Reduction	Ending Balance	Cause of formation
Government Grants	35,765,015.00		1,779,998.00	33,985,017.00	Receipt of Government Grants
Total	35,765,015.00		1,779,998.00	33,985,017.00	--

Projects involving government subsidies:

Unit: Chinese yuan

Liabilities Item	Opening balance	Amount of this Period of Additional Grant	Amount Included in Non-operating Revenue in Current Period	Amount Included in Other Income in Current Period	Amount Offset Cost in Current Period	Other Changes	Ending Balance	Related to the Assets/Related to the Income
Biological Agents Industrialization Project	50,000.00			50,000.00				Related to the Assets
GMP Revamp Project	1,314,000.00			109,500.00			1,204,500.00	Related to the Assets
Comprehensive Formulation Building Construction Project	906,015.00			75,498.00			830,517.00	Related to the Assets
Sterilization Workshop Revamp Workshop	855,000.00			45,000.00			810,000.00	Related to the Assets
1000 Ton Blood Smart Factory Item	2,300,000.00						2,300,000.00	Related to the Assets
Deep Development of Coagulation Factor Products and Industries Purpose	3,000,000.00						3,000,000.00	Related to the Assets
R&D and engineering test devices Grants	500,000.00						500,000.00	Related to the Assets
Development Project for Key Intermediates	340,000.00						340,000.00	Related to the Assets
Financial Subsidy for Technical Revamp (R&D for	26,500,000.00			1,500,000.00			25,000,000.00	Related to the

Production of Coagulation Factor Products Building Project)								Assets
Total	35,765,015.00			1,779,998.00			33,985,017.00	

## Other Remarks:

The Company passed the national GMP certification in January 2010 and officially put into production. Pursuant to the National Development and Reform Commission (2009) No. 3039, the Company received from Fuzhou Municipal Bureau of Finance as the construction supporting subsidies of RMB 6 million from the Fuzhou Municipal Bureau of Finance in February 2010. The Company shall be distributed equally over the relevant assets' service life and included in the current period Profit and loss of the current period shall be RMB 50,000.

In order to implement the Several Opinions of the State Council on Further Promoting Better and Faster Economic and Social Development of Guizhou Province (Guo Fa [2012]), the GMP transformation project is Guiyang Municipality. 2 No.: To accelerate the conversion capability of science and technology to real productivity and the industrialization of high- tech achievements. The first batch of annual output of 1.5 billion tablets (particles) was received on August 8, 2014. Investment subsidy of RMB400,000 for industrialization of GMP production line. On September 4, 2014, the second batch of GMP production line with an annual output of 1.5 billion tablets (particles) was received. Investment subsidy of RMB700,000 for industrialization. On December 30, 2015, the third batch of GMP production line with an annual output of 1.5 billion tablets (particles) was received. RMB1,000,000. The Company shall be distributed equally over the service life of the relevant assets and included in the profit and loss of the current period in the profit and loss of RMB109,500.

Comprehensive formulation building construction project is a project of Nanjing Economic-Technological Area in accordance with Nanjing's Issuance of Special Funds for Emerging Industries in 2015 and Relevant Funds. Investment subsidy for construction of comprehensive formulation building project for Strategic Emerging Industries Development Project issued pursuant to the Notice on Golden Plan (Ning Cai Qi [2015] No. 688). January 15, 2016 On December 25, 2011, the Company officially received the investment subsidy of RMB1.51 million, which was distributed equally over the service life of the relevant assets and included in the profit and loss of RMB 75,500 in the profit and loss of the current period.

The 1000-ton blood product intelligent factory project is a 1000-ton blood system issued by Fuzhou High-tech Industrial Development Zone according to the document Fu Gao Gao Ban Chao Zi [2017] No.438. Investment subsidy for intelligent factory project. In October 2017, the company officially received the investment subsidy of Rmb1.7 million. In March 2019, the Company received the investment subsidy of RMB 600,000.

The deep development and industrialization project for blood coagulation factor products is the project development subsidy issued by Fuzhou High-tech Industrial Development Zone in accordance with the Notice of Jiangxi Provincial Department of Science and Technology on Issuance of the Third Batch of Provincial Science and Technology Projects in 2017 (Gan Ke Fa Ji Zi [2017] No. 174). In December 2017, the Company officially received the development subsidy of RMB3 million for this project.

The subsidy for R&D and engineering testing devices refers to the fund issued by Fuzhou Municipal Development and Reform Commission for the purchase of R&D testing facilities in accordance with the Notice of Jiangxi Provincial Development and Reform Commission on Issuing the Fund for Infrastructure Investment and Protective within the Provincial Budget of Jiangxi Province for Innovation Capability Construction Project in 2016 (Gan Fa Gai Gao Ji [2016] No.1074).

The key intermediate development project for statins was the project development subsidy issued by Fuzhou High-tech Industrial Development Zone in accordance with the Notice of Jiangxi Provincial Department of Science and Technology on Issuance of the First Batch of Provincial Science and Technology Projects in 2017 (Gan Ke Fa Ji Zi [2017] No. 174). In December 2017, the Company officially received the development subsidy of RMB200,000 for this project. In January 2018, the second batch of development subsidy issued by Fuzhou High-tech Industrial Development Zone in accordance with the Notice of the Bureau of Science and Technology of Fuzhou City on Issuance of 2017 City-level Scientific and Technological Projects and Patents (Fu Ke Ji Zi [2017] No. 24) for this project.

The subsidy for technological transformation refers to the subsidy for technological transformation released by Fuzhou High-tech Industrial Development Zone in accordance with the document Fu Gao Gao Ban Chao Zi [2018] No. 588. Such subsidy, totaling RMB30 million, is used specifically for the R&D Building project for the production of blood coagulation factor products and for the fixed asset investment of the project. Within the service life of relevant assets. Evenly distributed and included in the current profits and losses of RMB1.5 million.

The sterilization workshop renovation project is the subsidy issued by the Bureau of Finance of Nanjing City in accordance with the Notice on Issuance of the Special Fund Project and Fund Plan for Nanjing Industry and Information Technology Development in 2019 (the First Batch) (Ning Gong Xin Investment [2019] No. 54). In July 2019, the company received the project subsidy of RMB 900,000. The company distributed such subsidy equally during the service life of the relevant assets and included in the current profits and losses of RMB 45,000.



**52. Other non-current liabilities: none****53. Share capital**

Unit: Chinese yuan

Item	Opening balance	Increase or Decrease in this Change (+, -)					Ending Balance
		Issuance of New Shares	Stock Bonus	Conversion of Shares of Common Reserve Fund	Miscellaneous	Subtotal	
Total Number of Shares	433,324,863.00						433,324,863.00

**54. Other Equity Instruments: none****55. Capital Reserves**

Unit: Chinese yuan

Item	Opening balance	Current Increase	Current Reduction	Ending Balance
Capital premium (share premium)	1,940,524,662.30			1,940,524,662.30
Other Capital Reserves	6,341,969.36			6,341,969.36
Total	1,946,866,631.66			1,946,866,631.66

**56. Treasury Shares**

Unit: Chinese yuan

Item	Opening balance	Current Increase	Current Reduction	Ending Balance
Share Award Plan Holding Treasury Shares	199,963,593.69			199,963,593.69
Total	199,963,593.69			199,963,593.69

**57. Other comprehensive income: none****58. Special Reserves: none**

**59. Surplus Reserves**

Unit: Chinese yuan

Item	Opening balance	Current Increase	Current Reduction	Ending Balance
Legal surplus Reserves	176,059,400.15			176,059,400.15
Total	176,059,400.15			176,059,400.15

**60. Undistributed Profits**

Unit: Chinese yuan

Item	Current Issue	Previous Period
Undistributed Profit before Adjustment at the End of Previous Period	1,555,447,227.36	1,229,914,294.39
Subsequent Opening Undistributed Beginning	1,555,447,227.36	1,229,914,294.39
Plus: Net Profits attributable to owners of the parent company	161,112,708.06	426,146,775.92
Less: Withdrawal of Legal Surplus Reserve		35,615,145.61
Common Dividends Payable	63,891,024.45	64,998,697.34
Closing Undistributed Profits	1,652,668,910.97	1,555,447,227.36

Breakdown of undistributed profit at the beginning of the adjustment period:

- 1) Due to retrospective adjustment to the Accounting Standard for Business Enterprises and the relevant new regulations thereof, the opening undistributed profit was affected by RMB 0;
- 2) The opening undistributed profit of the period is affected by a change in accounting policy, at the time of the period is RMB 0;
- 3) The opening undistributed profit of the period is affected by the correction of a material accounting error, at the time of the period is RMB 0;
- 4) The opening undistributed profit of the period is affected by the change in the merger scope due to the same control;
- 5) The aggregate of other adjustments affect the opening undistributed profit of RMB 0;

**61. Operating Revenue & Operating Costs**

Unit: Chinese yuan

Item	Current Amount Incurred		Amount Incurred in the Previous Period	
	Revenues	Costs	Revenues	Costs
Principal Business	1,327,726,919.03	617,934,953.74	1,374,873,974.49	536,303,371.43
OTHER BUSINESS	179,893.00		819,645.16	
Total	1,327,906,812.03	617,934,953.74	1,375,693,619.65	536,303,371.43

Revenue Related Information:

Unit: Chinese yuan

Contract Classification	Division 1	Division 2	Amount	Total
Classification of Goods			1,327,726,919.03	1,327,726,919.03
Including: Blood Product Business			468,333,886.34	468,333,886.34
Including: Biochemical Pharmaceutical Business			394,130,212.25	394,130,212.25
Including: Fuda Pharmaceutical Distribution Business			306,728,911.57	306,728,911.57
Including: Diabetes Pharmaceutical Business			162,735,506.96	162,735,506.96
Including: Others			9,945,795.09	9,945,795.09
Including: Intersegment Set-off			14,147,393.18	14,147,393.18
Classification by Area of Business			1,327,726,919.03	1,327,726,919.03
Including: Domestic Market			1,327,726,919.03	1,327,726,919.03
Including: International Market			0	0
Classification by Time of Transfer			1,327,726,919.03	1,327,726,919.03
Including: Transfer at a certain point of time			1,327,726,919.03	1,327,726,919.03
Total			1,327,726,919.03	1,327,726,919.03

**62. Taxes and Surcharges**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Urban Maintenance and Construction Tax	3,320,547.76	3,818,892.01
Education Surcharge	2,691,173.53	2,901,297.03
Property Tax	1,633,823.73	1,622,989.90
Land Use Tax	981,076.32	1,180,187.08
Vehicle and Vessel Use Tax	40,314.80	33,815.70
Stamp Duties	258,385.33	289,150.05
Environmental taxes	9,081.56	10,995.74
<b>Total</b>	<b>8,934,403.03</b>	<b>9,857,327.51</b>

**63. Selling Expenses**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Salary and Remuneration	16,980,785.25	12,839,632.38
Office Expenses	323,440.53	2,485,802.56
Travel Expenses	877,327.82	2,039,208.24
Transportation Expenses	6,922,028.88	4,278,493.90
Market Service Fee	353,905,282.69	416,032,770.11
Depreciation	756,482.64	793,364.16
Rent	426,443.35	839,128.26
Business Entertainment Expenses	1,365,786.22	1,104,710.08
Miscellaneous	5,050,047.17	10,613,522.83
<b>Total</b>	<b>386,607,624.55</b>	<b>451,026,632.52</b>

**64. Management Expenses**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Salary and Remuneration	31,172,812.09	44,548,149.94
Depreciation Expenses	7,487,319.81	7,875,110.59
Amortization of Long-term Prepaid Expenses	5,138,650.55	4,060,406.09
Amortization of Intangible Assets	4,566,533.53	3,571,663.46
Office Expenses	9,037,952.67	8,907,253.55
Membership Dues	435,155.71	125,305.52
Business Entertainment Expenses	4,240,421.80	3,799,359.97
Advertising and Promotion Expenses	460,589.87	123,896.62
Intermediaries Fees	2,518,548.68	2,928,185.63
Travel Expenses	1,108,980.40	1,829,122.53
Miscellaneous	7,981,012.72	605,128.13
<b>Total</b>	<b>74,147,977.83</b>	<b>78,373,582.03</b>

**65. R&D Expenses**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Direct materials	15,757,313.75	18,310,518.06
Salary and Remuneration	8,106,695.30	7,923,903.21
Depreciation and amortization	4,752,775.11	2,178,461.91
External research and development costs	6,778,112.50	630,318.86
Testing expenses	680.75	0.00
Miscellaneous	632,384.00	670,623.74
<b>Total</b>	<b>36,027,961.41</b>	<b>29,713,825.78</b>

**66. Finance Expenses**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Interest Expense	15,202,438.35	11,403,632.46
Less: Interest Income	5,369,517.40	8,660,516.97
Bank acceptance Discounting Interest	1,105,405.18	3,124,332.29
Handling Fee	245,746.71	258,853.81
<b>Total</b>	<b>11,184,072.84</b>	<b>6,126,301.59</b>

**67. Other Income**

Unit: Chinese yuan

Source of other proceeds	Current Amount Incurred	Amount Incurred in the Previous Period
Government Grants	4,959,361.70	3,746,133.46

## Details of Government Grants

Grant Item	Current Amount Incurred	Amount Incurred in the Previous Period	Related to the Assets/Related to the Income
Fund Subsidy for Technical Transformation	1,500,000.00	1,500,000.00	Related to the Assets
Biological Agents Industrialization Project	50,000.00	300,000.00	Related to the Assets
GMP Revamp Project	109,500.00	109,500.00	Related to the Assets
Comprehensive Formulation Building Construction Project	75,498.00	75,498.00	Related to the Assets
Sterilization workshop Renovation Project	45,000.00		Related to the Assets
Government Incentive Support Funds	3,179,363.70	1,761,135.46	Related to the Income
Total	4,959,361.70	3,746,133.46	

**68. Investment Income**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Gains From Long-Term Equity Investments	-1,762,674.82	-2,159,897.40
Investment Income Gained on Wealth Management Products	70,496.45	32,436.01
Total	-1,692,178.37	-2,127,461.39

**69. Net Exposure Hedging Gain: none****70. Income on Changes in Fair Value: none****71. Credit Impairment Losses**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Other Receivables Bad Debt Losses	470,518.94	-3,319,375.75
Accounts Receivable Bad Debt Losses	5,998,371.06	-11,397,183.64
Trade Acceptance Bill Bad Debts Losses	-264,799.95	453,965.00
Total	6,204,090.05	-14,262,594.39

**72. Asset Impairment Losses**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Losses on Decline in Inventories and Impairment Losses on Contract Performance Costs	-1,020,091.82	
Total	-1,020,091.82	

**73. Proceeds from Disposal of Assets**

Unit: Chinese yuan

Source of Proceeds from Disposal of Assets	Current Amount Incurred	Amount Incurred in the Previous Period
Proceeds from Disposal of Fixed Assets	-1,511,083.70	-28,417.03
Total	-1,511,083.70	-28,417.03

**74. Non-operating income**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period	Amount Recorded in Non-recurring Profit and Loss
			Amount
Government Grants	13,689,500.00	10,860,700.00	13,689,500.00
Miscellaneous	641,328.57	1,958,014.42	641,328.57
Total	14,330,828.57	12,818,714.42	14,330,828.57

Government Grants Recorded in the Profit and Loss for the Current Period:

Unit: Chinese yuan

Grant Item	Entity to Issue the Amount	Reasons for Payment	Nature Type	Will the subsidies affect the profits and losses of the current year	Whether special subsidies or not	Amount Incurred in the Current Period	Amount Incurred in the Previous Period	Related to the Assets/Related to the Proceeds Customs
Government Incentive Support Funds	Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Awards	Subsidies received due to compliance with the local government's local support policies to attract investments etc.	Yes	No	12,533,000.00	6,750,000.00	Related to the Income

Government Incentive Support Funds	Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Awards	Subsidies received due to engagement in special industries and industries encouraged and supported by the state (in accordance with national policies and regulations, in accordance with law Obtained)	Yes	No	30,000.00		Related to the Income
Government Incentive Support Funds	Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Awards	Subsidies received due to engagement in special industries and industries encouraged and supported by the state (legally acquired in accordance with national policies and regulations)	Yes	No	400,000.00		Related to the Income
Government Incentive Support Funds	Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Awards	Due to compliance with the local government's local government's local support policies to attract investments etc. Obtained Bonds	Yes	No	235,000.00		Related to the Income
Fund for Promotion of Industrial Development	Financial Bureau of Fuzhou Hi-Tech Industries Development Zone	Grants	Due to Compliance Party B's local support policies such as investment promotion adopted by the local government Obtained in Return Help	Yes	No	152,000.00	458,000.00	Related to the Income
Resumption of Work One-time Bonus Supplementarily	Fuzhou Hi-tech Industries Development Zone Finances Zero Surplus Amount Account	Grants	To avoid the above: Loss of City Company Impairment Government Supplement Help	Yes	Yes	18,000.00		Related to the Income



2019 South Beijing Industrial Enterprise Technology Equipment input Inclusive Bonus Supplementar y	Nanjing Municipal Labor Industry and Information Chemical Bureau Nanjing Municipal Finance Bureau	Grants	Subsidies received due to compliance with the local government's local support policies to attract investments etc. Help	Yes	No	200,000.00	And Proceeds Relevant
2020 Open Capacity of Development Area Promotion Awards	Nanjing Shi Kai Development Zone Management Committees	Awards	Compliance Fang Government Zhao Investment Introduction, etc. Local Assistance Hold the Policy Obtained Compensation Help	Yes	No	120,000.00	Related to the Income
2019 Beginning Development Zone Patent Grants	Nanjing Shi Kai Development Zone Management Committees	Grants	Compliance Fang Government Zhao Investment Introduction, etc. Local Assistance Hold the Policy Obtained Compensation Help	Yes	No	1,500.00	Related to the Income

## 75. Non-operating Expenses

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period	Amount Included in Non- recurring Profit and Loss in the Current Period
Total Losses on Disposal of Non- current Assets	131,102.29		131,102.29
Disbursements for Donations	8,755,078.67	1,100,000.00	8,755,078.67
Miscellaneous	398.01	6,410.79	398.01
<b>Total</b>	<b>8,886,578.97</b>	<b>1,106,410.79</b>	<b>8,886,578.97</b>

**76. Income Tax Expense****(1) Income Tax Expense Table**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Current Income Tax Expense	29,408,228.73	48,644,472.34
Deferred income tax expense	7,624,990.69	-6,308,110.00
Total	37,033,219.42	42,336,362.34

**(2) Adjustment Process of Accounting Profits and Income Tax Expense**

Unit: Chinese yuan

Item	Current Amount Incurred
Total Profit	205,454,166.09
Income Tax Expense at Legal/Applicable Tax Rates	30,818,124.91
Effect of Subsidiaries Applying Different Tax Rates	9,613,977.44
Effect of Adjustment to Income Tax in Previous Periods	-141.80
Influence of Deductible Losses of Deferred Income Tax Assets Unconfirmed in the Prior Period	-122,105.91
Effect of Deductible Temporary Difference or Deductible Loss of Deferred Income Tax Assets Which Are Not Recognized in the Current Period	-166,036.45
Non-taxable Investment Gains under the Equity Method	-3,110,598.77
Income Tax Expense	37,033,219.42

**77. Other comprehensive income: none**

**78. Cash Flow Statement Item****(1) Other Cash Received in relation to Operating Activities**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Deposit Interest	5,369,517.40	8,660,516.97
Government Grants and Appropriations	16,838,272.58	12,421,835.46
Other Correspondences	57,642,591.33	36,954,456.62
<b>Total</b>	<b>79,850,381.31</b>	<b>58,036,809.05</b>

**(2) Other Payments in Relation to Operating Activities**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Out of Pocket Expenses	437,507,460.68	398,721,589.85
Disbursements for Donations	6,338,513.68	1,000,000.00
Bank Fees	245,746.71	258,853.81
Other Correspondences	75,219,589.73	137,983,046.52
<b>Total</b>	<b>519,311,310.80</b>	<b>537,963,490.18</b>

**(3) Other Cash Received in relation to Investing Activities**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Wealth Management Products	231,850,000.00	123,282,436.01
<b>Total</b>	<b>231,850,000.00</b>	<b>123,282,436.01</b>

**(4) Other cash payments in relation to Investment Activities**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Structured Deposits and Wealth Management Products	342,850,000.00	324,250,000.00
<b>Total</b>	<b>342,850,000.00</b>	<b>324,250,000.00</b>

**(5) Other Cash Received in relation to Financing Activities**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Structured Deposits and Pledge Loans	100,000,000.00	190,225,667.71
<b>Total</b>	<b>100,000,000.00</b>	<b>190,225,667.71</b>

**(6) Other Cash Payments in Relation to Financing Activities**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Share Repurchase	0	154,067,468.20
Total	0	154,067,468.20

**79. Supplementary Materials for Cash Flow Statement****(1) Supplementary Materials for Cash Statement**

Unit: Chinese yuan

Supplementary Materials	Current Amount	Previous Amount
1. Reconciliation of Net Profits to Cash Flows from Operating Activities:	--	--
Net profits	168,420,946.67	220,996,180.73
Plus: Reserve for Impairment of Assets	-5,183,998.23	14,262,594.39
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	36,033,107.66	39,767,508.68
Amortization of Intangible Assets	5,479,933.30	4,401,663.80
Amortization of Long-term Prepaid Expenses	5,841,667.29	5,912,848.12
Losses on Disposal of Fixed Assets, Intangible Assets and other Long-Term Assets (with the gains to be "-" Insert in the column)	-1,511,083.70	-28,417.03
Obsolescence Losses on Fixed Assets (insert income with symbol "-")	131,102.29	
Loss on Changes in Fair Value (with gain to be inserted with "-")		0.00
Finance Charges (insert income with symbol "-")	15,514,275.95	10,811,473.96
Loss on Investments (insert income with symbol "-")	1,692,178.37	2,127,461.39
Decrease in deferred income tax assets (insert increase with symbol "-")	7,562,895.45	-6,710,747.42
Increase in deferred income tax liability (insert decrease with symbol "-")	-244,158.24	146,301.20
Decrease in inventories (insert increase with symbol "-")	-37,419,257.72	-19,371,927.65
Decrease in operating receivables (insert increase with symbol "-")	-155,704,151.70	-523,618,561.57
Increase in operating payables (insert decrease with symbol "-")	200,673,628.34	150,447,270.51
Net cash flow from operating activities	241,287,085.73	-100,856,350.89
2. Material investment and financing activities not involving cash receipts and payments:	--	--
3. Net changes in cash and cash equivalents:	--	--
Ending balance of cash	518,609,651.02	652,512,354.05
Less: Opening balance of cash	538,089,460.11	1,163,298,260.33
Net increase in cash and cash equivalents	-19,479,809.09	-510,785,906.28

**(2) Net cash of Acquisition Subsidiaries paid in current period: none**

**(3) Net cash of Disposal Subsidiaries received in current period: None**

**(4) Composition of cash and cash equivalents**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
I. Cash	518,609,651.02	538,089,460.11
Including: Cash on hand	592,098.34	737,255.46
Bank deposits available for payment at any time	518,017,552.68	537,352,204.65
III. Ending balance of Cash and Cash Equivalents	518,609,651.02	538,089,460.11

**80. Item Note to Statement of Changes in Ownership Equity: None**

**81. Assets with restricted ownership or use rights**

Unit: Chinese yuan

Item	Ending book value	Restricted reasons
Monetary Funds	14,848,678.74	Cash deposit for bankers' acceptances
Receivables Financing	54,887,002.94	Pledge issued bankers' acceptance notes
Transactional Financial Assets	100,000,000.00	Pledge issued bankers' acceptance notes
Total	169,735,681.68	--

**82. Foreign currency Item: None**

**83. Hedging: None**

**84. Government Grants****(1) Basic information of government grants**

Unit: Chinese yuan

Categories	Amount	Presented Item	Amount included in profit and loss for the current period
Government grants included in other income	4,959,361.70	See Article 67.Other income in Section VII	4,959,361.70
Government grants included in non-operating income	13,689,500.00	See Article 74 Non-operating income in Section VII	13,689,500.00

**(2) Return of government grants: None****85. Miscellaneous: None****VIII. Change to Scope of Merger****1. Merger not under common control****(1) Business merger not under common control during the current period: None****(2) Combined costs and goodwill: None****(3) Identifiable assets or liabilities of the Acquiree as of the Purchase Date: None****(4) Gains or losses resulting from the revaluation of fair value of equity held prior to the date of purchase**

Is there any transaction for which the merger is effected step by step through multiple transactions and obtains the control during the report period:  Yes  No

**(5) Description that the merger consideration or the fair value of the identifiable assets or liabilities of the acquiree cannot be reasonably determined on the purchase date or at the end of the current period of the merger: None****(6) Other Descriptions: None**

## **2. Business merger under Common Control**

**(1) Business merger under common control during the current period: None**

**(2) Merger costs: None**

**(3) Book value of the merged party's assets and liabilities on the merger date: None**

**3. Reverse purchase: None**

## **4. Disposal of subsidiaries**

Is there any circumstance in which a single disposal of investment in a subsidiary will result in loss of control over the subsidiary:  Yes  
 No

Is there any circumstance in which the investment in the subsidiary is disposed of step by step through multiple transactions and control over the subsidiary will be lost in the current period?  Yes  No

## **5. Change in scope of merger for other reasons**

Describe the change in the scope of merger resulting from other reasons (for example, newly established subsidiaries, liquidated subsidiaries, etc.) and the relevant information:

In order to enhance the Company's raw material plasma supply capability, the Company actively applies for establishment of new plasma stations to qualified regions. During the reporting period, the Company received an Approval Reply regarding Approval of Establishment of Tunchang Boya Apheresis Plasma Station (Qiong Wei Shen Han [2020] No. 45) issued by Hainan Provincial Health Commission, in which the Company is approved to set up Tunchang Boya Apheresis Plasma Station in. On April 17, 2020, the Company established Tunchang Boya Apheresis Plasma Co., Ltd., which holds 80% of equity interests in the Company. The Company has not made actual capital contribution as of the end of the report period.

**6. Others: none**

## IX. Interest in other Persons

### 1. Interest in Subsidiaries

#### (1) Composition of the Enterprise Group

Name of Subsidiary	Principal Business Place	Jurisdiction of Incorporation	Nature of Business	Shareholding Percentage		Method of Acquisition
				Direct	Indirect	
Nancheng Jinshan Apheresis Plasma Co., Ltd.	Jinshankou Industrial Park, Nancheng County, Jiangxi Province	Jinshankou Industrial Park, Nancheng County, Jiangxi Province	Apheresis Plasma	100.00%		New Establishment
Chongren Boya Apheresis Plasma Co., Ltd.	Area C, Industrial Park, Chongren County, Jiangxi Province	Area C, Industrial Park, Chongren County, Jiangxi Province	To collect raw material plasma, Hepatitis B Special Free Plasma, Rabid Special Plasma Free	100.00%		New Establishment
Jinxi Boya Apheresis Plasma Co., Ltd.	Xiugu Zhong Avenue, Jinxi County, Jiangxi Province 85 No.	Xiugu Zhong Avenue, Jinxi County, Jiangxi Province 85 No.	Plasma, Hepatitis B Special Free Plasma, Rabies Special Free Plasma, Raw Materials	100.00%		New Establishment
Ganzhou Nankang Boya Apheresis Plasma Co., Ltd.	Development of Railway Station, Dongshan Subdistrict Office, Nankang District, Ganzhou City, Jiangxi Province Section 6, Area A	Development of Railway Station, Dongshan Subdistrict Office, Nankang District, Ganzhou City, Jiangxi Province Section 6, Area A	Apheresis Plasma	100.00%		New Establishment
Yuechi Boya Apheresis Plasma Co., Ltd.	No. 2, Yuzhu Road, Jiulong Town, Yuechi County, Sichuan Province	No. 2, Yuzhu Road, Jiulong Town, Yuechi County, Sichuan Province	Apheresis Plasma	100.00%		New Establishment
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	Huiquan Road, Fuzhou Hi-Tech Industrial Development Zone, Fuzhou, Jiangxi Province 333	Huiquan Road, Fuzhou Hi-Tech Industrial Development Zone, Fuzhou, Jiangxi Province 333	Pharmaceutical project investment; investment management; investment consultation; economic and trade consultation; enterprise management consultation; pharmaceutical technology development; pharmaceutical technology transfer; pharmaceutical technology services; pharmaceutical technology consultation; undertaking of exhibitions and	100.00%		New Establishment



			displays; conference services; municipal Field Investigation			
Linshui Boya Apheresis Plasma Co., Ltd.	Chengnan Industrial Park, No. 75, Zone 2, Economic Development Zone, Neighboring Shui County	Chengnan Industrial Park, No. 75, Zone 2, Economic Development Zone, Neighboring Shui County	Apheresis Plasma	100.00%		New Establishment
Beijing Boya Xinnuo Biotechnology Co., Ltd.	Ke Chuang, Beijing Economic and Technological Development Zone, Beijing 88 Sixth Street, 3rd Building Room 709, F/7	Chuang, Beijing Economic and Technological Development Zone, Beijing 88 Sixth Street, 3rd Building Room 709, F/7	Biotechnology development, technology consultancy, technology Service, Technology Transfer	100.00%		New Establishment
Guizhou Tianan Pharmaceutical Co., Ltd.	No. 25 Hi-Tech Road, Wudang District, Guiyang City, Guizhou Province	No. 25 Hi-Tech Road, Wudang District, Guiyang City, Guizhou Province	Production and sale of tablets and hard capsules; import and export trade	34.095%	55.586%	Acquisitions
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	Gao Xin Sixth Road, Fuzhou Hi- Tech Industrial Development Zone, Fuzhou City, Jiangxi Province 333	Gao Xin Sixth Road, Fuzhou Hi- Tech Industrial Development Zone, Fuzhou City, Jiangxi Province 333	Production and sale of pharmaceutical products, APIs and pharmaceutical intermediates; technology development, technology consulting, technology transfer, technical services		100.00%	New Establishment
Xinfeng Boya Apheresis Plasma Co., Ltd.	No. 28 Chengxin Avenue, Industrial Park, Xinfeng Ganzhou City, Jiangxi Province	No. 28 Chengxin Avenue, Industrial Park, Xinfeng Ganzhou City, Jiangxi Province	Plasma, HBV Special Exemption Plasma, Rabies Special Exemption Plasma, and Tetanus Immune Plasma, shall be collected as raw materials	100.00%		New Establishment

Fengcheng Boya Apheresis Plasma Co., Ltd.	Fengcheng Meilin Hospital	Fengcheng Meilin Hospital	Plasma, HBV Special Exemption Plasma, Rabies Special Exemption Plasma, and Tetanus Immune Plasma, shall be collected as raw materials	100.00%		New Establishment
Yudu Boya Apheresis Plasma Co., Ltd.	Longmen Road, Gongjiang Town, Yudu County, Ganzhou City, Jiangxi Province	Longmen Road, Gongjiang Town, Yudu County, Ganzhou City, Jiangxi Province	Raw materials plasma, raw materials for hepatitis B antibody Plasma, raw materials for rabies antibody Plasma, raw materials for rabies antibody Plasma, broken Wind antibody raw material plasma	100.00%		New Establishment
Duchang Boya Apheresis Plasma Co., Ltd.	Furong Shan Industrial Park, Duchang County, Jiujiang City, Jiangxi Province	Furong Shan Industrial Park, Duchang County, Jiujiang City, Jiangxi Province	Raw material plasma, human hepatitis B immune plasma, human rabies immune plasma, tetanus immune plasma, human tetanus immune plasma	100.00%		New Establishment
Nanjing Xinbai Pharmaceutical Co., Ltd.	No. 68, Xingang Avenue, Economic and Technological Development Zone	No. 68, Xingang Avenue, Economic and Technological Development Zone	Production and Sale of Pharmaceutical Products	99.999%	0.001%	Acquisitions
Nanjing Boya Bio-pharmaceutical Co., Ltd.	No. 68, Xingang Avenue, Economic and Technological Development Zone	No. 68, Xingang Avenue, Economic and Technological Development Zone	Drug Sales; Road Freight Transportation	100.00%		Acquisitions
Guangdong Fuda Pharmaceutical Co., Ltd.	No.91, Chigang Judezhong Road, District, Guangzhou, F/9, No.93 Room 901-905	91. Chigangjude Middle Road, Haizhu District, Guangzhou F/9, No.93 Room 901-905	Pharmaceutical Distribution	75.00%		Acquisitions
Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd.	Huiquan Road, Fuzhou Hi-Tech Industrial Development Zone, Fuzhou, Jiangxi Province 333	Huiquan Road, Fuzhou Hi-Tech Industrial Development Zone, Fuzhou, Jiangxi Province 333	Consulting services for development, promotion and transfer of pharmaceutical technology	., 100.00%		New Establishment
Tuanchang Boya Apheresis Plasma Co., Ltd.	No. 50, Jinzhuyuan, Wenzhuyuan, Tuncheng Residents' Committee, Tuanchang	No. 50, Jinzhuyuan, Wenzhuyuan, Tuncheng Residents' Committee, Tuanchang	Collection and Supply of Raw Material Plasma	80.00%		New Establishment

	County, Hainan Province	County, Hainan Province				
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Explanation of Percentage of Shareholding Different from Voting Rights in Subsidiaries:

The shareholding percentage of the Company in its subsidiaries is consistent with that of its voting right, and there is no inconsistency between its shareholding percentage and voting right.

Basis for holding half or less than half of voting right but still controls the invested company or holding more than half of voting right but not controlling the invested company:

a company has no right to hold half of or less than half of voting right but still controls the invested company or holds more than half of voting right but does not control the invested company.

## (2) Material non-wholly-owned subsidiaries

Unit: Chinese yuan

Name of Subsidiary	Shareholding Percentage of Minority Shareholders	Current Profits or Losses Attributable to Minority Shareholders	Dividend declared to minority shareholders in the current period	Ending Minority Interest Balance
Guizhou Tianan Pharmaceutical Co., Ltd.	10.319%	2,641,513.49		43,686,984.62
Guangdong Fuda Pharmaceutical Co., Ltd.	25.00%	4,666,725.12	7,500,000.00	32,973,443.04
Total		7,308,238.61	7,500,000.00	76,660,427.66

Explanation of Shareholding Percentages Different from Voting Rights of Subsidiaries:

The shareholding percentage of the minority shareholders of the subsidiaries is consistent with the voting right of the minority shareholders, and there is no inconsistency between the shareholding percentage and voting right.

**(3) Major Financial Information of Significant Non-Wholly-Owned Subsidiaries**

Unit: Chinese yuan

Name of Subsidiary	Ending Balance					
	CURRENT ASSETS	NON- CURRENT ASSETS	Total assets	CURRENT LIABILITIES	NON- CURRENT LIABILITIES	Total liabilities
Tianan Pharmaceutical	406,255,877.80	120,950,643.18	527,206,520.98	101,469,788.38	2,372,214.57	103,842,002.95
Guangdong Fuda	356,438,881.69	8,135,623.48	364,574,505.17	232,649,353.77	31,379.25	232,680,733.02
Name of Subsidiary	Opening balance					
	CURRENT ASSETS	NON- CURRENT ASSETS	Total assets	CURRENT LIABILITIES	NON- CURRENT LIABILITIES	Total liabilities
Tianan Pharmaceutical	384,140,953.58	124,779,799.03	508,920,752.61	108,579,212.95	2,575,563.07	111,154,776.02
Guangdong Fuda	286,360,731.44	6,830,808.84	293,191,540.28	149,933,289.34	31,379.25	149,964,668.59

Unit: Chinese yuan

Name of Subsidiary	Current Amount Incurred				Amount Incurred in the Previous Period			
	Operating Revenue	Net profits	Total comprehensive income	Cash Flows from Operating Activities	Operating Revenue	Net profits	Total comprehensive income	Cash Flows from Operating Activities
Tianan Pharmaceutical	162,735,506.96	25,598,541.45	25,598,541.45	1,295,260.78	169,889,735.63	34,007,010.11	34,007,010.11	6,331,498.23
Guangdong Fuda	306,728,911.57	18,666,900.46	18,666,900.46	1,437,849.79	334,386,584.00	17,518,093.21	17,518,093.21	7,631,519.83

Other notes: Tianan Pharmaceutical Company directly and indirectly holds 89.6810% and 75% of the equity of Guangdong Fuda. The above data are the data after the adjustment of fair value.

**(4) Major Restrictions on Use of Assets and Repayment of Debts of the Enterprise Group: No****(5) Financial or other support provided to the consolidated structured entity included in the consolidated financial statements: none****2. Transactions Involving Changes in Ownership Shares in Subsidiaries and Still Controlling Subsidiaries****(1) Description of Changes in Ownership Shares of Subsidiaries: none****(2) Effect of the Transaction on Minority Interests and Ownership Interests Attributable to the Parent Company: none****3. Interests in Arrangements for Cooperative Operation or Associates****(1) Important Joint Ventures or Associates: none****(2) Major financial information of an important joint venture: No.****(3) Major Financial Information of Important Associates: none****(4) Consolidated Financial Information of Unimportant Joint Ventures and Associates**

Unit: Chinese yuan

Item	Ending Balance/Amount Incurred in the Current Period	Opening Balance/Amount Incurred in the Period
Joint Venture:	--	--
Total Book Value of Investments	131,577,413.15	133,340,087.97
The aggregate, pro rata to Shareholding Percentages:	--	--
- Net Profits	-1,762,674.82	-2,159,897.40
- Total comprehensive income	-1,762,674.82	-2,159,897.40
Associates:	--	--
The aggregate, pro rata to Shareholding Percentages:	--	--

Other Notes: Qianhai Youxiang, Shenzhen Ruibao and Zhuji Rui 'an invested by the Company.

**(5) Explanation of Material Restrictions on Ability of Joint Venture or Associates to Transfer Funds to the Company: None**

**(6) Excessive losses incurred by joint ventures or associates: no**

**(7) Unconfirmed Commitments Relating to the Investments of JVCO: None**

**(8) Contingent Liabilities relating to Investments by Joint Venture or Associates: none**

**4. Important Joint Operations: none**

**5. Interest in Unconsolidated Structured Entity: none**

**6. Others: none**

## **X. Risks relating to Financial Instruments**

The main financial instruments of the Company include monetary funds, notes receivable, accounts receivable, financing by accounts receivable, other receivables, other liquid assets, notes payable, accounts payable, other payables, etc. See relevant Item in this Note 5 for detailed descriptions of various financial instruments. The risks relating to these financial instruments and the risk management policies adopted by the Company to reduce these risks are described below. The management of the Company shall manage and monitor these risk exposures to ensure that the aforesaid risks are controlled within the specified range.

The objective of the Company in risk management is to achieve a proper balance between risks and proceeds, and to reduce the negative impact of risks on the Company's business performance to the minimum, so as to maximize the interests of the shareholders and other equity investors. Based on these risk management objectives, the basic strategy of the Company in risk management is to determine and analyze all kinds of risks faced by the Company, to establish an appropriate bottom line of risk bearing and to carry out risk management, and to supervise all kinds of risks in a timely and reliable manner, and to control risks within the specified range.

### 1. Market Risks

#### (1) Interest Rate Risks

Interest rate risks refer to the risks that the fair values or future cash flows of financial instruments fluctuate due to changes in

market interest rates. Interest rate risks may originate from the recognized interest-bearing financial instruments and unrecognized financial instruments (such as some loan commitments). The Company shall, through the establishment of a good relationship between banks and enterprises, reasonably design the line, type and term of credit extension, so as to ensure adequate credit extension and meet all kinds of financing needs of the Company.

## 2. Credit Risks

Credit risks refer to the risks of financial losses to one party due to the failure of the other party to perform obligations. The Company conducts the management of credit risks based on portfolio classification. Credit risks mainly arise from bank deposits and receivables. The Company's bank deposits are mainly deposited in state-owned banks and other large and medium-sized banks. It is expected that there will be no major credit risks in the bank deposits.

For receivables, the Company shall set up relevant policies to control credit risk exposures. The Company assesses the credit eligibility of a debtor and sets the corresponding amount of arrears and term of credit based on the debtor's financial condition, external ratings on the debtor, the possibility of obtaining guarantee from a third party and credit record as well as other factors such as current market conditions. The Company will monitor the credit records of debtors on a regular basis. For debtors with bad credit records, the Company will make payment collection in writing, shorten credit period or file a lawsuit to ensure that the overall credit risks of the Company are under control. At the same time, the Company will assess the collection of receivables on the balance sheet date, so as to ensure that adequate bad debt reserves are made for the receivables that cannot be collected. Therefore, the management of the Company is of the opinion that the credit risks assumed to the Company have been greatly reduced.

## 3. Liquidity Risk

Liquidity risk refers to the risk of fund shortage in the performance of the obligation of settlement by means of delivery of cash or other financial assets by means of a company. In managing the liquidity risk, the Company maintains and monitors cash and cash equivalents deemed by the management to be sufficient in order to meet the Company's operating needs and to mitigate the impact of fluctuations in cash flows.

**XI. DISCLOSURE OF FAIR VALUE****1. Ending fair value of the assets and liabilities measured by fair value; and**

Unit: Chinese yuan

Item	Ending fair value			
	Level 1 Fair Value Measurement	Level 2 Fair Value Measurement	Level 3 Fair Value Measurement	Total
I. Continuous Fair Value Measurement	--	--	--	--
Derivative financial assets			111,000,000.00	111,000,000.00
Receivables Financing			150,965,652.70	150,965,652.70
Financial assets measured at fair value through fluctuations included in other comprehensive income			175,200,000.00	175,200,000.00
Total assets measured at fair value continuously			437,165,652.70	437,165,652.70
II. Non-Continuous Fair Value Measurement	--	--	--	--

**2. Continuous and Non-Continuous Level 1 Fair Value Measurement Item Basis for Determination of Market Value Measurement Item: none****3. Continuing and discontinuing Level 2 fair value measurement Item, valuation techniques and qualitative and quantitative information adopted: none****4. Continuing and discontinuing Level 3 fair value measurement Item, qualitative and quantitative information adopted for valuation techniques and key parameters: none**

Closing Accounts Receivable Facility is a banker's acceptance bill among notes receivable. The fair value is determined based on the book value of the notes receivable taking into account that small difference between the book value and fair value of the notes receivable.

**5. Continuous Level 3 fair value measurement Item, information on reconciliation between beginning and ending book value and sensitivity analysis of unobservable parameter: none****6. Continuous fair value measurement Item: If any conversion occurs between levels during this period, reason for the conversion and policy to determine the time point of the conversion: none****7. Changes of valuation techniques during this period and reasons for such change: none****8. Fair value of financial assets and financial liabilities which are not measured by fair value: none****9. Others: none****XII. Associated Parties and Connected Transactions****1. Information of the Parent Company**

Name of Parent Company	Jurisdiction of Incorporation	Nature of Business	Registered Capital	Percentage of Parent Company's Shareholding in the Company	Percentage of Parent Company's Voting Rights on the Company

Shenzhen GTJA Investment Group Company Limited	1501 Tianli Central Business Plaza, East of Houhai Avenue, Nanshan District, Shenzhen	Investment Management Business	RMB 283.2 million	30.95%	30.95%
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Explanation of the parent company: GTJA Group is mainly engaged in direct investment in high and new technology industries and other technological innovation enterprises, entrusted to the management and operation of venture capital of other venture capital companies, investment consulting business and direct investment or participation in the construction of enterprise incubator.

As of the end of the Report Period, the shareholding structure of the Controlling Shareholder in GTJA Group is as follows:

Name	Capital Contribution (RMB 10,000)	Proportion (%)
Suzhou Delai Electric Co., Ltd.	6,293.3271	22.2222
Shenzhen Sunny Jiarun Investment Co., Ltd.	5,000.0000	17.6554
Shenzhen Quick Speed Investment Co., Ltd.	3,802.0000	13.4238
Shenzhen Jiaying Helun Investment Co., Ltd.	3,600.0000	12.7118
Xiamen GTJA Elite Investment Partnership (L.P.)	2,360.0000	8.3333
Suzhou GTJA Elite Investment Partnership (L.P.)	2,360.0000	8.3333
Shenzhen Half Island Bay Investment Partnership (L.P.)	2,143.8920	7.5717
Xiamen He Fengjiarun Investment Partnership (L.P.)	2,124.0011	7.5000
Shenzhen Xuchen Investment Partnership (L.P.)	151.2587	0.5341
Huang Qing	106.1473	0.3748
Hu Xuefeng	101.8980	0.3598
Wang Haijiao	99.1756	0.3502
Zeng Xiaojun	93.3994	0.3298
Tan Guiling	84.9008	0.2998
Total	28,320.0000	100.00

The shareholding structure of GTJA Group is decentralized and no single shareholder can directly or indirectly actually Control GTJA Group. GTJA Group has no controlling shareholder or actual controller. Therefore, the Company has no actual controller.

Shenzhen GTJA Investment Group Company Limited is the parent company and the ultimate parent company of this Company. The ultimate controller of this enterprise is Shenzhen GTJA Investment Group Co., Ltd.

## 2. Information about its subsidiaries

For the information about the subsidiaries of the Company, please refer to Note IX. Rights and interests in other entities.

## 3. Information about its joint ventures and associates

For the details about the important joint venture or associated enterprise of the Company, please refer to Note IX. Rights and interests in other entities.

Other joint ventures and associates with balances formed from related-party transactions with their own headquarters in the current



period or from related-party transactions with their own headquarters in the previous period are as follows:

#### 4. Information about other affiliates

Name of other related parties	Relationship between other related parties and this Company
Jiangxi Xinxing Biotechnology Development Co., Ltd.	Shareholders/directors of the Company controlled by Xu Jianxin
Nanchang Dazheng Chuyuan Investment Co., Ltd.	Enterprises controlled by Liao Xinxin, its shareholders/chairman
Fuzhou Jiayi Investment Partnership (L.P.)	Enterprises controlled by Liao Xinxin, its shareholders/its chairman
Shenzhen Ronghua Investment Co., Ltd.	Enterprises controlled by its shareholders/controlling shareholders
Shenzhen GTJA Qianhai Youxiang Investment Partnership (Limited Partnership)	Partnership enterprises managed by the controlling shareholders of the Company; Merger & Acquisition Fund for the Pharmaceutical Industry established by the Company
Zhuji GTJA Rui An Investment Partnership (L.P.)	Partnership enterprises managed by the controlling shareholders of the Company; Acquisition Fund for the Pharmaceutical Industry with the participation of the Company
Shenzhen GTJA Ruibao Investment Partnership (L.P.)	Partnership enterprises managed by the controlling shareholders of the Company; Acquisition Fund for the Pharmaceutical Industry established by the Company
Boya Bio-Pharmaceutical (Guangdong) Co., Ltd.	Companies controlled by partnership enterprises managed by the controlling shareholders of the Company

Apart from the above related parties, there are other controlling shareholders, directors, supervisors, senior managers and enterprises directly or indirectly controlled by the controlling shareholders, directors, supervisors, senior managers of the company.

## 5. Details of Connected Transactions

### (1) Related Party Transactions for Purchase and Sale of Goods, Provision and Acceptance of Services

Table of Goods Purchased/Labor Received

Unit: Chinese yuan

Affiliate	Contents of Affiliated Transactions	Current Amount Incurred	Approved Transaction Line	Whether the Transaction Limit is Exceeded	Amount Incurred in the Previous Period
Boya Bio-Pharmaceutical (Guangdong) Co., Ltd.	Purchased Raw Plasma	5,000,000.00	825,000,000.00	No	188,468,242.50

Description of Related Party Transactions for Purchase and Sale of Goods, Provision and Receipt of Services

The sixth meeting of the sixth board of directors and the third extraordinary general meeting of shareholders in 2017 deliberated and approved the Procurement and Allocation of Plasma and Blood from Guangdong Danxia Biopharmaceutical Co., Ltd. Proposal on Plasma Components and Related Party Transactions. For the purpose of making full use of plasma resources and alleviating the shortage of blood products, since Danxia Biologics Co., Ltd. and Guangdong Danxia Biologics Co., Ltd. are enterprises invested by Shenzhen GTJA Investment Group Co., Ltd., Danxia Biologics Co., Ltd. plans to purchase and allocate plasma and plasma components from Danxia Biology. It is estimated that no more than 100 tons of raw plasma and no more than 180 tons of raw plasma will be purchased and allocated within 24 months for the production of intravenous injection of human immunoglobulin. 400 tons of raw plasma; used for the production of human fibrinogen components with a total amount of no more than RMB 402 million;

On April 15, 2019, the Company held the 23rd meeting of the 6th Board of Directors, at which the Proposal on Purchase of Raw Plasma from Guangdong Danxia Biologics Co., Ltd. and Related Party Transactions has been reviewed and approved, in which the Company agrees to purchase no more than 500 tons of raw plasma from Guangdong Danxia Biologics Co., Ltd. at the purchase price of no more than 1.65 million yuan/ton and a value of no more than RMB825 million yuan. The Company and Danxia Biology entered into the Raw Plasma Supply Framework Agreement, in which the Company agrees to terminate the Framework Agreement on Allocation and Sale of Plasma and Plasma Components entered into with Danxia Biology in May 2017 and agrees to purchase Raw Plasma from Danxia Biology within 24 months following the effectiveness of this Agreement. On April 30, 2019, the Company held its first extraordinary general meeting of 2019 to adopt the Proposal.

On July 2, 2019, the name of Guangdong Danxia Biologics Co., Ltd. was renamed as Boya Bio-Pharmaceutical (Guangdong) Co., Ltd.

As of June 30, 2020, the Company had prepaid RMB 823,015,660.97. The Company's purchase of raw plasma from Boya (Guangdong) has not been approved by regulatory authorities.

**(2) Affiliated entrusted management/contracting, entrusted management/outsourcing: none**

**(3) Related Lease: none**

**(4) Related Guarantee: none**

**(5) Funding by Affiliates: none**

**(6) Transfer of Assets and Debt Restructuring of Affiliates: none**

**(7) Key Management Staff Remuneration**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
Key Management Staff Remuneration	3,741,154.32	9,136,000.00

**(8) Other Related Party Transactions**

Boya (Guangdong) received the acceptance bill of Nanchang Rural Commercial Bank. As the banks of Guangdong area did not accept the discount of the bank's bills, they authorized Boya Bio-Pharmaceutical Co., Ltd. to handle the discount business in Jiangxi. On February 10, 2020, the Company received the electronic acceptance bill of 16,200,000.00 yuan and discounted on the same day. After deducting the bank discount interest of RMB 438,750.00 yuan, the Company transferred the remaining sum respectively to Boya (Guangdong) by wire transfer of RMB 14,381,635.98 yuan and electronic acceptance bill of RMB 1,379,614.02 yuan.

On February 28, 2020, Boya (Guangdong) returned RMB 14,390,000.00 to Boya Bio-Pharmaceutical Co., Ltd. and Boya Bio-Pharmaceutical Co., Ltd. paid RMB 14,390,000.00 to Boya (Guangdong). Based on the requirements of the discount bank, the procedures for discount business on February 10, 2020 were perfected.

**6. Receivables and Payables from Affiliates****(1) Item Receivable**

Unit: Chinese yuan

Project name:	Affiliate	Ending Balance		Opening balance	
		Book Balance	Provision for bad debts	Book Balance	Provision for bad debts
Advance Payment - Payment for Goods	Boya Bio-Pharmaceutical (Guangdong) Co., Ltd.	823,015,660.97		818,015,660.97	
Other receivables	Boya Bio-Pharmaceutical (Guangdong) Co., Ltd.	200,000.00	10,000.00	200,000.00	10,000.00

"Other Receivables" are the security deposits paid by Guangdong Fuda, a controlling subsidiary of the Company to Boya (Guangdong) in the amount of RMB200,000 for the goods to be purchased.

**(2) Payable Item: none****7. Related Parties Covenants**

Please refer to the undertakings in Section 5 Important Matters for details.

**8. Others: none**

### **XIII. Shares Payment**

#### **1. Shares Payment in General**

Applicable  N/A

#### **2. Equity-settled Share Payment**

Applicable  N/A

#### **3. Shares Payment Settled in Cash**

Applicable  N/A

#### **4. Alteration or Termination of Shares Payment: none**

#### **5. Others: none**

### **XIV. Commitments and Contingencies**

#### **1. Important covenants: none**

#### **2. Contingencies**

**(1) Important Contingencies existing on the Balance Sheet Date: none**

**(2) The Company should state any important contingent matters that are not required to be disclosed.**

There are no important contingencies required to be disclosed.

#### **3. Others: none**

### **XV. Events after Balance Sheet Date**

#### **1. Important non-adjusting events: none**

#### **2. Distribution of profit: none**

#### **3. Sales returns: none**

#### **4. Other Matters after the Balance Sheet Date Note: none**

### **XVI. Other Important Matters**

#### **1. Correction of Accounting Errors in Previous Periods:**

**(1) Retrospective restatement: none**

**(2) Future applicable law: none**

#### **2. Debt restructuring: none**

#### **3. Asset Substitution:**

**(1) Exchange of non- monetary assets: none****(2) Other asset exchange: none****4. Annuity plan: none****5. Discontinued operations: none****6. Division information****(1) Basis for Determination of Reporting Segment and Accounting Policy**

The company reporting division is mainly divided into blood product business, diabetes pharmaceutical business, biochemical pharmaceutical business, pharmaceutical distribution business and other businesses. The relevant accounting policies shall be consistent with those of the parent company.

**(2) Reporting Segment Financial Information**

Unit: Chinese yuan

Item	Blood Product Business	Diabetes Pharmaceutical Business	Biochemical Pharmaceutical Business	Pharmaceutical Distribution Business	Other Businesses	Inter-segment offset	Total
Total Assets	4,839,250,308.26	527,206,520.98	669,315,456.34	364,574,505.17	682,658,592.28	1,674,666,901.11	5,408,338,481.92
Total Debt	1,073,105,866.43	103,842,002.95	269,640,360.99	232,680,733.02	418,158,532.51	774,705,653.73	1,322,721,842.17
Operating Revenue	468,513,779.34	162,735,506.96	394,130,212.25	306,728,911.57	9,945,795.09	14,147,393.18	1,327,906,812.03
Operating Costs	194,331,479.25	31,420,838.49	142,283,888.47	253,242,810.56	10,465,766.75	13,809,829.78	617,934,953.74
Net profits	107,233,380.98	25,598,541.45	34,187,495.47	18,666,900.46	-15,791,859.77	1,473,511.92	168,420,946.67
Attributable to the owners of the parent company Net profits	107,233,380.98	22,957,027.96	34,187,495.47	14,000,175.34	-15,791,859.77	1,473,511.92	161,112,708.06
Vesting in a Minority Net Profits to Shareholders	-	2,641,513.49	-	4,666,725.12	-	-	7,308,238.61
Comprehensive income	107,233,380.98	25,598,541.45	34,187,495.47	18,666,900.46	-15,791,859.77	1,473,511.92	168,420,946.67
Total comprehensive income attributable to owners of the parent company Amount	107,233,380.98	22,957,027.96	34,187,495.47	14,000,175.34	-15,791,859.77	1,473,511.92	161,112,708.06
Vesting in Minority Total comprehensive income to shareholders	-	2,641,513.49	-	4,666,725.12	-	-	7,308,238.61

**(3) If the Company does not have a reporting division, or if the Company fails to disclose the total assets and liabilities of each reporting division, it shall state the reasons: none**

**(4) Other Notes: none**

#### **7. Other important transactions and matters that may affect the decision-making of investors**

On May 17, 2020, the Proposal on Refunding the Agreement has been deliberated and adopted at the 34th meeting of the 6th board of directors of the Company, and the Company has signed the Agreements with Jiangxi Baisheng Management Consulting Co., Ltd. and Shanghai Yiren Investment Partnership (Limited Partnership) respectively, so as to ensure that the equity transfer price paid by the Company is safe and can be repaid on time. For details, please refer to the Announcement on Refunding the Agreement with Consideration Signed and the Progress of the Termination of Issuance of Shares and the Purchase of Assets by Convertible Corporate Bonds disclosed by the Company on May 18, 2020.

On June 30, 2020, Jiangxi Baisheng Management Consulting Co., Ltd. has repaid accounts of RMB 6 million, and Shanghai Yiren Investment Partnership (L.P.) has repaid RMB 4 million. Up to now, Jiangxi Baisheng Management Consulting Co., Ltd. and Shanghai Yiren Investment Partnership (Limited Partnership) have not yet gone through the formalities for pledging the equity of Royal Bio-pharmaceutical.

Jiangxi Baisheng Management Consulting Co., Ltd. and Shanghai Yiren Investment Partnership (L.P.) have repaid, respectively, RMB 6 million and RMB 4 million. Jiangxi Baisheng Management Consulting Co., Ltd. still has RMB 70.75 million plus relevant fund costs to repay to the Company. Shanghai Yiren Investment Partnership (L.P.) still has RMB 53.09 million and relevant fund costs to pay back to the Company.

**8. Others: none**

**XVII. Notes to key Item of parent company financial statements****1. Accounts receivable****(1) Disclosure by Category of Accounts Receivable**

Unit: Chinese yuan

Category	Ending Balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion	Amount	Accrual Percentage	
Accounts receivable to be provided for on a case-by-case basis for bad debts	4,865,255.84	1.99%	4,865,255.84	100.00%	
Receivables to make provision for bad debts by portfolio basis	240,109,997.68	98.01%	11,263,005.09	4.69%	228,846,992.59
Where: Aging Portfolio	216,607,648.53	88.42%	11,263,005.09	5.20%	205,344,643.44
Affiliate Portfolio	23,502,349.15	9.59%			23,502,349.15
<b>Total</b>	<b>244,975,253.52</b>	<b>100.00%</b>	<b>16,128,260.93</b>	<b>6.58%</b>	<b>228,846,992.59</b>
Category	Opening balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion	Amount	Accrual Percentage	
Accounts receivable to be provided for on a case-by-case basis for bad debts	4,865,255.84	1.39%	4,865,255.84	100.00%	
Receivables to make provision for bad debts by portfolio basis	343,931,948.39	98.61%	19,416,209.56	5.65%	324,515,738.83
Where: Aging Portfolio	332,646,679.24	95.37%	19,416,209.56	5.84%	313,230,469.68
Affiliate Portfolio	11,285,269.15	3.24%			11,285,269.15
<b>Total</b>	<b>348,797,204.23</b>	<b>100.00%</b>	<b>24,281,465.40</b>	<b>6.96%</b>	<b>324,515,738.83</b>

Provision for bad debts on an item-by-item basis:

Unit: Chinese yuan

Name	Ending Balance			
	Book Balance	Provision for bad debts	Accrual Percentage	Reasons for Provision
Hebei Provincial Center of Health and Biological Products Supply	1,089,214.81	1,089,214.81	100.00%	Anticipated Irrecoverable
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd.	822,042.83	822,042.83	100.00%	Anticipated Irrecoverable
Henan Jinding Pharmaceutical Co., Ltd.	679,800.00	679,800.00	100.00%	Anticipated Irrecoverable
Minsheng Group Henan Pharmaceutical Co., Ltd.	1,108,555.00	1,108,555.00	100.00%	Anticipated Irrecoverable
Hainan Lihui Pharmaceutical Co., Ltd.	30,693.20	30,693.20	100.00%	Anticipated Irrecoverable
Chongqing Bining Bio-Pharmaceuticals Co., Ltd.	37,810.00	37,810.00	100.00%	Anticipated Irrecoverable
Chengdu Luyan Guangfu Pharmaceutical Co., Ltd.	1,097,140.00	1,097,140.00	100.00%	Anticipated Irrecoverable
<b>Total</b>	<b>4,865,255.84</b>	<b>4,865,255.84</b>	<b>--</b>	<b>--</b>

Provision for bad debts by combination basis:

Unit: Chinese yuan

Name	Ending Balance		
	Book Balance	Provision for bad debts	Accrual Percentage
Affiliate Portfolio - Guangdong Fuda Pharmaceutical Co., Ltd.	23,502,349.15		0.00%
Total	23,502,349.15		--

Provision for bad debts by aging combination:

Unit: Chinese yuan

Name	Ending Balance		
	Book Balance	Provision for bad debts	Accrual Percentage
Less than 1 years	208,885,411.33	10,444,270.57	5%
1 to 2 years	7,567,201.20	756,720.12	10%
2 to 3 years	155,036.00	62,014.40	40%
Over 3 years			
Total	216,607,648.53	11,263,005.09	5.20%

If the provision for bad debts of accounts receivable is made based on the general expected credit loss model, please disclose relevant information of the provision for bad debts referring to the disclosure method of other receivables: Applicable  Not applicable

to aging disclosure

Unit: Chinese yuan

Aging	Ending Balance
Less than 1 year (including 1 year)	232,387,760.48
1 to 2 years	7,567,201.20
2 to 3 years	155,036.00
Over 3 years	4,865,255.84
Where: 3 to 4 years	0
4 to 5 years	4,865,255.84
Over 5 years	0
Total	244,975,253.52



**(2) Provisions for bad debts made, recovered or reversed in the current period**

Provisions for bad debts in the current period

Unit: Chinese yuan

Category	Opening balance	Amount of Variation in the Current Period				Ending Balance
		Withdrawal	Retract or Reverse	Write-off	Miscellaneous	
Accounts receivable to be provided for on a case-by-case basis for bad debts	4,865,255.84					4,865,255.84
Receivables for which the provision for bad debts is made according to the aging combination	19,416,209.56		8,153,204.47			11,263,005.09
Total	24,281,465.40		8,153,204.47			16,128,260.93

**(3) Accounts receivable to be actually written off in the current period: none****(4) Accounts receivable that rank top five in terms of ending balance by party to whom payment is owed**

Unit: Chinese yuan

Company Name	Accounts receivable Ending Balance	Percentage of Total Receivables Ending Balances	Provision for Bad Debts Ending Balance
Guangdong Fuda Pharmaceutical Co., Ltd.	23,502,349.15	9.59%	
Customers 2	22,151,057.01	9.04%	1,107,552.85
Customers 3	14,267,554.80	5.82%	924,998.23
Customers 4	9,819,576.00	4.01%	490,978.80
Customers 5	7,596,720.00	3.10%	379,836.00
Total	77,337,256.96	31.56%	

**(5) Accounts receivable the recognition of which is terminated due to transfer of financial assets: none****(6) Amount of the assets and liabilities created by the transfer of accounts receivable and continuous involvement in the transfer: none**

**2. Other receivables**

Unit: Chinese yuan

Item	Ending Balance	Opening balance
Interest receivable		318,625,517.62
Dividends receivable	22,500,000.00	
Other receivables	498,914,018.36	
Total	521,414,018.36	318,625,517.62

**(1) Interest receivable****1) Category of interest receivable: none****2) Material overdue interest: none****3) Provision for bad debts: none****(2) Dividends receivable****1) Classification of dividends receivable:**

Unit: Chinese yuan

Project (or Investees)	Ending Balance	Opening balance
Guangdong Fuda Pharmaceutical Co., Ltd.	22,500,000.00	

**2) Important dividends receivable more than one year old: none****3) Provision for bad debts: none****(3) Other receivables****1) Other Receivables by Nature of Payments**

Unit: Chinese yuan

Nature of payments	Closing Book Balance	Opening Book Balance
Temporary Borrowings of Subsidiaries	364,297,464.02	287,390,130.05
Deposit	65,000.00	30,165,000.00
Imprest Fund	25,000.00	
Employee Loans	2467618.67	1,981,981.27
Miscellaneous	8939424.44	865,213.07
Equity Prepayment	123,840,000.00	
Total	499,634,507.13	320,402,324.39

**2) Provision for bad debts**

Unit: Chinese yuan

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Anticipated Credit Loss in Next 12 Months	Anticipated Credit Loss throughout Duration (No Credit Impairment)	Anticipated Credit Loss throughout Duration (Credit Impairment Has Occurred)	
January 1, 2020 Balance	1,776,806.77			1,776,806.77
January 1, 2020 Balance During Current Period	--	--	--	--
Current Reversal	1,056,318.00			1,056,318.00
June 30, 2020 Balance	720,488.77			720,488.77

Material change in the book value of provision for loss in this period:

Application Not Applicable

Disclose based on aging

Unit: Chinese yuan

Aging	Ending Balance
Within (including 1 year)	10,319,284.36
1 to 2 years	1,003,000.00
2 to 3 years	117,557.00
Over 3 years	57,201.75
3 to 4 years	57,201.75
4 to 5 years	0
Over 5 years	0
Total	11,497,043.11

**3) Status of provisions for bad debts made, recovered, or reversed in the current period**

Status of provision for bad debts in current period

Unit: Chinese yuan

Category	Opening balance	Current Variation Amount				Ending Balance
		Withdrawal	Retract or Reverse	Write-off	Miscellaneous	
Other receivables for which the provision for bad debts is made according to the aging combination	1,776,806.77		1,056,318.00			720,488.77
Total	1,776,806.77		1,056,318.00			720,488.77

**4) Other accounts receivable that have been actually written-off in current period: none****5) Other receivables ranked in top five in terms of ending balance by debtor**

Unit: Chinese yuan

Company Name	Nature of payment	Ending Balance	Aging	Proportion of other receivables to total ending balance	Provision for Bad Debts Ending Balance
Jiangxi Boya Seehot Pharmaceutical Co., Ltd.	Temporary Borrowings of Subsidiaries	243,735,299.83	Less than 1 years	48.78%	
Guangdong Fuda Pharmaceutical Co., Ltd.	Temporary Borrowings of Subsidiaries	44,000,000.00	Less than 1 years	8.81%	
Chongren Boya Apheresis Plasma Co., Ltd.	Temporary Borrowings of Subsidiaries	24,987,244.18	1 - 2 years	5.00%	
Yuechi Boya Apheresis Plasma Co., Ltd.	Temporary Borrowings of Subsidiaries	17,021,190.07	Less than 1 years	3.41%	
Equity Prepayment	Share Advance Payment	123,840,000	Less than 1 years	24.79%	
Total	--	453,583,734.08	--	90.79%	

**6) Receivables Involving Government Grants: none**

**7) Other receivables the recognition of which is terminated due to financial asset transfer: none**

**8) the amount of the assets and liabilities created by transferring other receivables and continuous involvement in the transfer: none**

**3. Long-term Equity Investment**

Unit: Chinese yuan

Item	Ending Balance			Opening balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Investment in Subsidiaries	1,471,114,418.00		1,471,114,418.00	1,471,114,418.00		1,471,114,418.00
Investment in Joint Ventures, Joint Venture	131,577,413.15		131,577,413.15	133,340,087.97		133,340,087.97
Total	1,602,691,831.15		1,602,691,831.15	1,604,454,505.97		1,604,454,505.97

**(1) Investment in Subsidiaries**

Unit: Chinese yuan

Investees	Opening Balance (Book Value)	CURRENT INCREASE OR DECREASE CHANGES				Closing Balance (Book Value)	Impairment Provision Closing Balance
		— ADDITION AL INVESTME NT	REDUCTIO N OF INVESTME NT	Provision for Impairment	Miscell aneous		
Nancheng Jinshan Apheresis Plasma Co., Ltd.	10,000,000.00					10,000,000.00	
Chongren Boya Apheresis Plasma Co., Ltd.	4,592,915.00					4,592,915.00	
Jinxi Boya Apheresis Plasma Co., Ltd.	5,780,143.00					5,780,143.00	
Ganzhou Nankang Boya Apheresis Plasma Co., Ltd.	3,830,000.00					3,830,000.00	
Yuechi Boya Apheresis Plasma Co., Ltd.	5,000,000.00					5,000,000.00	
Beijing Boya Xinnuo	10,000,000.00					10,000,000.00	
Biotechnology Limited Company							
Linshui Boya Apheresis Plasma Co., Ltd.	40,000,000.00					40,000,000.00	
Jiangxi Boya Pharmaceutical Investment Co., Ltd.	250,000,000.00					250,000,000.00	
Xinfeng Boya Apheresis Plasma Co., Ltd.	20,000,000.00					20,000,000.00	
Fengcheng Boya Apheresis Plasma Co., Ltd.	20,000,000.00					20,000,000.00	
Yudu Boya Apheresis Plasma Co., Ltd.	20,000,000.00					20,000,000.00	
Duchang Boya Apheresis Plasma Co., Ltd.	20,000,000.00					20,000,000.00	
Nanjing Xinbai Pharmaceutical Co., Ltd.	620,000,000.00					620,000,000.00	
Guizhou Tianan Pharmaceutical Co., Ltd.	182,391,360.00					182,391,360.00	

Guangdong Fuda Pharmaceutical Co., Ltd.	253,520,000.00						253,520,000.00	
Nanjing Boya Pharmaceutical Investment Co., Ltd.	5,000,000.00						5,000,000.00	
Fuzhou Boxin Pharmaceutical Technology Development Co., Ltd. Company	1,000,000.00						1,000,000.00	
Total	1,471,114,418.00						1,471,114,418.00	

**(2) Investment in Joint Ventures and Joint Ventures**

Unit: Chinese yuan

Investment Units	Opening Balance (Book Value)	Current Increase Or Decrease Changes								Ending Balance (Book Value)	Impairment Provision Closing Balance
		Top-Up Capital	Reduction Of Investment	Gains Or Losses On Investments Recognized Under The Equity Method	Other Comprehensive Income Adjustment	Other Changes in Interest	Declaration of Cash Dividends or Profits	Provision for Impairment	Miscellaneous		
I. Joint Venture Enterprise											
II. Associated Enterprise											
Zhuji Rui 'An	40,724,980.89			-879,132.15						39,845,848.74	
Qianhai Youxiang	40,728,577.38			-703,834.00						40,024,743.38	
Shenzhen Ruibao	51,886,529.70			-179,708.67						51,706,821.03	
Subtotal	133,340,087.97			-1,762,674.82						131,577,413.15	
Total	133,340,087.97			-1,762,674.82						131,577,413.15	

**(3) Other Notes: None**

**4. Operating Revenue & Operating Costs**

Unit: Chinese yuan

Item	Current Amount Incurred		Amount Incurred in the Previous Period	
	Revenues	Costs	Revenues	Costs
Principal Business	468,333,886.34	208,788,945.40	472,329,274.71	154,848,450.98
Other Business	179,893.00			
Total	468,513,779.34	208,788,945.40	472,329,274.71	154,848,450.98

Revenue Related Information:

Unit: Chinese yuan

Contract Classification	Division 1	Division 2	Amount	Total
Classification of Commodities			468,333,886.34	468,333,886.34
Including: Human Albumin			163,268,839.93	163,268,839.93
Intravenous Human Immunoglobulin			164,957,782.43	164,957,782.43
Human Fibrinogen			89,660,007.41	89,660,007.41
Miscellaneous			50,447,256.57	50,447,256.57
Classification by Area of Business			468,333,886.34	468,333,886.34
Including: Domestic Market			468,333,886.34	468,333,886.34
Including: International Market			0	0
Classification by time of transfer			468,333,886.34	468,333,886.34
Including: Transfer at a certain point in time			468,333,886.34	468,333,886.34
Total			468,333,886.34	468,333,886.34

**5. Investment Income**

Unit: Chinese yuan

Item	Current Amount Incurred	Amount Incurred in the Previous Period
GAINS FROM LONG-TERM EQUITY INVESTMENTS	-1,762,674.82	-2,159,897.40
Investment Income on Trading Financial Assets During Holding		
DIVIDEND INCOME OF SUBSIDIARIES	22,500,000.00	59,999,400.00
Total	20,737,325.18	57,839,502.60

**6. Others: none**

**XVIII. SUPPLEMENTARY INFORMATION****1. Statement of Non-recurring Profit and Loss for the Current Period**

√ Applicable □ N/A

Unit: Chinese yuan

Item	Amount
Gains Or Losses On Disposal Of Non- Current Assets	-1,511,083.70
Government subsidies recorded in the profit and loss for the current period (excluding those government subsidies closely related to the business of the enterprise and enjoyed by the enterprise in accordance with the national unified standard or fixed amount)	18,648,861.70
Gains and Losses of Assets Entrusted to Others in the Investment or Management	70,496.45
Other non-operating income and expense in addition to the foregoing	-8,245,250.40
Less: Income Tax Impact	1,163,742.73
Impact of Minority Interests	-325,878.73
Total	8,125,160.05

Non-recurring profit and loss Item as defined in the definition of "Interpretation Announcement of Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Profit and Loss", and If the Item of non-recurring profit and loss listed in the explanatory announcement on information disclosure by the company issuing securities No. 1 - non-recurring profit and loss are defined as the Item of recurring profit and loss, the reasons shall be given. □ Applicable √ N/A

**2. Return on Net Assets and Earnings Per Share**

Profit for the Reporting Period	Weighted Average Return on Net Assets	Earnings Per Share	
		Basic Earnings Per Share (Yuan/share)	Diluted Share (Yuan/share)
Net profits attributable to shareholders of the Company	4.04%	0.38	0.38
Net profits attributable to shareholders of the Company's ordinary shares after deducting non-recurring profit and loss	3.83%	0.36	0.36

**3. Difference of Accounting Data under Domestic and Foreign Accounting Standards****(1) Differences between the net profits and net assets in the financial statements disclosed in accordance with IAS and PRC GAAP;**

□ Applicable √ N/A

**(2) Differences between the net profits and net assets in accordance with Offshore Accounting Standards and the financial statements disclosed in accordance with PRC GAAP;**

□ Applicable √ N/A

**(3) Reasons for the differences of accounting data under domestic and foreign accounting standards. In the case of adjustment of such difference between the data audited by an offshore audit firm, the name of such offshore firm should be specified;****4. Others: None**



## II. DIFFERENCES BETWEEN ACCOUNTING POLICIES ADOPTED BY THE COMPANY AND THE TARGET COMPANY

As described in the section “*Letter from the Board – Waiver from Strict Compliance with Rule 14.67(6)(a)(i) of the Listing Rules*” of this circular, the Company has applied to The Stock Exchange of Hong Kong Limited for, and The Stock Exchange of Hong Kong Limited has granted, a waiver from the requirement to include in this circular an accountants’ report on the Target Group in accordance with Rule 14.67(6)(a)(i) and Chapter 4 of the Listing Rules.

Instead, the circular contains a copy of: (i) the audited consolidated financial statements of the Target Company for the financial years ended 31 December 2017, 2018 and 2019, prepared in accordance with the CAS and audited by Jiangsu Gongzheng Tianye Certified Public Accountants (江蘇公證天業會計師事務所), and (ii) the unaudited consolidated financial statements of the Target Company for the six months ended 30 June 2020, prepared in accordance with the CAS, both as part of a regulatory report prepared in accordance with PRC regulatory requirements and as published by the Target Company on the Shenzhen Stock Exchange website.

The Target Group Historical Track Record Accounts cover the financial positions of the Target Group as of 31 December 2017, 2018, 2019 and 30 June 2020 and the results of the Target Group for each of the years ended 31 December 2017, 2018, 2019 and six months ended 30 June 2020 (the “**Relevant Periods**”).

### 1. Reconciliation Information

The accounting policies adopted in the preparation of the Target Group Historical Track Record Accounts differ in certain material respects from the accounting policies adopted by the Company which relate to the adoption CAS 22 *Financial Instruments Recognition and Measurement* (revised in 2017), the CAS 23 *Transfer of Financial Assets* (revised in 2017), the CAS 24 *Hedging* (revised in 2017), the CAS 37 *Presentation of Financial Instrument* (revised in 2017) (collectively referred to the “New Financial Instrument Standards”) from 1 January 2019, and the CAS 14 *Revenue from Contracts with Customers* (revised in 2017) (the “New Revenue Standard”) from 1 January 2020, and CAS 21 *Leases* (revised in 2018) (the “New Leases Standard”) from 1 January 2021.

As a Hong Kong listed entity, the Group adopted HKFRS 9 *Financial Instruments* (the “New Financial Instrument Standards”) and HKFRS 15 *Revenue from Contracts with Customers* and its amendments (collectively referred to the “New Revenue Standards”), from 1 January 2018 and HKFRS 16 *Leases* (the “New Leases Standard”) from 1 January 2019, respectively. While as an A-share ChiNext listed entity, the Target Group adopted the New Financial Instrument Standards and New Revenue Standard from 1 January 2019 and 1 January 2020, respectively, and will adopt the New Leases Standard from 1 January 2021. Besides, according to “*Interpretation of issues related to the format of general corporate financial statements for 2018*”, the Target Group includes all government grant received in

cash flows from operating activities, while the Group includes cash received from asset related government grant and expense related government grant in cash flows from investing activities and operating activities, respectively (the “Cash Flow Standard”).

Except for the above differences, the Directors considered that there were no material differences in the accounting policies adopted by the Target Group and the Group. Differences which would have a significant effect on the Target Group Historical Track Record Accounts, had they been prepared in accordance with the accounting policies adopted by the Company, are set out below in “*Target Group’s Unaudited Adjusted Financial Information under the Company’s Policies*”, with the following disclosures:

- (a) a comparison between the Target Group’s consolidated statements of financial position as extracted from the Target Group Historical Track Record Accounts (the “Target Group Historical Statements of Financial Position”) and the Target Group Historical Statements of Financial Position with the adoption of the New Financial Instrument Standards, and the New Revenue Standards from 1 January 2018, and the New Leases Standard from 1 January 2019. The process applied in the preparation of such a comparison is set out in the “*Basis of Preparation*” and “*Reconciliation Process*” sections below;
- (b) a comparison between the Target Group’s consolidated statements of profit or loss and other comprehensive income as extracted from the Target Group Historical Track Record Accounts (the “Target Group Historical Statements of Profit or Loss and Other Comprehensive Income”) and the Target Group Historical Statements of Profit or Loss and Other Comprehensive Income with the adoption of the New Financial Instrument Standards, and the New Revenue Standards from 1 January 2018, and the New Leases Standard from 1 January 2019. The process applied in the preparation of such a comparison is also set out in the “*Basis of Preparation*” and “*Reconciliation Process*” sections below;
- (c) a comparison between the Target Group’s consolidated statements of cash flows as extracted from the Target Group Historical Track Record Accounts (the “Target Group Historical Statements of Cash Flows”) and the Target Group Historical Statements of Cash Flows with the adoption of the New Financial Instrument Standards and the New Revenue Standards from 1 January 2018, the New Leases Standard from 1 January 2019 and the Cash Flow Standard from 1 January 2018. The process applied in the preparation of such a comparison is also set out in the “*Basis of Preparation*” and “*Reconciliation Process*” sections below; and
- (d) a discussion of the material financial statement line item differences arising out of the exercise outlined in (a), (b) and (c) above.

The above referenced items (a), (b) and (c) are collectively referred to as the “**Reconciliation Information**”.

## 2. Basis of Preparation

The Reconciliation Information for the Relevant Periods, which presents the “*Financial Information under the Target Company’s Accounting Policies*” of the Target Group as extracted from the Target Group Historical Track Record Accounts prepared in accordance with CAS as if it had been prepared in accordance with the accounting policies adopted by the Company which are in compliance with HKFRS.

## 3. Reconciliation Process

The Reconciliation Information has been prepared by the Target Company by comparing the differences between the accounting policies adopted by the Target Group in accordance with CAS on the one hand, and the accounting policies presently adopted by the Group in compliance with HKFRS on the other hand, and quantifying any relevant material financial effects of such differences.

Your attention is drawn to the fact that the Reconciliation Information has not been subject to an independent audit. Accordingly, it may not truly and fairly present the financial positions of the Target Group as at 31 December 2017, 2018 and 2019 and 30 June 2020, nor the results and cash flows for each of the Relevant Periods then ended, under the accounting policies presently adopted by the Group. Your attention is also drawn to the fact that the unaudited financial information does not constitute the first set of financial statements of the Target Group prepared in accordance with HKFRS.

Ernst & Young was engaged by the Company to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (“HKSAE 3000”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) on the Reconciliation Information. The work consisted primarily of:

- (i) comparing the “*Financial Information under the Target Company’s Accounting Policies*” as set out below in the section “*Target Group’s Unaudited Adjusted Financial Information under the Company’s Policies*” with the Target Group Historical Track Record Accounts;
- (ii) considering the adjustments made and evidence supporting the adjustments made in arriving at the “*Unaudited Adjusted Financial Information under the Company’s Policies*” set out below in the section “*Target Group’s Unaudited Adjusted Financial Information under the Company’s Policies*”, which included examining the differences between the Target Company’s accounting policies and the Company’s accounting policies; and

- (iii) checking the arithmetic accuracy of the computation of the amounts set out in the column “*Unaudited Adjusted Financial Information under the Company’s Policies*” resulted from “Financial Information under the Target Company’s Accounting Policies” and “Adjustments”.

Ernst & Young’s engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with HKSAE 3000 is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, Ernst & Young did not express an audit opinion nor a review conclusion on the Reconciliation Information. Ernst & Young’s engagement was intended solely for the use of the Directors in connection with this circular and may not be suitable for another purpose. Based on the work performed, Ernst & Young has concluded that:

- (i) the “*Financial Information under the Target Company’s Accounting Policies*” as set out in the section “*Target Group’s Unaudited Adjusted Financial Information under the Company’s Policies*” is in agreement with the Target Group Historical Track Record Accounts;
- (ii) the adjustments set out in the section “*Target Group’s Unaudited Adjusted Financial Information under the Company’s Policies*” reflect, in all material respects, the differences between the Target Company’s accounting policies and the Company’s accounting policies on the basis described in the section “*Basis of Preparation*” above; and
- (iii) the computation of the “*Unaudited Adjusted Financial Information under the Company’s Policies*” resulted from “Financial Information under the Target Company’s Accounting Policies” and “Adjustments” is arithmetically accurate.

#### **4. Target Group’s Unaudited Adjusted Financial Information under the Company’s Policies**

The Target Group Historical Track Record Accounts for the Relevant Periods have been prepared and presented in accordance with CAS. The material differences between the Target Group Historical Track Record Accounts, as prepared in accordance with CAS, compared to that applying the accounting policies adopted by the Company which are in compliance with HKFRS with adoption of the New Financial Instrument Standards and the New Revenue Standards from 1 January 2018, the New Leases Standard from 1 January 2019 and the Cash Flow Standard, are set out below:

##### ***As at 31 December 2017***

There are no material differences between the Target Group’s consolidated financial statements for the year ended 31 December 2017 prepared in accordance with CAS, compared to that applying the accounting policies adopted by the Company.

**APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP**

*Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of 31 December 2018  
(In thousands of RMB)*

	<i>Notes</i>	<b>Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash at bank and on hand		1,193,392	–	1,193,392
Bills and trade receivables	<i>a</i>	899,188	(188,612)	710,576
Bills receivables at fair value	<i>a</i>	–	188,612	188,612
Prepayments		324,322	–	324,322
Other receivables		7,388	–	7,388
Inventories		604,432	–	604,432
Other current assets		<u>18,168</u>	<u>–</u>	<u>18,168</u>
Total current assets		<u>3,046,890</u>	<u>–</u>	<u>3,046,890</u>
<b>NON-CURRENT ASSETS</b>				
Interests in associates		144,163	–	144,163
Fixed assets		775,728	–	775,728
Construction in progress		79,299	–	79,299
Intangible assets		163,351	–	163,351
Development expenditure		71,774	–	71,774
Goodwill		663,842	–	663,842
Long-term deferred expense		56,671	–	56,671
Deferred tax assets		16,147	–	16,147
Other non-current assets		<u>55,285</u>	<u>–</u>	<u>55,285</u>
Total non-current assets		<u>2,026,260</u>	<u>–</u>	<u>2,026,260</u>
<b>TOTAL ASSETS</b>		<u><u>5,073,150</u></u>	<u><u>–</u></u>	<u><u>5,073,150</u></u>

	<i>Notes</i>	<b>Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings		95,000	–	95,000
Bills and trade payables		277,554	–	277,554
Receipts in advance	<i>b</i>	22,962	(22,962)	–
Contract liabilities	<i>b</i>	–	22,962	22,962
Employee benefits payable		57,762	–	57,762
Taxes payable		83,103	–	83,103
Other payables		209,188	–	209,188
Non-current liabilities due within one year		<u>61,500</u>	<u>–</u>	<u>61,500</u>
Total current liabilities		<u>807,069</u>	<u>–</u>	<u>807,069</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings		450,000	–	450,000
Deferred income		38,280	–	38,280
Deferred tax liabilities		<u>7,266</u>	<u>–</u>	<u>7,266</u>
Total non-current liabilities		<u>495,546</u>	<u>–</u>	<u>495,546</u>
<b>TOTAL LIABILITIES</b>		<u>1,302,615</u>	<u>–</u>	<u>1,302,615</u>

	<i>Notes</i>	<b>Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
EQUITY				
Share capital		433,325	–	433,325
Capital reserve		1,946,866	–	1,946,866
Less: Treasury Share		45,890	–	45,890
Surplus reserve		140,444	–	140,444
Undistributed profits		<u>1,229,914</u>	–	<u>1,229,914</u>
Equity attributable to owners of the Company		3,704,659	–	3,704,659
Non-controlling interests		<u>65,876</u>	–	<u>65,876</u>
Total equity		<u>3,770,535</u>	–	<u>3,770,535</u>
TOTAL LIABILITIES AND EQUITY				
		<u>5,073,150</u>	–	<u>5,073,150</u>

*Unaudited Adjusted Consolidated Statement of Profit or Loss and Other  
Comprehensive Income under the Company's Policies for the year ended  
31 December 2018  
(In thousands of RMB)*

There are no material differences between the Target Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018, comparing to that applying the accounting policies adopted by the Company.

*Unaudited Adjusted Consolidated Statement of Cash Flows under the Company's Policies for the year ended 31 December 2018*  
(In thousands of RMB)

	<i>Notes</i>	<b>Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
Cash flows from operating activities:				
Cash received from sales of goods or rendering of services		2,096,435	–	2,096,435
Cash received relating to other operating activities	<i>c</i>	<u>64,018</u>	<u>(30,540)</u>	<u>33,478</u>
Sub-total of cash inflows		<u>2,160,453</u>	<u>(30,540)</u>	<u>2,129,913</u>
Cash paid for goods and services		883,761	–	883,761
Cash paid to and on behalf of employees		233,987	–	233,987
Payments of taxes and surcharges		244,836	–	244,836
Cash paid relating to other operating activities		<u>762,966</u>	<u>–</u>	<u>762,966</u>
Sub-total of cash outflows		<u>2,125,550</u>	<u>–</u>	<u>2,125,550</u>
Net cash flows from operating activities		<u>34,903</u>	<u>(30,540)</u>	<u>4,363</u>



	<i>Notes</i>	<b>Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
Cash flows from investing activities:				
Cash received from disposals and withdraw on investment		100,000	–	100,000
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		242	–	242
Receipt of government grants	<i>c</i>	–	30,540	30,540
Cash received relating to other investing activities		<u>1,409,704</u>	<u>–</u>	<u>1,409,704</u>
Sub-total of cash inflows		<u>1,509,946</u>	<u>30,540</u>	<u>1,540,486</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		113,900	–	113,900
Cash paid to acquire investments		214,985	–	214,985
Cash paid relating to other investing activities		<u>1,390,970</u>	<u>–</u>	<u>1,390,970</u>
Sub-total of cash outflows		<u>1,719,855</u>	<u>–</u>	<u>1,719,855</u>
Net cash flows from investing activities		<u>(209,909)</u>	<u>30,540</u>	<u>(179,369)</u>

	<i>Notes</i>	<b>Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
Cash flows from financing activities:				
Cash received from investors		1,013,674	–	1,013,674
Including: Cash received from the investment of minority shareholders in subsidiaries		22,600	–	22,600
Cash received from borrowings		425,000	–	425,000
Cash received relating to other financing activities		<u>710</u>	<u>–</u>	<u>710</u>
Sub-total of cash inflows		<u>1,439,384</u>	<u>–</u>	<u>1,439,384</u>
Cash repayments of borrowings		345,645	–	345,645
Cash payments for distribution of dividends or profits or interest expenses		200,699	–	200,699
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		99,000	–	99,000
Cash paid relating to other financing activities		<u>45,890</u>	<u>–</u>	<u>45,890</u>
Sub-total of cash outflows		<u>592,234</u>	<u>–</u>	<u>592,234</u>
Net cash flows from financing activities		<u>847,150</u>	<u>–</u>	<u>847,150</u>
Net increase in cash and cash equivalents		<u>672,144</u>	<u>–</u>	<u>672,144</u>
Add: Cash and cash equivalents at the beginning of the year		<u>491,155</u>	<u>–</u>	<u>491,155</u>
Cash and cash equivalents at the end of the year		<u><u>1,163,299</u></u>	<u><u>–</u></u>	<u><u>1,163,299</u></u>

**APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP**

*Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of 31 December 2019  
(In thousands of RMB)*

	<i>Notes</i>	<b>Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash at bank and on hand		568,749	–	568,749
Bills receivable		164,431	–	164,431
Trade receivable		615,099	–	615,099
Bills receivables at fair value		190,612	–	190,612
Prepayment		836,381	–	836,381
Other receivables		39,313	–	39,313
Inventories		621,400	–	621,400
Other current assets		<u>16,998</u>	<u>–</u>	<u>16,998</u>
Total current assets		<u>3,052,983</u>	<u>–</u>	<u>3,052,983</u>
<b>NON-CURRENT ASSETS</b>				
Interests in associates		133,340	–	133,340
Fixed assets		720,255	–	720,255
Construction in progress		94,546	–	94,546
Right-of-use assets	<i>d</i>	–	115,782	115,782
Intangible assets	<i>d</i>	175,615	(113,158)	62,457
Development expenditure		105,099	–	105,099
Goodwill		663,842	–	663,842
Long-term deferred expense		55,907	–	55,907
Deferred tax assets	<i>e</i>	26,002	(20)	25,982
Other non-current assets		<u>229,101</u>	<u>–</u>	<u>229,101</u>
Total non-current assets		<u>2,203,707</u>	<u>2,604</u>	<u>2,206,311</u>
<b>TOTAL ASSETS</b>		<u><u>5,256,690</u></u>	<u><u>2,604</u></u>	<u><u>5,259,294</u></u>

	<i>Notes</i>	<b>Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings		256,832	–	256,832
Bills payable		78,724	–	78,724
Trade payable		171,949	–	171,949
Receipts in advance	<i>b</i>	15,142	(15,142)	–
Contract liabilities	<i>b</i>	–	15,142	15,142
Employee benefits payable		70,902	–	70,902
Taxes payable		50,356	–	50,356
Other payables		215,048	–	215,048
Lease liabilities	<i>d</i>	–	1,350	1,350
Non-current liabilities due within one year		<u>97,556</u>	<u>–</u>	<u>97,556</u>
Total current liabilities		<u>956,509</u>	<u>1,350</u>	<u>957,859</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings		269,000	–	269,000
Lease liabilities	<i>d</i>	–	1,138	1,138
Deferred income		35,765	–	35,765
Deferred tax liabilities		<u>6,830</u>	<u>–</u>	<u>6,830</u>
Total non-current liabilities		<u>311,595</u>	<u>1,138</u>	<u>312,733</u>
<b>TOTAL LIABILITIES</b>		<u>1,268,104</u>	<u>2,488</u>	<u>1,270,592</u>

	<i>Notes</i>	<b>Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
<b>EQUITY</b>				
Share capital		433,325	–	433,325
Capital reserve		1,946,867	–	1,946,867
Less: Treasury Share		199,964	–	199,964
Surplus reserve		176,059	–	176,059
Undistributed profits	<i>d</i>	<u>1,555,447</u>	<u>116</u>	<u>1,555,563</u>
Equity attributable owners of the Company		3,911,734	116	3,911,850
Non-controlling interests		<u>76,852</u>	<u>–</u>	<u>76,852</u>
Total equity		<u>3,988,586</u>	<u>116</u>	<u>3,988,702</u>
<b>TOTAL LIABILITIES AND EQUITY</b>				
		<u>5,256,690</u>	<u>2,604</u>	<u>5,259,294</u>

*Unaudited Adjusted Consolidated Statement of Profit or Loss and Other Comprehensive Income under the Company's Policies for the year ended 31 December 2019*  
*(In thousands of RMB)*

	<i>Notes</i>	<b>Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
Revenue		2,908,769	–	2,908,769
Less: Cost of sales	<i>d</i>	1,124,418	(122)	1,124,296
Taxes and surcharges		21,071	–	21,071
Selling and distribution expenses		962,814	–	962,814
General and administrative expenses	<i>d</i>	177,270	(48)	177,222
Research and development expenditure		92,758	–	92,758
Financial expenses	<i>d</i>	17,391	143	17,534
Including: Interests expenses		30,760	143	30,903
Interests income		13,933	–	13,933
Add: Other income		8,893	–	8,893
Investment income		131	–	131
Including: Investment income from associates and joint venture		(3,948)	–	(3,948)
Assets impairment losses		(1,663)	–	(1,663)
Credit impairment losses		(7,729)	–	(7,729)
Gains on disposals of assets		<u>1,437</u>	<u>–</u>	<u>1,437</u>
Operating profit		514,116	27	514,143
Add: Non-operating income		10,398	–	10,398
Less: Non-operating expenses		<u>4,476</u>	<u>–</u>	<u>4,476</u>

	<i>Notes</i>	<b>Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
PROFIT BEFORE TAX		520,038	27	520,065
Less: Income tax expense	<i>e</i>	<u>77,915</u>	<u>4</u>	<u>77,919</u>
PROFIT FOR THE YEAR		442,123	23	442,146
Other comprehensive income, net of tax		<u>–</u>	<u>–</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME		<u><u>442,123</u></u>	<u><u>23</u></u>	<u><u>442,146</u></u>

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**APPENDIX II                      FINANCIAL INFORMATION OF THE TARGET GROUP**

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*Unaudited Adjusted Consolidated Statement of Cash Flows under the Company's Policies for the year ended 31 December 2019  
(In thousands of RMB)*

	<i>Notes</i>	<b>Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
Cash flows from operating activities:				
Cash received from sales of goods or rendering of services		2,666,079	–	2,666,079
Cash received relating to other operating activities	<i>c</i>	<u>40,357</u>	<u>(1,700)</u>	<u>38,657</u>
Sub-total of cash inflows		<u>2,706,436</u>	<u>(1,700)</u>	<u>2,704,736</u>
Cash paid for goods and services		1,236,400	–	1,236,400
Cash paid to and on behalf of employees		259,828	–	259,828
Payments of taxes and surcharges		265,879	–	265,879
Cash paid relating to other operating activities	<i>d</i>	<u>1,058,842</u>	<u>(1,327)</u>	<u>1,057,515</u>
Sub-total of cash outflows		<u>2,820,949</u>	<u>(1,327)</u>	<u>2,819,622</u>
Net cash flows from operating activities		<u>(114,513)</u>	<u>(373)</u>	<u>(114,886)</u>



	<i>Notes</i>	<b>Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
Cash flows from investing activities:				
Cash received from disposals and withdraw on investment		6,743	–	6,743
Cash received from returns on investments		132	–	132
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		3,767	–	3,767
Receipt of government grants	<i>c</i>	–	1,700	1,700
Cash received relating to other investing activities		<u>747,149</u>	<u>–</u>	<u>747,149</u>
Sub-total of cash inflows		<u>757,791</u>	<u>1,700</u>	<u>759,491</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		88,613	–	88,613
Cash paid to acquire investments		199,213	–	199,213
Cash paid relating to other investing activities		<u>743,070</u>	<u>–</u>	<u>743,070</u>
Sub-total of cash outflows		<u>1,030,896</u>	<u>–</u>	<u>1,030,896</u>
Net cash flows from investing activities		<u>(273,105)</u>	<u>1,700</u>	<u>(271,405)</u>

	<i>Notes</i>	<b>Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
Cash flows from financing activities:				
Cash received from borrowings		1,260,910	–	1,260,910
Cash received relating to other financing activities		–	–	–
Sub-total of cash inflows		<u>1,260,910</u>	<u>–</u>	<u>1,260,910</u>
Cash repayments of borrowings		1,244,850	–	1,244,850
Cash payments for distribution of dividends or profits or interest expenses		99,579	–	99,579
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		5,000	–	5,000
Cash paid relating to other financing activities	<i>d</i>	<u>154,073</u>	<u>1,327</u>	<u>155,400</u>
Sub-total of cash outflows		<u>1,498,502</u>	<u>1,327</u>	<u>1,499,829</u>
Net cash flows from financing activities		<u>(237,592)</u>	<u>(1,327)</u>	<u>(238,919)</u>
Net increase in cash and cash equivalents		<u>(625,210)</u>	<u>–</u>	<u>(625,210)</u>
Add: Cash and cash equivalents at the beginning of the year		<u>1,163,299</u>	<u>–</u>	<u>1,163,299</u>
Cash and cash equivalents at the end of the year		<u><u>538,089</u></u>	<u><u>–</u></u>	<u><u>538,089</u></u>

**APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP**

*Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of 30 June 2020  
(In thousands of RMB)*

	<i>Notes</i>	<b>Unaudited Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash at bank and on hand		533,458	–	533,458
Held for trading financial assets		111,000	–	111,000
Bills receivable		177,407	–	177,407
Trade receivable		580,497	–	580,497
Bills receivables at fair value		150,966	–	150,966
Prepayment		842,363	–	842,363
Other receivables		144,668	–	144,668
Inventories		658,819	–	658,819
Other current assets		<u>16,822</u>	–	<u>16,822</u>
Total current assets		<u>3,216,000</u>	–	<u>3,216,000</u>
<b>NON-CURRENT ASSETS</b>				
Interests in associates		131,577	–	131,577
Other equity instrument investment		175,200	–	175,200
Fixed assets		706,124	–	706,124
Construction in progress		108,396	–	108,396
Right-of-use assets	<i>d</i>	–	120,132	120,132
Intangible assets	<i>d</i>	183,372	(111,632)	71,740
Development expenditure		103,411	–	103,411
Goodwill		663,842	–	663,842
Long-term deferred expense		56,577	–	56,577
Deferred tax assets	<i>e</i>	18,439	(42)	18,397
Other non-current assets		<u>45,400</u>	–	<u>45,400</u>
Total non-current assets		<u>2,192,338</u>	<u>8,458</u>	<u>2,200,796</u>
<b>TOTAL ASSETS</b>		<u><u>5,408,338</u></u>	<u><u>8,458</u></u>	<u><u>5,416,796</u></u>

	<i>Notes</i>	<b>Unaudited Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings		420,886	–	420,886
Bills payable		75,340	–	75,340
Trade payable		274,415	–	274,415
Receipts in advance	<i>c</i>	15,915	(15,915)	–
Contract liabilities	<i>c</i>	–	15,915	15,915
Employee benefits payable		37,112	–	37,112
Taxes payable		41,531	–	41,531
Other payables		171,502	–	171,502
Lease liabilities	<i>d</i>	–	3,726	3,726
Non-current liabilities due within one year		<u>105,451</u>	<u>–</u>	<u>105,451</u>
Total current liabilities		<u>1,142,152</u>	<u>3,726</u>	<u>1,145,878</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings		140,000	–	140,000
Lease liabilities	<i>d</i>	–	4,515	4,515
Deferred income		33,985	–	33,985
Deferred tax liabilities		<u>6,585</u>	<u>–</u>	<u>6,585</u>
Total non-current liabilities		<u>180,570</u>	<u>4,515</u>	<u>185,085</u>
<b>TOTAL LIABILITIES</b>		<u>1,322,722</u>	<u>8,241</u>	<u>1,330,963</u>

	<i>Notes</i>	<b>Unaudited Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
<b>EQUITY</b>				
Share capital		433,325	–	433,325
Capital reserve		1,946,867	–	1,946,867
Less: Treasury Share		199,964	–	199,964
Surplus reserve		176,059	–	176,059
Undistributed profits	<i>d</i>	<u>1,652,669</u>	<u>217</u>	<u>1,652,886</u>
Equity attributable to owners of the Company		4,008,956	217	4,009,173
Non-controlling interests		<u>76,660</u>	–	<u>76,660</u>
Total equity		<u>4,085,616</u>	<u>217</u>	<u>4,085,833</u>
<b>TOTAL LIABILITIES AND EQUITY</b>				
		<u>5,408,338</u>	<u>8,458</u>	<u>5,416,796</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF THE TARGET GROUP**

*Unaudited Adjusted Consolidated Statement of Profit or Loss and Other Comprehensive Income under the Company's Policies for the six months period ended 30 June 2020*  
(In thousands of RMB)

	<i>Notes</i>	<b>Unaudited Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
Revenue		1,327,907	–	1,327,907
Less: Cost of sales	<i>d</i>	617,935	(331)	617,604
Taxes and surcharges		8,934	–	8,934
Selling and distribution expenses		386,608	–	386,608
General and administrative expenses	<i>d</i>	74,148	(141)	74,007
Research and development expenditure		36,028	–	36,028
Financial expenses	<i>d</i>	11,184	348	11,532
Including: Interests expenses		16,308	348	16,656
Interests income		5,370	–	5,370
Add: Other income		4,959	–	4,959
Investment income		(1,692)	–	(1,692)
Including: Investment income from associates and joint ventures		(1,763)	–	(1,763)
Assets impairment losses		(1,020)	–	(1,020)
Credit impairment losses		6,204	–	6,204
Losses on disposals of assets		(1,511)	–	(1,511)
Operating profit		200,010	124	200,134
Add: Non-operating income		14,331	–	14,331
Less: Non-operating expenses		8,887	–	8,887
PROFIT BEFORE TAX		205,454	124	205,578
Less: Income tax expense	<i>e</i>	37,033	23	37,056
PROFIT FOR THE YEAR		168,421	101	168,522

	<i>Notes</i>	<b>Unaudited Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
Other comprehensive income, net of tax		—	—	—
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>168,421</u>	<u>101</u>	<u>168,522</u>

*Unaudited Adjusted Consolidated Statement of Cash Flows under the Company's Policies for the six months period ended 30 June 2020  
(In thousands of RMB)*

	<i>Notes</i>	<b>Unaudited Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
Cash flows from operating activities:				
Cash received from sales of goods or rendering of services		1,301,942	–	1,301,942
Cash received relating to other operating activities		<u>79,850</u>	<u>–</u>	<u>79,850</u>
Sub-total of cash inflows		<u>1,381,792</u>	<u>–</u>	<u>1,381,792</u>
Cash paid for goods and services		377,280	–	377,280
Cash paid to and on behalf of employees		142,967	–	142,967
Payments of taxes and surcharges		100,947	–	100,947
Cash paid relating to other operating activities	<i>d</i>	<u>519,311</u>	<u>(764)</u>	<u>518,547</u>
Sub-total of cash outflows		<u>1,140,505</u>	<u>(764)</u>	<u>1,139,741</u>
Net cash flows from operating activities		<u>241,287</u>	<u>764</u>	<u>242,051</u>



	<i>Notes</i>	<b>Unaudited Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
Cash flows from investing activities:				
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		530	–	530
Cash received relating to other investing activities		<u>231,850</u>	<u>–</u>	<u>231,850</u>
Sub-total of cash inflows		<u>232,380</u>	<u>–</u>	<u>232,380</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		41,960	–	41,960
Cash paid to acquire investments		118,340	–	118,340
Cash paid relating to other investing activities		<u>342,850</u>	<u>–</u>	<u>342,850</u>
Sub-total of cash outflows		<u>503,150</u>	<u>–</u>	<u>503,150</u>
Net cash flows from investing activities		<u>(270,770)</u>	<u>–</u>	<u>(270,770)</u>

	<i>Notes</i>	<b>Unaudited Financial Information under the Target Company's Accounting Policies</b>	<b>Adjustments</b>	<b>Unaudited Adjusted Financial Information under the Company's Policies</b>
Cash flows from financing activities:				
Cash received from borrowings		210,000	–	210,000
Cash received relating to other financing activities		<u>100,000</u>	<u>–</u>	<u>100,000</u>
Sub-total of cash inflows		<u>310,000</u>	<u>–</u>	<u>310,000</u>
Cash repayments of borrowings		221,000	–	221,000
Cash payments for distribution of dividends or profits or interest expenses		78,997	–	78,997
Cash paid relating to other financing activities	<i>d</i>	<u>–</u>	<u>764</u>	<u>764</u>
Sub-total of cash outflows		<u>299,997</u>	<u>764</u>	<u>300,761</u>
Net cash flows from financing activities		<u>10,003</u>	<u>(764)</u>	<u>9,239</u>
Net increase in cash and cash equivalents		<u>(19,480)</u>	<u>–</u>	<u>(19,480)</u>
Add: Cash and cash equivalents at the beginning of the period		<u>538,089</u>	<u>–</u>	<u>538,089</u>
Cash and cash equivalents at the end of the period		<u><u>518,609</u></u>	<u><u>–</u></u>	<u><u>518,609</u></u>

a Bills receivables at fair value

Under the accounting policies of the Target Company, bills receivables that are held within a business model both to collect cash flows and to sell upon transition are measured at amortised cost and listed within “Bills and accounts receivables/Bills receivable”.

On 1 January 2018, the Company adopted the New Financial Instrument Standards and classified bills receivables that were held within a business model both to collect cash flows and to sell upon transition from amortised cost to fair value through other comprehensive income, which is presented as “Bills receivables at fair value”.

Management of the Group has assessed that the fair value of the Bills receivables at fair value approximate to their carrying amounts.

b Contract liabilities

Under the accounting policies of the Target Company, receipts in advance from customers for selling products are listed as “Advances from customers”.

On 1 January 2018, the Company adopted the New Revenue Standards and such receipts in advance from customers were classified and listed as “Contract liabilities”.

c Cash flow in relation to asset related government grant

Under the accounting policies of the Target Company, cash flow in relation to asset related government grant is included in “Cash received relating to other operating activities” from 1 January 2018. The Company included such cash flow in cash flows from investing activities.

d Right-of-use (“ROU”) assets and lease liabilities

Under the accounting policies of the Target Company, no ROU assets and lease liabilities are recognised for the operating leases under which the Target Company is a lessee. The lease payments under operating leases are recognized on a cash basis over the lease terms and presented as cash outflows from operating activities in the consolidated statements of cash flows.

On 1 January 2019, the Company adopted the New Leases Standard. Under the accounting policies of the Company, a single recognition and measurement approach are applied for all leases, except for two elective exemptions for leases of low value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). ROU assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, incremental borrowing rate at the lease commencement date is used because the interest rate implicit in the lease is not readily determinable. Interest expenses on lease liabilities are recognized at the incremental borrowing rate. The Company adopted the New Leases Standard using the modified retrospective method of adoption to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of

retained earnings at 1 January 2019 and did not restate the comparatives. The lease payments for the principals and interests related to lease liabilities are classified and presented as cash outflows from financing activities. The lease payments related to the short-term leases and leases of low-value assets are classified and presented as cash outflows from operating activities.

- e Deferred tax and income tax expenses

The adjustments for deferred tax and income tax expenses reflect the tax effect of the adjustments noted in d above.

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**APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP**

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**III. SUPPLEMENTAL FINANCIAL INFORMATION OF THE TARGET COMPANY**

The Group sets out the following supplemental financial information of the Target Group required for an accountants' report under the Listing Rules for each of the three years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020 respectively, but not disclosed in Target Group's published audited or unaudited financial statements prepared under CAS showing the financial information for the Relevant Periods.

The following discussion should be read in connection with the Target Group Historical Track Record Accounts for the Relevant Periods, included elsewhere in this circular.

**1. Revenue**

	<b>2020/6/30</b>	<b>2019/12/31</b>	<b>2018/12/31</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<b>Timing of revenue recognition</b>			
At a point in time	<u>1,327,906,812</u>	<u>2,908,769,255</u>	<u>2,451,304,842</u>
<b>Total revenue from contracts with customers</b>	<u><u>1,327,906,812</u></u>	<u><u>2,908,769,255</u></u>	<u><u>2,451,304,842</u></u>

**2. The remuneration of key management**

	<b>2020/6/30</b>	<b>2019/12/31</b>	<b>2018/12/31</b>	<b>2017/12/31</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<b>Post-employment benefit plan – defined contribution plan</b>	<u><u>21,862</u></u>	<u><u>263,940</u></u>	<u><u>210,335</u></u>	<u><u>197,674</u></u>

**3. Leases**

The impact arising from the adoption of HKFRS 16 as at 1 January 2019 was as follows :

	<b>2019/1/1</b> <i>RMB</i>
<b>Assets</b>	
Increase in right-of-use assets	3,475,515
Decrease in deferred tax assets	<u>(16,381)</u>
Increase in total assets	<u><u>3,459,134</u></u>
<b>Liabilities</b>	
Increase in lease liabilities	<u>3,366,181</u>
Increase in total liabilities	<u><u>3,366,181</u></u>
<b>Total adjustment on equity</b>	
Increase in retained earnings	<u><u>92,953</u></u>

The carrying amounts of the Target Group's right-of-use assets and the movements during the year are as follows:

	<b>Land</b> <i>RMB</i>	<b>Building</b> <i>RMB</i>	<b>Total</b> <i>RMB</i>
As at 1 January 2019	113,954,816	3,475,516	117,430,332
Additions	3,727,587	–	3,727,587
Disposal	(1,480,838)	304,841	(1,175,997)
Depreciation charge	<u>(3,043,397)</u>	<u>(1,156,594)</u>	<u>(4,199,991)</u>
As at 31 December 2019	<u><u>113,158,168</u></u>	<u><u>2,623,763</u></u>	<u><u>115,781,931</u></u>

The carrying amount of lease liabilities and the movements during the year are as follows:

	<b>2019</b>
	<b>Lease liabilities</b>
	<i>RMB</i>
Carrying amount at 1 January	3,366,181
New leases	304,841
Accretion of interest recognised during the year	143,616
Payments	<u>(1,326,558)</u>
Carrying amount at 31 December	<u>2,488,080</u>
Analysed into:	
Current portion	1,349,720
Non-current portion	<u>1,138,360</u>

The amounts recognised in profit or loss in relation to leases are as follows:

	<b>2019</b>
	<i>RMB</i>
Interest on lease liabilities	143,616
Depreciation charge of right-of-use assets	1,156,594
Expense relating to short-term leases and low-value lease	<u>166,161</u>
Total amount recognised in profit or loss	<u>1,466,371</u>

The following management discussion and analysis should be read in conjunction with the financial information of the Target Group for each of the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 (the “**Track Record Period**”), set out in Appendix II to this circular.

## 1. BUSINESS REVIEW

The Target Company is a company established in the PRC with limited liability and is listed on the Shenzhen Stock Exchange (stock code: 300294). During the Track Record Period, the main businesses of the Target Group could be categorised into blood product business and non-blood product business.

### **Blood product business**

The Target Company, adhering to the strategic goal of “world-class blood products enterprises and benchmark in Chinese pharmaceutical enterprises”, regards the blood product business as the core and pillar sector.

The key products of the Target Company’s blood product business are albumin, immunoglobulin and coagulation factors. Albumin, one of the Target Company’s key products, is the most used blood product in China, and is widely used in the treatment of tumours, liver diseases and diabetes. Immunoglobulin is used in treatment of diseases relating to the immune system and infectious diseases. Coagulation factors, used to stop bleeding, are difficult to extract and only a few companies in the PRC have the capability to manufacture coagulation factors products.

### **Non-blood product business**

The non-blood product business of the Target Group involves the diabetes pharmaceutical business of Guizhou Tianan Pharmaceutical Co.,Ltd. (貴州天安藥業股份有限公司), the biochemical pharmaceutical business of Nanjing Xinbai Pharmaceutical Co., Ltd. (南京新百藥業有限公司), the chemical pharmaceutical business of Jiangxi Boya See-hot Pharmaceutical Co.,Ltd. (江西博雅欣和製藥有限公司) and the distribution business of Guangdong Fuda Pharmaceutical Co. Ltd. (廣東複大醫藥有限公司)(the “**Fuda Pharmaceutical Distribution Business**”).



## 2. FINANCIAL REVIEW

**Operating Revenue**

During the Track Record Period, the Target Group derived its operating revenue mainly from its blood product business and its biochemical pharmaceutical business. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Target Group's operating revenue amounted to approximately RMB1,460.5 million, RMB2,451.3 million, RMB2,908.8 million and RMB1,327.9 million respectively. In 2018, the operating revenue contributed by the Fuda Pharmaceutical Distribution Business increased by more than 5 times because the financial results of Fuda Pharmaceutical Distribution Business have only been consolidated in the Target Group's financial statements since 30 October 2017. The Target Group's steady revenue performance was primarily due to its ability to explore the collection potential of the existing plasma stations and maintain the steady growth of the source plasma, which result in steady revenue growth of its blood product business. The Target Company and the other companies in the Target Group have also strengthened their marketing network and academic services, enhancing the market share of the main products of the Target Group.

The following table sets forth a breakdown of the Target Group's operating revenue by category for the periods indicated:

	For the year ended 31 December			For the six months ended
	2017	2018	2019	30 June 2020
	<i>RMB</i>			
Blood product business	742,452,940.09	903,744,438.15	1,034,439,254.28	468,513,779.34
Biochemical pharmaceutical business	397,297,154.86	702,041,990.79	903,049,919.66	394,130,212.25
Pharmaceutical distribution Business	85,127,100.45	554,550,933.84	642,353,278.29	306,728,911.57
Diabetes pharmaceutical business	246,039,459.36	319,515,729.30	363,760,083.56	162,735,506.96
Other businesses	–	5,468,590.90	22,601,369.93	9,945,795.09
Inter-segment offset	<u>(10,394,798.25)</u>	<u>(34,016,840.93)</u>	<u>(57,434,650.37)</u>	<u>(14,147,393.18)</u>
<b>Total</b>	<u>1,460,521,856.51</u>	<u>2,451,304,842.05</u>	<u>2,908,769,255.35</u>	<u>1,327,906,812.03</u>

**Operating Cost**

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Target Group's operating cost amounted to approximately RMB491.2 million, RMB927.1 million, RMB1,124.4 million and RMB617.9 million respectively.

**Operating Profit**

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Target Group's operating profit amounted to RMB429.4million, RMB564.5 million, RMB514.1 million, and RMB200.0 million respectively. The operating profit for the six months ended 30 June 2020 decreased (compared to the same period in 2019: RMB251.6 million) mainly due to the increase in the cost of raw material, increase in production cost and decrease in selling price of the Target Company's blood products, as a result of the outbreak of the COVID-19 epidemic. In particular, compared to the same period, the volume of source plasma the Target Company collected had decreased by approximately 20% due to restrictive measures aiming to curb the spread of COVID-19.

**Sales Expenses**

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the sales expenses of the Target Group amounted to RMB377.6 million, RMB754.5 million, RMB962.8 million, and RMB386.6 million respectively. The increase in sales expenses was due to the increase in operating revenue which caused the proportional increase in cost of market services in the same period.

**Management Expenses**

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the management expenses of the Target Group amounted to RMB126.8 million, RMB129.5 million, RMB177.3 million, and RMB74.1 million respectively. The increase in management expenses was caused by the increases in remuneration and depreciation.

**Finance Expenses**

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the finance expenses of the Target Group amounted to -RMB9.0 million, RMB7.6 million, RMB17.4 million, and RMB11.2 million respectively. The increase in finance expenses was mainly due to the increase in interest expenses for borrowings. The increase in finance expenses in 2019 was mainly due to the inclusion of Jiangxi Boya See-hot Pharmaceutical Co.,Ltd.'s interest expenses in the Target Group's profit and loss accounts (while the interest expenses were capitalised in 2018). Comparing to the same period in 2019, the finance expenses of the Target Group increased for the six months ended 30 June 2020 from RMB6.1 million to RMB11.2 million because of the increase in interest expenses and decrease in interest income received.

**Research and Development Expenses**

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the research and development expenses of the Target Group amounted to RMB34.5 million, RMB45.1 million, RMB92.8 million and RMB36.0 million respectively. The increase in research and development expenses in the Track Record Period was caused by the increased research and development investment by the Target Group.

**Net Profits**

The Target Group's net profits amounted to approximately RMB364.9 million, RMB485.1 million, RMB442.1 million and RMB168.4 million respectively, for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020.

**Liquidity and Financial Resources**

The Target Company financed working capital requirements primarily by internally generated cash flow, other financial instruments and issue of shares.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the total monetary funds of the Target Group were RMB502.5 million, RMB1,193.4 million, RMB568.7 million and RMB533.5 million respectively. The Target Company raised funds through non public offering of shares in 2018. In 2019, the amount of monetary funds decreased due to the advance payment made to Boya Biopharmaceutical (Guangdong) Co., Ltd. (博雅生物製藥(廣東)有限公司) for purchasing blood plasma.

The Target Company's borrowings are mainly comprised of bank loans. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the borrowings of the Target Group amounted to approximately RMB527.1 million, RMB606.5 million, RMB623.4 million and RMB666.3 million respectively.

The maturity profile of the Target Group's borrowings is set out as follows:

	As at 31 December			As at
	2017	2018	2019	30 June 2020
		(RMB)		
<b>Short-term borrowings</b>	55,000,000	95,000,000	256,832,525	420,885,924
<b>Long-term borrowings repayable:</b>				
Within 1 year (including 1 year)	22,145,000	61,500,000	97,556,155	105,451,251
Within 2 years (including 2 years)	–	–	–	140,000,000
Within 3 to 5 years (including 3 years and 5 years)	<u>450,000,000</u>	<u>450,000,000</u>	<u>269,000,000</u>	<u>–</u>
<b>Total</b>	<u>527,145,000</u>	<u>606,500,000</u>	<u>623,388,680</u>	<u>666,337,175</u>

#### Significant Investments, Material Acquisitions and Disposals

During the year ended 31 December 2017, the Target Group acquired 82% of the shares in Guangdong Fuda Pharmaceutical Co. Ltd., whose main business is distribution of blood products, with an investment amount of RMB218.1 million. The gain from the investment during the period is RMB2.5 million.

During the year ended 31 December 2017, the Target Group also raised funds to build a coagulation factor product research and development building for the production and research and development of its blood products. As of 31 December 2017, the Target Company had invested a total amount of RMB75.8 million in the project.

During the years ended 31 December 2018 and 2019, the Target Group invested in the construction of a intelligent factory for handling thousand tons of blood products for its biomedical business. As of 31 December 2019, the Target Group had invested a total amount of RMB28.7 million in the project.

The Target Group did not make any significant investment or material acquisition in the six months ended 30 June 2020.

There was no material disposal during the Track Record Period.

**Restrictions on Rights on Assets**

In November 2017, the Target Company entered into a Merger and Acquisition Financing Agreement and a Maximum Pledge Contract with the Industrial and Commercial Bank of China (Fuzhou Branch), pursuant to which the Company obtained a loan of RMB130 million, and the Company has pledged all of its equity interests in Guangdong Fuda Pharmaceutical Co. Ltd. to Industrial and Commercial Bank of China (Fuzhou Branch).

As at 30 June 2020, the Target Company has also pledged approximately RMB54.9 million of its account receivable financing and RMB100 million of its trading financial assets for issuance of bank acceptable notes.

**Gearing Ratio**

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the gearing ratio of the Target Group was approximately 32.3%, 25.7%, 24.1% and 24.5%, respectively. The gearing ratio is calculated by dividing total debt against total assets.

**Employee Remuneration Policy**

The Target Company's remuneration policies give consideration to the overall situation and the sustainable development of the company, and embody the principles of result orientation, fairness, scientific management, competitiveness, incentive, confidentiality, economy and centralised management. The Target Company's salary management system determines the remuneration of its employees by taking into account their duties, employee performance, short-term, medium-term and long-term benefits of the Target Company's development and the requirements of each position. The Target Company has also adopted an employee stock purchase plan.

As at 31 December 2017, 2018 and 2019, the Target Group had approximately 1,629, 1,626 and 1,611 employees respectively.

**Foreign Exchange Risk**

During the Track Record Period, the principal activities of the Target Company were conducted in the PRC and its income and expenses were denominated in RMB. In light of this, the Target Company was not exposed to material risks in relation to foreign exchange rate fluctuation and has not entered into any contracts to hedge its exposure to foreign currency risks.

**Prospects**

The Target Group plans to expand its blood product business through fully utilising its new plasma stations and actively applying for approvals to set up more new plasma stations, enhancing its marketing capability, investing more in research and development and developing its overseas business.

The Target Group also plans to develop its non-blood product business through reforming the bidding and purchasing system and the “4+7” procurement policy of Guizhou Tianan Pharmaceutical Co.,Ltd., investing more resources in Nanjing Xintai Pharmaceutical Co.,Ltd., promoting innovation with Jiangxi Boya See-hot Pharmaceutical Co.,Ltd. as the pharmaceutical chemical manufacturing platform and developing its distribution channels through Guangdong Fuda Pharmaceutical Co. Ltd..

*The unaudited pro forma financial information set out below should be read in conjunction with “Appendix I – Financial Information of the Group” and “Appendix II – Financial Information of the Target Group” in this circular.*

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

The unaudited pro forma statement of assets and liabilities of the Enlarged Group (the “**Unaudited Pro Forma Financial Information**”) set out in below section has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules and is solely for the purpose to illustrate the effect of the transactions contemplated under the Transaction Documents on the Enlarged Group’s financial position as at 30 June 2020 as if the transactions contemplated under the Transaction Documents had been completed on 30 June 2020.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020, which has been extracted from the published interim report of the Group for the six months ended 30 June 2020, after making certain pro forma adjustments that are (i) directly attributable to the transactions contemplated under the Transaction Documents; and (ii) factually supportable, as further described in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. As a result of the hypothetical nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Enlarged Group that would have been attained had the transactions contemplated under the Transaction Documents have been completed on 30 June 2020. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group’s future financial position. The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group, as incorporated by reference in Appendix I to this circular, and the financial information of the Target Group, as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

**APPENDIX IV                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

	<b>The Group as at 30 June 2020 HK'000 (Note1)</b>	<b>The Target Group's Unaudited Adjusted Financial Information under the Company's Policies as at 30 June 2020 HK'000 (Note2)</b>	<b>Adjustment HK'000 (Note3)</b>	<b>Adjustment HK'000 (Note4)</b>	<b>Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2020 HK'000</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	15,909,404	948,924	253,665	–	17,111,993
Right-of-use assets	5,500,211	131,515	33,332	–	5,665,058
Investment properties	1,749,942	–	–	–	1,749,942
Goodwill	19,953,100	726,748	2,630,117	–	23,309,965
Intangible assets	6,294,275	191,749	2,033,796	–	8,519,820
Interests in joint ventures	90,168	–	–	–	90,168
Interest in associates	4,749,331	144,046	–	–	4,893,377
Other non-current financial assets	454,742	191,802	–	–	646,544
Deferred tax assets	893,061	20,140	–	–	913,201
Other non-current assets	<u>2,804,119</u>	<u>54,419</u>	<u>–</u>	<u>–</u>	<u>2,858,538</u>
<b>Total non-current assets</b>	<u><b>58,398,353</b></u>	<u><b>2,409,343</b></u>	<u><b>4,950,910</b></u>	<u><b>–</b></u>	<u><b>65,758,606</b></u>
<b>CURRENT ASSETS</b>					
Inventories	24,653,860	721,249	–	–	25,375,109
Trade and other receivables	64,092,500	1,027,487	–	(31,523)	65,088,464
Other current financial assets	29,977,309	286,790	–	–	30,264,099
Amounts due from related parties	1,729,157	901,213	–	–	2,630,370
Tax recoverable	50,443	–	–	–	50,443
Pledged deposits	4,883,635	16,256	–	–	4,899,891
Cash and cash equivalents	<u>13,384,480</u>	<u>567,753</u>	<u>(2,884,271)</u>	<u>–</u>	<u>11,067,962</u>
<b>Total current assets</b>	<u><b>138,771,384</b></u>	<u><b>3,520,748</b></u>	<u><b>(2,884,271)</b></u>	<u><b>(31,523)</b></u>	<u><b>139,376,338</b></u>
<b>TOTAL ASSETS</b>	<u><b>197,169,737</b></u>	<u><b>5,930,091</b></u>	<u><b>2,066,639</b></u>	<u><b>(31,523)</b></u>	<u><b>205,134,944</b></u>



## APPENDIX IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP

	The Group as at 30 June 2020 <i>HK'000</i> <i>(Note1)</i>	The Target Group's Unaudited Adjusted Financial Information under the Company's Policies as at 30 June 2020 <i>HK'000</i> <i>(Note2)</i>	Adjustment <i>HK'000</i> <i>(Note3)</i>	Adjustment <i>HK'000</i> <i>(Note4)</i>	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2020 <i>HK'000</i>
CURRENT LIABILITIES					
Trade and other payables	58,268,886	631,192	–	(30,761)	58,869,317
Short-term debentures	2,196,872	–	–	–	2,196,872
Contract liabilities	1,759,156	17,424	–	(762)	1,775,818
Lease liabilities	675,302	4,079	–	–	679,381
Amounts due to related parties	9,552,680	–	–	–	9,552,680
Bank borrowings	40,420,806	576,213	–	–	40,997,019
Bonds payable	2,441,345	–	–	–	2,441,345
Tax payable	<u>453,622</u>	<u>25,552</u>	–	–	<u>479,174</u>
Total current liabilities	<u>115,768,669</u>	<u>1,254,460</u>	–	<u>(31,523)</u>	<u>116,991,606</u>
NON-CURRENT LIABILITIES					
Bank borrowings	1,174,483	153,266	–	–	1,327,749
Bonds payable	5,473,800	–	–	–	5,473,800
Lease liabilities	1,502,345	4,943	–	–	1,507,288
Deferred tax liabilities	1,507,790	7,209	580,198	–	2,095,197
Other non-current liabilities	<u>1,296,567</u>	<u>37,206</u>	–	–	<u>1,333,773</u>
Total non-current liabilities	<u>10,954,985</u>	<u>202,624</u>	<u>580,198</u>	–	<u>11,737,807</u>
TOTAL LIABILITIES	<u>126,723,654</u>	<u>1,457,084</u>	<u>580,198</u>	<u>(31,523)</u>	<u>128,729,413</u>
NET ASSETS	<u>70,446,083</u>	<u>4,473,007</u>	<u>1,486,441</u>	–	<u>76,405,531</u>

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**APPENDIX IV                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

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**NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

1. The amounts were extracted from the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 as set out in the interim report of the Company dated 27 August 2020.
2. Certain reclassification adjustments were made to the Unaudited Adjusted Financial Information under the Company's Policies as of 30 June 2020 as set out in Appendix II to this circular in order to conform with the Group's presentation. A reconciliation was illustrated below:

	Unaudited Adjusted Financial Information under the Company's Policies(a)	Reclassification (b)			Unaudited Adjusted Financial Information under the Company's Policies – reclass to the Group's presentation	Unaudited Adjusted Financial Information under the Company's Policies – reclass to the Group's presentation(c)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	HK'000
<b>CURRENT ASSETS</b>						
Cash at bank and on hand	533,458	(533,458)	–	–	–	–
Pledged deposits	–	14,849	–	–	14,849	16,256
Cash and cash equivalents	–	518,609	–	–	518,609	567,753
Held for trading financial assets	111,000	–	(111,000)	–	–	–
Bills receivables at fair value	150,966	–	(150,966)	–	–	–
Other current financial assets	–	–	261,966	–	261,966	286,790
Prepayment	842,363	–	–	(842,363)	–	–
Other receivables	144,668	–	–	(144,668)	–	–
Other current assets	16,822	–	–	(16,822)	–	–
Bills receivable	177,407	–	–	(177,407)	–	–
Trade receivable	580,497	–	–	(580,497)	–	–
Trade and other receivables	–	–	–	938,551	938,551	1,027,487
Amounts due from related parties	–	–	–	823,206	823,206	901,213
Inventories	658,819	–	–	–	658,819	721,249
	<u>3,216,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,216,000</u>	<u>3,520,748</u>
Total current assets	<u>3,216,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,216,000</u>	<u>3,520,748</u>

APPENDIX IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP

	Unaudited Adjusted Financial Information under the Company's Policies(a)		Reclassification (b)			Unaudited Adjusted Financial Information under the Company's Policies – reclass to the Group's presentation	Unaudited Adjusted Financial Information under the Company's Policies – reclass to the Group's presentation(c)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	HK'000
<b>NON-CURRENT ASSETS</b>							
Interests in associates	131,577	-	-	-	-	131,577	144,046
Other equity instrument investment	175,200	-	-	-	(175,200)	-	-
Other non-current financial assets	-	-	-	-	175,200	175,200	191,802
Fixed assets	706,124	(706,124)	-	-	-	-	-
Construction in progress	108,396	(108,396)	-	-	-	-	-
Long-term deferred expense	56,577	(52,267)	(4,310)	-	-	-	-
Property, plant and equipment	-	866,787	-	-	-	866,787	948,924
Right-of-use assets	120,132	-	-	-	-	120,132	131,515
Intangible assets	71,740	-	-	103,411	-	175,151	191,749
Development expenditure	103,411	-	-	(103,411)	-	-	-
Goodwill	663,842	-	-	-	-	663,842	726,748
Deferred tax assets	18,397	-	-	-	-	18,397	20,140
Other non-current assets	45,400	-	4,310	-	-	49,710	54,419
Total non-current assets	2,200,796	-	-	-	-	2,200,796	2,409,343
Total Assets	5,416,796	-	-	-	-	5,416,796	5,930,091

**APPENDIX IV**

**UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

	Unaudited Adjusted Financial Information under the Company's Policies(a)	Reclassification(b)			Unaudited Adjusted Financial Information under the Company's Policies – reclass to the Group's presentation	Unaudited Adjusted Financial Information under the Company's Policies – reclass to the Group's presentation(c)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	HK'000
<b>CURRENT LIABILITIES</b>						
Short-term borrowings	420,886	(420,886)	–	–	–	–
Non-current liabilities						
due within one year	105,451	(105,451)	–	–	–	–
Bank borrowings	–	526,337	–	–	526,337	576,213
Trade and other payables	–	–	576,560	–	576,560	631,192
Bills payable	75,340	–	(75,340)	–	–	–
Trade payable	274,415	–	(274,415)	–	–	–
Contract liabilities	15,915	–	–	–	15,915	17,424
Employee benefits payable	37,112	–	(37,112)	–	–	–
Taxes payable	41,531	–	(41,531)	–	–	–
Tax payable	–	–	23,340	–	23,340	25,552
Other payables	171,502	–	(171,502)	–	–	–
Lease liabilities	3,726	–	–	–	3,726	4,079
	<u>1,145,878</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,145,878</u>	<u>1,254,460</u>
<b>Total current liabilities</b>	<u>1,145,878</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,145,878</u>	<u>1,254,460</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings	140,000	–	–	(140,000)	–	–
Bank borrowings	–	–	–	140,000	140,000	153,266
Lease liabilities	4,515	–	–	–	4,515	4,943
Deferred income	33,985	–	–	(33,985)	–	–
Other non-current liabilities	–	–	–	33,985	33,985	37,206
Deferred tax liabilities	6,585	–	–	–	6,585	7,209
	<u>185,085</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>185,085</u>	<u>202,624</u>
<b>Total non-current liabilities</b>	<u>185,085</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>185,085</u>	<u>202,624</u>
<b>Total Liabilities</b>	<u>1,330,963</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,330,963</u>	<u>1,457,084</u>

- (a) The amounts are extracted from the Unaudited Adjusted Financial information under the Company's Policies as set out in Appendix II to this circular.
- (b) Relevant balances have been reclassified to conform with the presentation adopted by the Group.
- (c) The assets and liabilities of the Target Group have been translated to HK\$ at the closing rate of 1.09476 as at 30 June 2020 and rounded to the nearest HK\$ thousand.

- 3 The adjustment represents the accounting for the Acquisition using the acquisition method in accordance with Hong Kong Financial Reporting Standards 3 (Revised) *Business Combinations* issued by the Hong Kong Institute of Certified Public Accountants. For the purpose of the Unaudited Pro Forma Financial Information, the Group has carried out an illustrative purchase price allocation as if the Acquisition of the Target Group has been completed on 30 June 2020 and the fair values of the identifiable assets and liabilities of the Target Group as at 30 June 2020 were estimated by the Directors.

The carrying values and fair values of the identifiable assets and liabilities of the Target Group as at 30 June 2020 are as follows:

	<b>Carrying value</b> <i>HK\$'000</i>	<b>Fair value recognised on acquisition</b> <i>HK\$'000</i>
Property, plant and equipment	948,924	1,202,589
Right-of-use assets	131,515	164,847
Intangible assets	191,749	2,225,545
Inventories	721,249	721,249
Trade and other receivables	1,027,487	1,027,487
Other current financial assets	286,790	286,790
Amounts due from related parties	901,213	901,213
Cash and cash equivalents ( <i>Note d</i> )	3,549,748	3,549,748
Other assets	426,663	426,663
Trade and other payables	(631,192)	(631,192)
Bank borrowings	(729,479)	(729,479)
Other liabilities	(96,413)	(96,413)
Deferred tax liabilities ( <i>Note c</i> )	—	(580,198)
	<hr/>	<hr/>
Total identifiable net assets ( <i>Note a</i> )	6,728,254	8,468,849
Non-controlling interests		(5,959,448)
Goodwill on acquisition		<hr/> 3,356,865
		<hr/> <hr/>
Total consideration ( <i>Note b</i> )		5,866,266

*Notes:*

- (a) The goodwill of the Target Group amounting to HK\$727 million is excluded from the above carrying value as it is not considered as identifiable assets acquired in accordance with HKFRS 3.
- (b) The total consideration (the “Total Consideration”) for the Acquisition amounting to RMB5,358 million (equivalent to approximately HK\$5,866 million) comprises: (i) the amount of HK\$2,884 million paid for acquisition of 69,331,978 non-restricted tradable shares of the Target Company held by the Vendors; and (ii) the amount of HK\$2,982 million paid for subscription of 86,664,972 shares to be issued by the Target Company to the Company. The net cash outflow of the Enlarged Group for the Acquisition was HK\$2,884 million.
- (c) Deferred tax liabilities arose from the difference between the tax bases and the fair values of property, plant and equipment, right-of-use assets and intangible assets. A tax rate of 25% was used to calculate deferred tax liabilities as it is the tax rate expected to be applied in the period when the assets realised.
- (d) Included in the balance is an amount of HK\$2,982 million cash paid by the Group for the subscription of 86,664,972 shares to be issued by the Target Company.

Since the fair value of the identifiable net assets of the Target Group may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the final amounts of the identifiable assets, liabilities and goodwill to be recognised in connection with the Acquisition may be materially different from the estimated amounts as shown above.

For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, the Group’s management has performed an impairment assessment on the provisional goodwill arising from the Acquisition in accordance with Hong Kong Accounting Standard 36 *Impairment of Assets* (“HKAS 36”) and concluded that there would have been no impairment of the goodwill if the Acquisition had been completed on 30 June 2020 for the purpose of unaudited pro forma statement of assets and liabilities. According to the steps taken by the Board, the recoverable amount under impairment assessment was derived based on the value-in-use calculations. The Board used cash flows projections based on financial forecast of the Target Group covering five years period, assuming that (i) there are no material adverse changes in the fair values of the assets and liabilities of the Target Group; and (ii) the identifiable assets and liabilities can be realised at their carrying amounts. After initial recognition, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December.

The directors of the Company confirmed that they will adopt consistent accounting policies, principal assumptions and valuation method to assess impairment of goodwill in subsequent reporting periods in accordance with the requirements of HKAS 36 and will disclose in the Group's annual report the basis and assumptions adopted by the directors of the Company in the impairment assessment in accordance with the disclosure requirements in HKAS 36. To the best knowledge of the Directors, the Group's independent auditors, Ernst & Young will be conducting the audit in accordance with the HKSA issued by the HKICPA to perform the impairment assessment of the Enlarged Group's goodwill during the future annual audit of the Enlarged Group.

4. The adjustment represents the elimination of inter-company balances as at 30 June 2020 between the Group and the Target Group.
5. Apart from the above, no other adjustment has been made to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 30 June 2020.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED  
GROUP**

*The following is the text of a report received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Section A of Appendix IV to this circular.*



22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

***To the Directors of China Resources Pharmaceutical Group Limited***

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Resources Pharmaceutical Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 June 2020, and related notes as set out on pages 557 to 565 of the circular dated 24 December 2020 issued by the Company (the “Circular”) in connection with the proposed acquisition of a controlling stake of Boya Bio-pharmaceutical Group Co., Ltd. (the “Target Company”) and its subsidiaries (hereinafter collectively referred to as the “Target Group”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages 557 to 565 to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of a controlling stake of the Target Group (the “Acquisition”) on the Group’s financial position as at 30 June 2020 as if the Acquisition had taken place at 30 June 2020. As part of this process, information about the Group’s and the Target Group’s financial position have been extracted by the Directors from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2020 as set out in the interim report of the Company dated 27 August 2020 and the Target Group’s unaudited adjusted financial information under the Company’s policies as at 30 June 2020 as set out in Appendix II to this Circular, respectively.



**Directors' responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**APPENDIX IV                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

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**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

24 December 2020

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of the Directors and the Chief Executive of the Company

As of the Latest Practicable Date, the interests/short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be entered into the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code were as follows:

Name of Director	Capacity/ Nature of interest	Long position/ short position	Number of ordinary shares	Approximate percentage of shareholding (%)
Han Yuewei	Beneficial Owner	Long Position	300,000	0.0048

Save as disclosed above, as at the Latest Practicable Date, so far as it is known to the Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests/short positions in the Shares, underlying Shares and debentures of the Company or any or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) as otherwise to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code.

**(b) Substantial shareholders**

As of the Latest Practicable Date, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Capacity/ Nature of Interest	Number of Shares held	Long/ short position	Approximate percentage of shareholding in the Company %
China Resources Company Limited <sup>(1)</sup>	Interest in controlled corporation	3,333,185,612	Long position	53.05
CRI <sup>(1)</sup>	Interest in controlled corporation	3,333,185,612	Long position	53.05
CRC Bluesky Limited <sup>(1)</sup>	Interest in controlled corporation	3,333,185,612	Long position	53.05
CR Holdings <sup>(1)</sup>	Interest in controlled corporation	3,333,185,612	Long position	53.05
CRH (Pharmaceutical) <sup>(1)</sup>	Beneficial owner	3,333,185,612	Long position	53.05
BSCOMC <sup>(2,3)</sup>	Interest in controlled corporation	1,296,238,849	Long position	20.63
Beijing State-owned Capital Operation and Management Center Investment Holdings Limited <sup>(3)</sup>	Interest in controlled corporation	1,094,800,000	Long position	17.43
Beijing State-owned Capital Operation and Management Center Investment Management Limited <sup>(3)</sup>	Beneficial owner	1,094,800,000	Long position	17.43

*Notes:*

- (1) CRH (Pharmaceutical) directly held 3,333,185,612 Shares. CRH (Pharmaceutical) is a wholly-owned subsidiary of CR Holdings. CR Holdings is a beneficially wholly-owned subsidiary of CRC Bluesky Limited, which is in turn wholly-owned by CRI. CRI is an ultimately beneficially wholly-owned subsidiary of China Resources Company Limited. By virtue of the SFO, each of China Resources Company Limited, CRI, CRC Bluesky Limited and CR Holdings is deemed to have an interest in the Shares held by CRH (Pharmaceutical).
- (2) By virtue of the SFO, BSCOMC is deemed to have an interest in the 201,438,849 Shares held by Beijing Equity Investment Development Fund (Cayman II) L.P., an exempted limited partnership registered in the Cayman Islands, by reason of a series of funds and corporate structures. Each of which, individually, is interested in less than 5% in the voting Shares.
- (3) Beijing State-owned Capital Operation and Management Center Investment Management Limited (“**BSCOMC Investment Management**”, formerly known as Beijing Pharmaceutical Investment Limited) directly held 1,094,800,000 Shares. BSCOMC Investment Management is a wholly-owned subsidiary of Beijing State-owned Capital Operation and Management Center Investment Holdings Limited (“**BSCOMC Investment Holdings**”, formerly known as Beijing Pharmaceutical Holdings Limited), which is in turn wholly owned by BSCOMC. By virtue of the SFO, each of BSCOMC and BSCOMC Investment Holdings is deemed to have an interest in the Shares held by BSCOMC Investment Management.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

**(c) Directors’ Service Contracts**

As at the Latest Practicable Date, none of the Directors had a service contract which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

**(d) Directors’ Competing Interests**

As at the Latest Practicable Date, none of the Directors was interested in any business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the business of the Group.

(e) **Disclaimers**

As of the Latest Practicable Date, none of the Directors or expert had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2019, being the date to which the latest published financial statements of the Company were made up.

No Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group taken as a whole.

**3. LITIGATION AND CLAIMS**

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group that would have a material adverse effect on the results of operations or financial conditions of the Enlarged Group.

**4. MATERIAL CONTRACTS**

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Enlarged Group within the two years immediately preceding the date of this circular:

- (a) a source plasma supply framework agreement dated 15 April 2019 entered into between the Target Company and Guangdong Danxia Biological Pharmaceutical Co., Ltd. (廣東丹霞生物製藥有限公司) ("**Guangdong Danxia**"), pursuant to which the Target Company agreed to purchase, and Guangdong Danxia agreed to supply, no more than 500 tonnes of source plasma at the consideration of no more than RMB825 million; and
- (b) the Transaction Documents.

## 5. EXPERT AND CONSENT

The following sets out the qualification of the expert who has given opinion or advice which is contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Ernst & Young	Certified Public Accountants

As at the date of this circular, the above-mentioned expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or report (as the case may be) and reference to its name, in the form and context in which it appears.

As at the Latest Practicable Date, the above-mentioned expert:

- (a) did not have any shareholding in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group; or
- (b) did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2019), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

## 6. MISCELLANEOUS

- (a) The English text of this circular shall prevail over the Chinese text in the event of any inconsistency.
- (b) The Company Secretary of the Company is Mr. LO Chi Lik Peter. He qualified as a solicitor in Hong Kong in 1976 and has been in continuous practice as a solicitor since then. He is currently a partner of Messrs. Woo, Kwan, Lee & Lo.
- (c) The head office and principal place of business of the Company is at Room 4104-05 41/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The registered office of the Company is at 41/F, China Resources Building, 26 Harbour Road, Wanchai., Hong Kong.
- (d) The share registrar of the Company in Hong Kong is Tricor Investor Services Limited whose address is situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.



**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Room 4104-05, 41/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day (Saturdays, Sundays and public holidays in Hong Kong excluded) from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) the articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed “4. Material Contracts” in this appendix;
- (c) the written consent of the expert referred to in the paragraph headed “5. Expert and Consent” in this appendix;
- (d) the financial reports of the Target Group for the financial years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020, the text of which is set out in Appendix II to this circular;
- (e) the Unaudited Pro Forma Financial Information of the Enlarged Group from Ernst & Young, the text of which is set out in Appendix IV to this circular;
- (f) the annual reports of the Company for each of the financial years ended 31 December 2017, 2018 and 2019 respectively;
- (g) the interim report of the Company for the six months ended 30 June 2020; and
- (h) this circular.