

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities. This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state of the United States or any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act. This announcement and the information contained herein are not for distribution, directly or indirectly, in or into the United States. No public offer of the securities referred to herein is being or will be made in the United States.

This announcement and the listing document referred to herein have been published for information purposes only as required by the the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the issuer for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

HUAXIN PHARMACEUTICAL (HONG KONG) CO., LIMITED

(華信藥業（香港）有限公司)

(incorporated in Hong Kong with limited liability)

U.S.\$60,000,000 2.6 per cent. Credit Enhanced Bonds due 2024 (the “**Bonds**”)

unconditionally and irrevocably guaranteed by



TAIZHOU HUAXIN PHARMACEUTICAL INVESTMENT CO., LTD.

(泰州華信藥業投資有限公司)

(incorporated in the People’s Republic of China with limited liability)

with the benefit of an irrevocable Standby Letter of Credit issued by

BANK OF JIANGSU CO., LTD. TAIZHOU BRANCH

(Stock Code: 40571)

PUBLICATION OF THE INFORMATION MEMORANDUM

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).

Please refer to the information memorandum dated 27 January 2021 (the “**Information Memorandum**”) appended herein in relation to the issuance of the Bonds. As disclosed in the Information Memorandum, the Bonds were intended for purchase by professional investors only (as defined in Chapter 37 of the Listing Rules) (“**Professional Investors**”) and will be listed on the Hong Kong Stock Exchange on that basis.

Notice to Hong Kong Investors: Each of Huaxin Pharmaceutical (Hong Kong) Co., Limited (華信藥業(香港)有限公司) (the “**Issuer**”) and Taizhou Huaxin Pharmaceutical Investment Co., Ltd. (泰州華信藥業投資有限公司) (the “**Guarantor**”) confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Information Memorandum does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Information Memorandum must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer and the Guarantor, and no such inducement is intended. No investment decision should be made based on the information contained in the Information Memorandum.

Hong Kong, 1 February 2021

As at the date of this announcement, the directors of the Issuer are Ms. Wu Zhilan and Mr. Hang Xiang.

As at the date of this announcement, the directors of the Guarantor are Mr. Zhang Youfeng, Mr. Yang Bin, Mr. Hang Xiang, Mr. Wang Jianhui, and Ms. Wu Zhilan.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS PRIVATE PLACEMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached information memorandum (the “**Information Memorandum**”). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Information Memorandum. In accessing the attached Information Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access. In order to be eligible to view the attached Information Memorandum or make an investment decision with respect to the securities, investors must be outside the United States.

Confirmation of Your Representation: This Information Memorandum is being sent to you at your request and by accepting the e-mail and accessing the attached Information Memorandum, you shall be deemed to represent to Huaxin Pharmaceutical (Hong Kong) Co., Limited (the “**Issuer**”), Taizhou Huaxin Pharmaceutical Investment Co., Ltd. (the “**Guarantor**” or the “**Company**”), Guoyuan Capital (Hong Kong) Limited, China Industrial Securities International Brokerage Limited, Zhongtai International Securities Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, Fosun Hani Securities Limited, Dongxing Securities (Hong Kong) Company Limited and Central Wealth Securities Investment Limited (collectively, the “**Placing Agents**”) that (1) you and any customers you represent are outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) you consent to the delivery of the attached Information Memorandum and any amendments or supplements thereto by electronic transmission.

The attached Information Memorandum has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Issuer, the Guarantor, the Placing Agents, the Trustee or the Agents (as defined in the attached Information Memorandum) or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the Issuer, the Guarantor and the Placing Agents.

Restrictions: The attached Information Memorandum is being furnished in connection with an offering in offshore transactions to persons outside the United States in compliance with Regulation S under the Securities Act of 1933, as amended (the “**Securities Act**”) solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

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

You are reminded that you have accessed the attached Information Memorandum on the basis that you are a person into whose possession the attached Information Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Information Memorandum.

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

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED INFORMATION MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH INFORMATION MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED INFORMATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) - In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the “**CMP Regulations 2018**”), the Issuer has determined the classification of the Bonds as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

HUAXIN PHARMACEUTICAL (HONG KONG) CO., LIMITED*(incorporated in Hong Kong with limited liability)*U.S.\$ 60,000,000 2.6 per cent. Credit Enhanced Bonds due 2024
unconditionally and irrevocably guaranteed by**TAIZHOU HUAXIN PHARMACEUTICAL INVESTMENT CO., LTD.***(incorporated in the People's Republic of China with limited liability)*with the benefit of an irrevocable Standby Letter of Credit issued by
BANK OF JIANGSU CO., LTD. TAIZHOU BRANCH

Issue Price: 100.0 per cent.

The 2.6 per cent. credit enhanced bonds in the aggregate principal amount of U.S.\$ 60,000,000 (the "Bonds") will be issued by Huaxin Pharmaceutical (Hong Kong) Co., Limited (the "Issuer") and will be unconditionally and irrevocably guaranteed (the "Guarantee") by Taizhou Huaxin Pharmaceutical Investment Co., Ltd. (the "Guarantor" or the "Company"), a company incorporated under the laws of the People's Republic of China (the "PRC"). The Issuer is a directly wholly-owned subsidiary of the Guarantor.

Payments of principal and interest in respect of the Bonds will have the benefit of an irrevocable standby letter of credit (the "Standby Letter of Credit") denominated in U.S. dollars and issued by the Bank of Jiangsu Co., Ltd. Taizhou Branch (the "LC Bank"). See "Appendix A – Form of Irrevocable Standby Letter of Credit" for the form of the Standby Letter of Credit. The Bonds will be issued through a private placement.

The Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The Bonds bear interest on their outstanding principal amount from and including 29 January 2021 (the "Issue Date") at the rate of 2.6 per cent. per annum, payable semi-annually in arrear on 29 January and 29 July in each year, commencing on 29 July 2021.

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Hong Kong or the PRC to the extent described in "Terms and Conditions of the Bonds – Taxation".

The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. The Guarantor will enter into a deed of guarantee (the "Deed of Guarantee") with Citicorp International Limited (the "Trustee") on or around the Issue Date.

The Guarantor will register or cause to be registered with the State Administration of Foreign Exchange or its local branch ("SAFE"), the Deed of Guarantee within 15 Registration Business Days (as defined in the Terms and Conditions of the Bonds (the "Conditions")) after the Issue Date, in accordance with the Foreign Exchange Administration Rules on Cross-Border Guarantees (跨境擔保外匯管理規定), use its reasonable endeavours to complete the Cross-border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to the Guarantee.

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the "NDRC Notice") promulgated by National Development and Reform Commission of the PRC or its local counterparts (the "NDRC") on 14 September 2015 which came into effect on the same day, the Guarantor has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 23 October 2020 evidencing such registration. Pursuant to the NDRC Notice, the Guarantor will file or cause to be filed with the NDRC the requisite information and documents within the prescribed time period after the Issue Date.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 29 January 2024 (the "Maturity Date"). The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, at their principal amount (together with interest accrued to, but excluding, the date fixed for redemption, if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the it (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions) as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 27 January 2021, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it. See "Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons". At any time following the occurrence of a Change of Control (as defined in the Conditions), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Conditions) at 100 per cent. of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. See "Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Change of Control". Upon the occurrence of a No Registration Event (as defined in the Conditions), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem on the No Registration Event redemption date (as defined in the Conditions) all, but not some only, of that holder's Bonds at 100 per cent. of their principal amount together with accrued interest up to, but excluding, the No Registration Event redemption date. See "Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Event".

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

Investing in the Bonds involves risks. See "Risk Factors" beginning on page 7 for a discussion of certain factors to be considered in connection with an investment in the Bonds. Investors should be aware that the risks in relation to the guaranteed bonds structure with a letter of credit supported by the LC Bank and that there are various other risks relating to the bonds, the Issuer, the Guarantor and their respective subsidiaries and the LC Bank, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Bonds.

The Bonds, the Guarantee and the Standby Letter of Credit have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds and the Guarantee are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds, the Guarantee, the Standby Letter of Credit and the distribution of this Information Memorandum, see "Placement and Sale".

Application will be made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited) ("Professional Investors") only. This document is for distribution to Professional Investors only. **Notice to Hong Kong Investors:** Each of the Issuer and the Guarantor confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

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

Placing Agents

Guoyuan Capital	China Industrial Securities International	Zhongtai International	Industrial Bank Co., Ltd. Hong Kong Branch
Shanghai Pudong Development Bank Hong Kong Branch	Fosun Hani	Dongxing Securities (Hong Kong)	Central Wealth Securities Investment

IMPORTANT NOTICE

THIS INFORMATION MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS INFORMATION MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR ANY OF THE GUARANTOR'S OTHER SUBSIDIARIES (COLLECTIVELY, THE "GROUP") OR THAT THE INFORMATION SET FORTH IN THIS INFORMATION MEMORANDUM IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

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

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

Notwithstanding the foregoing, the information included in this Information Memorandum regarding Bank of Jiangsu Co., Ltd. Taizhou Branch is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. The Issuer and the Guarantor have taken reasonable care in the compilation and reproduction of the information. However, none of the Issuer, the Guarantor, the Placing Agents (as defined below), the Trustee and the Agents (in each case as defined herein) or their respective affiliates, directors, officers, employees, representatives, agents or advisers has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Guarantor, the Placing Agents, the Trustee or the Agents or their respective affiliates, directors, officers, employees, representatives, agents or advisers as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

This Information Memorandum has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds, giving of the Guarantee and the Standby Letter of Credit described in this Information Memorandum. The distribution of this Information Memorandum, the offering of the Bonds and the giving of the Guarantee in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Issuer, the Guarantor, Guoyuan Capital (Hong Kong) Limited, China Industrial Securities International Brokerage Limited, Zhongtai International Securities Limited,

Industrial Bank Co., Ltd. Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, Fosun Hani Securities Limited, Dongxing Securities (Hong Kong) Company Limited and Central Wealth Securities Investment Limited (together the “**Placing Agents**”) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds, giving of the Guarantee and the Standby Letter of Credit or the distribution of this Information Memorandum or any offering or publicity material relating to the Bonds in any jurisdiction where action would be required for such purposes. There are restrictions on the placement and sale of the Bonds and the Guarantor giving the Guarantee, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Information Memorandum, see “*Placement and Sale*”. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Information Memorandum. This Information Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, Bonds. Distribution of this Information Memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Information Memorandum, agrees to the foregoing and to make no photocopies of this Information Memorandum or any documents referred to in this Information Memorandum.

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

None of the Placing Agents, the Trustee or the Agents (as defined in the Conditions), or any person who controls any of them, or their respective directors, officers, employees, agents, representatives, advisers and affiliates has separately verified the information contained in this Information Memorandum. None of the Placing Agents, the Trustee or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, adviser or affiliate of any such person, makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in this Information Memorandum or any information supplied in connection with the Bonds, the Guarantee and the Standby Letter of Credit. Each person receiving this Information Memorandum acknowledges that such person has not relied on the Placing Agents, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, representatives, adviser or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor, the Group, the LC Bank, the Guarantee, the Standby Letter of Credit and the terms of the offering and the merits and risks involved in investing in the Bonds. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Placing Agents, the Trustee or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, adviser or affiliate of any such person, accepts any responsibility for the contents of this Information Memorandum or for any other statement made or purported to be made by a Placing Agent, the Trustee or an Agent, or any person who controls any of them, or any director, officer, employee, agent, adviser, representative or affiliate of any such person or on its behalf, in connection with the Issuer, the Guarantor, the Group, the LC Bank, the issue and offering of the Bonds, the giving of the Guarantee or the Standby Letter of Credit. Each of the Placing Agents, the Trustee and the Agents, and any person who controls any of them, and the directors, officers, employees, agents, representatives, advisers and affiliates of such persons accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Information Memorandum or any such statement. None of the Placing Agents, the Trustee or the Agents, or any person who controls any of them,

or any director, officer, employee, agent, representative, advisers or affiliate of any such person, undertakes to review the financial condition or affairs of the Issuer, the Guarantor, the Group or the LC Bank during the life of the arrangements contemplated by this Information Memorandum nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Placing Agents, the Trustee or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, advisers or affiliate of any such person.

This Information Memorandum may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. This Information Memorandum does not constitute an offer or an invitation to subscribe for or to purchase any Bonds, is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuer, the Guarantor, the Group, the LC Bank, the Placing Agents, the Trustee, the Agents, or any person who controls any of them, or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers that any recipient of this Information Memorandum should subscribe for or purchase any Bonds. Each recipient of this Information Memorandum shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor with its own tax, legal and business advisers as it deems necessary.

This Information Memorandum is provided solely for the purpose of enabling the recipient to consider purchasing the Bonds. The investors or prospective investors should read this Information Memorandum carefully before making a decision regarding whether or not to purchase the Bonds. This Information Memorandum cannot be used for any other purpose and any information in this Information Memorandum cannot be disclosed to any other person. This Information Memorandum is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Bonds.

This Information Memorandum summarises certain material documents and other information, and the Issuer, the Guarantor, the LC Bank and the Placing Agents refer the recipient of this Information Memorandum to them for a more complete understanding of what is contained in this Information Memorandum. None of the Issuer, the Guarantor, the Group, the LC Bank, the Placing Agents, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates are making any representations regarding the legality of an investment in the Bonds under any law or regulation. The recipient of this Information Memorandum should not consider any information in this Information Memorandum to be legal, business or tax advice. Any investor or prospective investor should consult his/her/its own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Bonds.

The contents of this Information Memorandum have not been reviewed by any regulatory authority in the People's Republic of China, Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offer. If any investor is in any doubt about any of the contents of this Information Memorandum, that investor should obtain independent professional advice.

Industry and Market Data

Market data and certain industry forecasts used throughout this Information Memorandum have been obtained based on, among other sources, internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed by the Issuer and Guarantor to be reliable and accurate but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Guarantor, the LC Bank, the Placing Agents, the Trustee or the Agents or their respective affiliates, directors, employees, representatives, agents, officers or advisers makes any representation as to the correctness, accuracy or completeness of that information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this information memorandum (“**Information Memorandum**”), unless otherwise specified or the context otherwise requires, all references to the “**PRC**”, “**China**” and “**mainland China**” are to the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan), and all references to the “**United States**” and “**U.S.**” are to the United States of America, all references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China; all references to “**CNY**”, “**Renminbi**” and “**RMB**” are to the lawful currency of the PRC, and all references to “**USD**”, “**U.S.\$**” and “**U.S. dollars**” are to the lawful currency of the United States of America.

Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all. No representation is made that the Renminbi amounts referred to in this Information Memorandum could have been or could be converted into U.S. dollars at any particular rate or at all.

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

In this Information Memorandum, unless otherwise indicated or the context otherwise requires, references to:

- the “**Group**”, the “**Company**”, the “**Guarantor**” and words of similar import refers to Taizhou Huaxin Pharmaceutical Investment Co., Ltd. (泰州華信藥業投資有限公司) itself, or its consolidated subsidiaries, as the context requires;
- the “**Issuer**” refers to Huaxin Pharmaceutical (Hong Kong) Co., Limited (華信藥業(香港)有限公司), a wholly-owned subsidiary of the Guarantor;
- “**Catalogues of Essential Pharmaceuticals**” refers to lists of pharmaceutical products promulgated by the MOH or the provincial government authorities to promote fair prices for equal access by the general public to essential medicines. The term refers to both national and provincial catalogues of essential pharmaceuticals;
- “**cu.m.**” refers to cubic metre;
- “**GFA**” refers to gross floor area;
- “**Insurance Catalogues**” refers to a compilation of pharmaceutical products under the basic medical insurance, work-related injury insurance and maternity insurance of the PRC as determined by the PRC central or provincial government authorities, as amended, supplemented or otherwise modified from time to time. The term refers to both the national and provincial insurance catalogues;
- “**Notice**” refers to the Notice in relation to the Clarification on the Primary Responsibilities of Taizhou Huaxin Pharmaceutical Investment Co., Ltd. issued by the Management Committee in 2007 (Tai Yi Gao [2007] No.48);
- “**Management Committee**” refers to the Management Committee of Taizhou Medical High-tech Industry Development District;
- “**MOFCOM**” refers to the Ministry of Commerce of the PRC;
- “**MOH**” refers to the Ministry of Health of the PRC;
- “**NDRC**” refers to the National Development and Reform Commission of the PRC;
- “**NHFPC**” refers to the National Health and Family Planning Commission;

- “**PBOC**” refers to the People’s Bank of China, the central bank of the PRC;
- the “**PRC government**” refers to the central government of China and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- “**SAFE**” refers to the State Administration of Foreign Exchange of the PRC or its competent local counterpart;
- “**SASAC**” refers to the State-owned Assets Supervision and Administration Commission of the PRC;
- “**SAT**” refers to the State Administration of Taxation of the PRC;
- “**sq.m.**” refers to square metre;
- “**Taizhou Medical Zone**” refers to the Taizhou Medical High-tech Industrial Development Zone;
- “**Taizhou Municipal Government**” refers to the People’s Government of Taizhou, Jiangsu Province;
- “**Taizhou SASAC**” refers to the State-owned Assets Supervision and Administration Commission of Taizhou, Jiangsu Province; and
- “**TEU**” refers to twenty-feet equivalent units.

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

TABLE OF CONTENTS

	Page
THE ISSUE	1
SUMMARY OF PAYMENT ARRANGEMENTS ON EACH SCHEDULED DUE DATE UNDER THE BONDS	6
RISK FACTORS	7
TERMS AND CONDITIONS OF THE BONDS	34
USE OF PROCEEDS	59
DESCRIPTION OF BANK OF JIANGSU	60
CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR.....	63
DESCRIPTION OF THE ISSUER.....	64
DESCRIPTION OF THE GROUP	65
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT.....	83
TAXATION	86
SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM	89
PLACEMENT AND SALE	91
GENERAL INFORMATION	94
INDEX TO FINANCIAL INFORMATION.....	F-1
APPENDIX A – FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT	A-1

THE ISSUE

The following summary contains some basic information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Bonds” shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Bonds, see “Terms and Conditions of the Bonds”.

Issuer	Huaxin Pharmaceutical (Hong Kong) Co., Limited
Guarantor	Taizhou Huaxin Pharmaceutical Investment Co., Ltd. (泰州華信藥業投資有限公司)
LC Bank	Bank of Jiangsu Co., Ltd. Taizhou Branch
Issue	U.S.\$60,000,000 aggregate principal amount of 2.6 per cent. Credit Enhanced Bonds due 2024.
Issue Price	100.0 per cent. of the principal amount of the Bonds.
Form and Denomination	The Bonds will be issued in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Interest	The Bonds bear interest on their outstanding principal amount from and including 29 January 2021 at the rate of 2.6 per cent. per annum, payable semi-annually in arrear on 29 January and 29 July in each year, commencing on 29 July 2021.
Issue Date	29 January 2021.
Maturity Date	29 January 2024.
Use of Proceeds	See “ <i>Use of Proceeds</i> ”.
Standby Letter of Credit	The Bonds will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of itself and the holders of the Bonds, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT (or by such method of communication otherwise permitted under the Standby Letter of Credit) sent by or on behalf of the Trustee to the LC Bank in accordance with the Standby Letter of Credit (the “ Demand ”) stating that (i) the Issuer has failed to comply with Condition 4(b) in relation to pre-funding the amount that is required to be pre-funded under the Conditions and/or failed to provide the Required Confirmations (as defined in the Conditions) in accordance with Condition 4(b); or (ii) an Event of Default (as defined in the Conditions) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with the Conditions; or (iii) the Issuer has failed to pay the fees, costs, expenses and/or other amounts it is obligated to pay under the Conditions or in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Bonds when due and such failure has continued for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer.

Only one drawing under the Standby Letter of Credit is permitted.

Such drawing on the Standby Letter of Credit will be payable in U.S. dollars to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. Payment received by

the Trustee in respect of the Demand will be deposited into the LC Proceeds Account.

The payment made under the Standby Letter of Credit in respect of any amount payable under the Conditions or in connection with the Bonds, the Agency Agreement, the Guarantee and/or the Trust Deed shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer and the Guarantor in respect of such amount payable under the Conditions or in connection with the Bonds, the Agency Agreement, the Guarantee and/or the Trust Deed.

The LC Bank's aggregate liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not in any circumstances exceed U.S.\$61,780,000 (the "**Maximum Limit**"), an amount representing only (i) the aggregate principal amount of the Bonds plus interest payable for one interest period (being six months) in accordance with these Conditions and (ii) U.S.\$1,000,000 being the maximum amount payable under the Standby Letter of Credit for any fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer under or in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Bonds. The Standby Letter of Credit expires at 6:00 p.m. (Hong Kong time) on 28 February 2024 (the "**Expiry Time**").

See "*Terms and Conditions of the Bonds – Standby Letter of Credit and Pre-funding – Standby Letter of Credit*", and "*Appendix A – Form of Irrevocable Standby Letter of Credit*".

Pre-funding.....

In order to provide for the payment of any amount in respect of the Bonds (other than the amounts payable under Condition 7(d)) (the "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the day falling eight Business Days prior to the due date for such payment under the Conditions (the "**Pre-funding Date**"):

- (i) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and
- (ii) deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Payment and Solvency Certificate signed by any Authorised Signatory of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**").

The Pre-funding Account Bank shall notify the Trustee and the Principal Paying Agent forthwith upon the failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with the Conditions. If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (a "**Pre-funding Failure**"), the Trustee shall:

- (A) as soon as reasonably practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile or by SWIFT of the

occurrence of the Pre-funding Failure; and

- (B) prior to 6:00 p.m. (Hong Kong time) on the second Business Day following the Pre-funding Date, (x) give notice substantially in the form set out in the Trust Deed (the “**Pre-funding Failure Notice**”) to the Bondholders of (I) the Pre-funding Failure and (II) the redemption of the Bonds in accordance with Condition 7(d) to occur as a result of the Pre-funding Failure; and (y) issue a Demand to the LC Bank for the principal amount in respect of all the Bonds then outstanding, together with interest accrued to but excluding the Mandatory Redemption Date (as defined in Condition 7(d)) and all fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer under or in connection with the Bonds, the Agency Agreement, the Trust Deed and/or any other transaction documents relating to the Bonds, provided that, subject to and in accordance with the Standby Letter of Credit, the Trustee need not physically present the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT (or, in certain limited circumstances set out in the Standby Letter of Credit, by way of such other means as permitted under the Standby Letter of Credit) to the LC Bank.

Following receipt by the LC Bank of such Demand by 6:00 p.m. (Hong Kong time) on a Business Day falling on or after the Issue Date and on or before the Expiry Time, the LC Bank shall by 10:00 a.m. (Hong Kong time) on the fourth Business Day immediately following such Business Day (or, if such Demand is received by the LC Bank after 6:00 p.m. (Hong Kong time) on a Business Day, the fifth Business Day after the Business Day on which the LC Bank receives such Demand), pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand to the LC Proceeds Account.

See “*Terms and Conditions of the Bonds – Standby Letter of Credit and Pre-funding – Pre-funding*”, and “*Appendix A – Form of Irrevocable Standby Letter of Credit*”.

Status of the Bonds The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Status of the Guarantee..... The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Events of Default..... Upon the occurrence of certain events of default, as further described in “*Terms and Conditions of the Bonds – Events of Default*”, in respect of the Issuer and the LC Bank, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are due and payable at their principal amount together (if applicable) with accrued but unpaid interest.

Cross-Default The Bonds are subject to a cross-default provision in relation to the Issuer, the Guarantor or any of their respective Subsidiaries and a cross-default in

relation to the LC Bank or any of its Subsidiaries as further described in Condition 10(a)(iii) (*Cross-Default*) and Condition 10(b)(i) (*Cross-Default*) of the Conditions, respectively.

Taxation All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 9.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at a rate up to and including the aggregate rate applicable on 27 January 2021 (the “**Applicable Rate**”), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within Hong Kong, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond. See “*Terms and Conditions of the Bonds – Taxation*”.

Final Redemption..... Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.

Redemption for Taxation Reasons The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders in accordance with Condition 17 and in writing to the Trustee and the Principal Paying Agent (which shall be irrevocable), at their principal amount (together with interest accrued up to, but excluding, the date fixed for redemption), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 27 January 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, as further described in Condition 7(b).

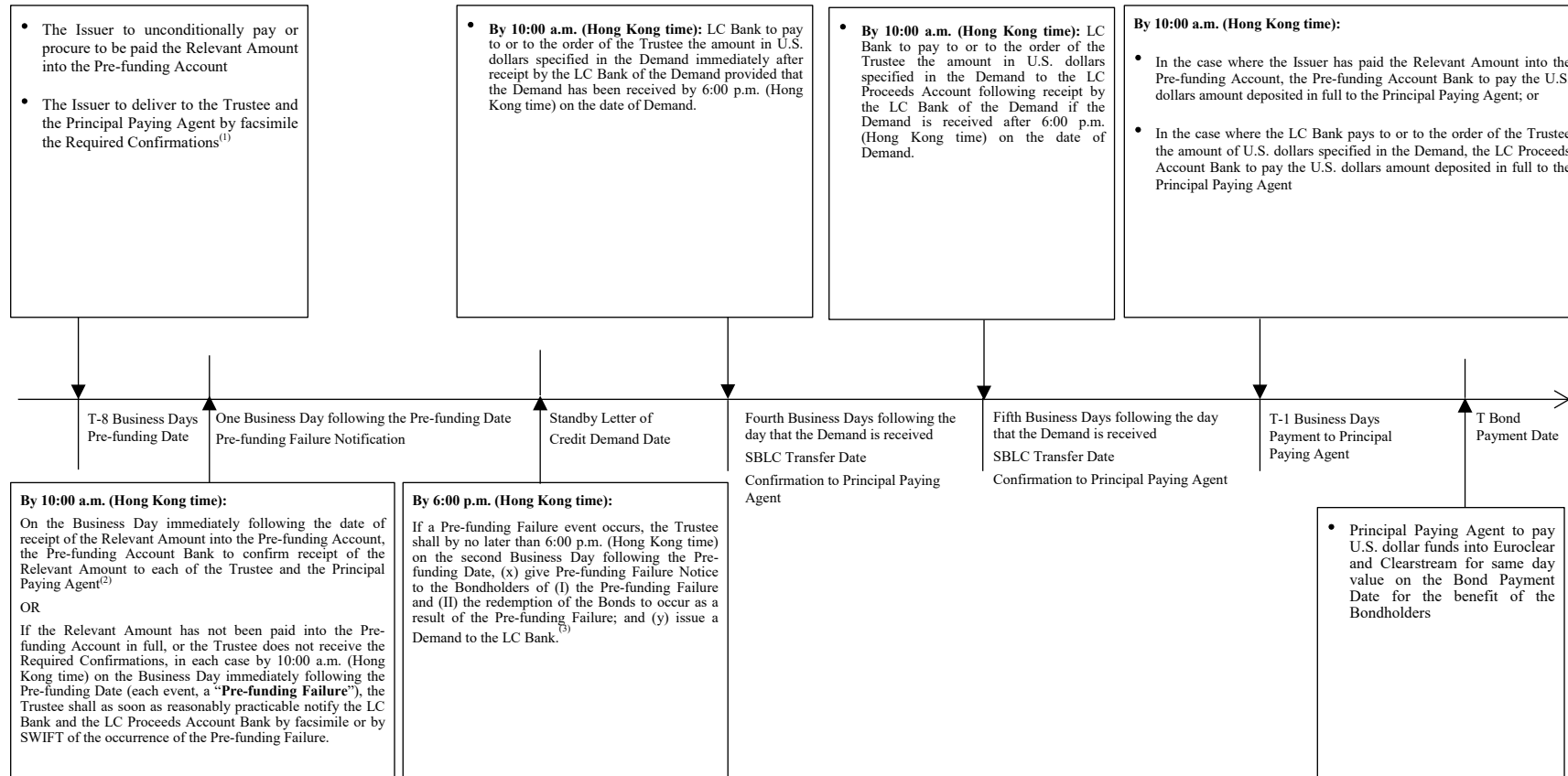
Redemption for Relevant Event Following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all, but not some only, of such holder’s Bonds on the Put Settlement Date (as defined in Condition 7(c)) at 100 per cent. of their principal amount, together with interest accrued up to, but excluding, the Put Settlement Date. See “*Terms and Conditions of the Bonds – Redemption and*

Purchase – Redemption for Relevant Event”.

Mandatory Redemption upon Pre-funding Failure.....	The Bonds shall be redeemed at their principal amount on the Interest Payment Date immediately falling after the date the Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 4(b) (the “ Mandatory Redemption Date ”), together with interest accrued up to, but excluding, the Mandatory Redemption Date, as further described in Condition 7(d).
Clearing Systems.....	The Bonds will be evidenced by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers whereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
ISIN.....	XS2281979554.
Common Code.....	228197955.
Legal Entity Identifier.....	30030085UOD266TW8E23.
Governing Law and Jurisdiction.....	Hong Kong law
Trustee.....	Citicorp International Limited.
Registrar, Principal Paying Agent and Transfer Agent.....	Citibank, N.A., London Branch.
Pre-funding Account Bank and LC Proceeds Account Bank.....	Citibank, N.A., Hong Kong Branch.
Listing.....	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.
Risk Factors.....	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see “ <i>Risk Factors</i> ”.

SUMMARY OF PAYMENT ARRANGEMENTS ON EACH SCHEDULED DUE DATE UNDER THE BONDS

The following diagram sets forth a summary of the pre-funding arrangements under the Bonds and the drawing arrangements in respect of the Standby Letter of Credit on each scheduled due date under the Bonds. The following diagram is not intended to be comprehensive. This diagram should be read in conjunction with “Terms and Conditions of the Bonds”, the Trust Deed and the Agency Agreement referred therein and “Appendix A – Form of Irrevocable Standby Letter of Credit”. Words and expressions defined in the “Terms and Conditions of the Bonds” shall have the same meaning in this summary.



Notes:

- (1) The Required Confirmations consist of: (x) a Payment and Solvency Certificate signed by any Authorised Signatory of the Issuer; and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment.
- (2) The confirmation from the Pre-funding Account Bank to each of the Trustee and the Principal Paying Agent shall be by way of authenticated SWIFT or other means of communication as the Trustee and the Principal Paying Agent may agree with the Pre-funding Account Bank.
- (3) The Trustee need not physically present the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT (or, in certain limited circumstances set out in the Standby Letter of Credit, by way of such other means as permitted under the Standby Letter of Credit) to the LC Bank.

RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider the following risk factors, along with the other matters set out in this Information Memorandum. PRC laws and regulations may differ from the laws and regulations in other countries. Additional risks not described below or not currently known to the Issuer or the Guarantor or that it currently deems immaterial may also adversely affect the Group's business, financial condition or results of operations or the value of the Bonds. The Issuer and the Guarantor believe that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer and the Guarantor to pay interest, principal or other amounts on or in connection with any Bonds or the Guarantee may occur for reasons which may not be considered as significant risks by the Issuer or the Guarantor based on information currently available to it or which it may not currently be able to anticipate. All of these factors are contingencies which may or may not occur and the Issuer or the Guarantor is not in a position to express a view on the likelihood of any such contingency occurring.

Neither the Issuer nor the Guarantor represents that the statements below regarding the risk factors of holding any Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment decision.

This Information Memorandum also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Information Memorandum.

RISKS RELATING TO THE GROUP'S BUSINESS AND INDUSTRY

Risks relating to the Group's Sales and Distribution of Pharmaceutical Products

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

The pharmaceutical industry in China is subject to extensive government regulation and supervision as well as monitoring by various government authorities. In particular, the current regulatory framework addresses all aspects of a pharmaceutical company's operations. Any serious violation of the relevant laws, rules and regulations may constitute a criminal offence under certain circumstances. Certain other laws, rules and regulations may affect the pricing, demand and distribution of the products sold by the Group, such as those relating to procurement, prescription and dispensing of essential and other drugs by hospitals and other medical institutions, retail pharmacy, government funding for private healthcare and medical services, and the inclusion of products in the National List of Essential Drugs promulgated by the MOH, currently known as NHFPC. In addition, pharmaceutical distribution and pharmaceutical retail industries in China are each subject to extensive and changing government regulations and supervision. Any unfavorable regulatory changes in these industries may also increase the Group's compliance burden and materially and adversely affect the Group's business, profitability and prospects.

According to Law of the People's Republic of China against Unfair Competition (中華人民共和國反不正當競爭法) issued by Standing Committee of the National People's Congress on 2 September 1993 with effect from 1 December 1993, business operators may not, whether by means of commercials or otherwise, make false advertisements such as those relating to the quality, use or performance of their products in such a way that may confuse and mislead consumers. Enterprises found to be in breach of such regulations may be subject to penalties. PRC regulations that govern advertisements for medicine restrict the inclusion in such advertisements the cure rate or effect of the relevant product, comparison of effects and safety with other medicines, as well as the quoting of the opinion of any medical scientific research entity, medical practitioners and industry experts in commercials. Breach of such regulations by any business operator may lead to fines. If the Group were to include any information about its products in their product packaging in breach of the applicable law and regulations in the PRC, the Group may be subject to monetary penalties, which may negatively impact its financial performance. Any such non-compliance may damage the Group's reputation with institutional customers, such as pharmaceutical distributors or hospitals, or individual retail customers.

In December 2016, the PRC government launched the "two-invoice" system (兩票制) in drug distribution on a trial basis in all the comprehensive healthcare reform pilot provinces and public hospital reform pilot cities,

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

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

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

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

There is uncertainty regarding the impact of the new guiding pharmaceutical pricing mechanism on the pricing of the products sold by the Group.

It is typical in China for selling prices of pharmaceutical products to decline over the course of the products' lifecycle as a result of, among other things, price control policies of the PRC government or increased competition from substitute products. Prior to 1 June 2015, all of the pharmaceutical products in the Group's portfolio were subject to government price controls in the form of periodically-adjusted price ceilings imposed by the national and regional offices of the Pricing Bureau of the NHFPC, the NDRC and other authorities. Price ceilings on pharmaceutical products, as in effect before 1 June 2015, set the maximum prices at which pharmaceutical products which were fully or partially covered under the national insurance system at both the provincial and national level could be sold to patients at hospitals and pharmacies. These price ceilings were determined by the government based on factors such as profit margins that the relevant government authorities deem reasonable, product type, quality, production costs, prices of substitute pharmaceutical products and the extent of the suppliers' compliance with the applicable standards of good manufacturing practise.

In October 2014, the NDRC issued a consultation paper to local bureaus of commodity prices indicating that the then-existing price controls over certain pharmaceuticals, including plasma-based pharmaceuticals, might be relaxed. In May 2015, the NDRC issued a Notice on Publishing and Circulating the Opinions on Facilitating the Pharmaceutical Pricing Reform (關於印發推進藥品價格改革意見的通知) which announced that, starting from 1 June 2015, the price ceilings imposed on most pharmaceutical products, including each pharmaceutical product in the Group's portfolio, would be abolished, and these products would be subject to a more market-based guiding pricing mechanism to be formulated by medical insurance bureaus and other relevant authorities. Accordingly, price ceilings were lifted on 1 June 2015.

There is uncertainty regarding how prices will be determined in this new regulatory environment. As at the date of this Information Memorandum, the new guiding pricing mechanism announced in the Notice on Publishing and Circulating the Opinions on Facilitating the Pharmaceutical Pricing Reform had not been completely formulated or established nationwide. Although as at the date of this Information Memorandum, the Group has

not observed any price changes in response to the lifting of price ceilings, it cannot predict the future effect on the selling prices of pharmaceutical products, and in particular, the future effect on the prices of the products sold by the Group. As the mechanism is intended to provide for prices based on free market forces, competitive pressure may force the Group to lower prices to below those that existed when price ceilings were in effect. If prices are lower under the new mechanism, the Group's profit margins may be adversely affected. If prices are higher under the new mechanism, demand for the products sold by the Group may decrease and the Group may find it difficult to fulfil its contracted sales targets or otherwise achieve growth. In addition, there is uncertainty regarding how the new pricing mechanism will be enforced, or how rigorous enforcement will be. Moreover, in the future, if the PRC government were to revisit its regulations in respect of the imposition of price controls and to change its approach again in a way unfavourable to the Group, there may be a material adverse effect on the business and financial results of the Group. Thus, the uncertainty about the future pricing of the pharmaceutical products sold by the Group could materially and adversely affect the Group's business, results of operations and prospects.

If the Insurance Catalogues or Catalogues of Essential Pharmaceutical are amended to exclude the products currently in the Group's portfolio, or if products the Group add to its portfolio in the future are not included in the Insurance Catalogues or Catalogues of Essential Pharmaceuticals, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

As of the date of this Information Memorandum, most of the products in the Group's portfolio are listed in the Insurance Catalogues. Insurance Catalogues are a compilation of lists of pharmaceutical products issued at the national and provincial level for which patients may seek partial or complete reimbursement under the government's various insurance programmes, and Provincial Insurance Catalogues include provincial adjustments to the National Insurance Catalogue. For this reason, patients usually favour pharmaceuticals contained in the Insurance Catalogues over other pharmaceuticals. Thus, inclusion in the Insurance Catalogues is critical to the success of the products in its portfolio, and any exclusion from the Insurance Catalogues of any of the products in the Group's portfolio would materially and adversely affect their sales volumes.

All of the products sold by the Group are included in the Catalogues of Essential Pharmaceuticals. The Catalogues of Essential Pharmaceuticals list those pharmaceuticals which hospitals and healthcare institutions must keep in inventory. The various Catalogues of Essential Pharmaceuticals used in the areas to which the Group distributes and sells pharmaceutical products must continue to list such products sold by the Group or the Group may lose its revenue from sales to hospitals and medical institutions in such areas. Since the current Catalogues of Essential Pharmaceuticals has been implemented in Jiangsu Province for ten years, there is no assurance that in the current catalogues will not be adjusted in the future. If so, any removal of any products that the Group sells from the catalogue may adversely affect the Group's business prospect and financial condition.

The Group faces competition in collective tender process from other competitors.

Public hospitals in the PRC implement collective tender processes for all drugs except for decoction pieces (i.e., processed Chinese herbs which can be used in prescribed formulas for preparing Chinese medicines). If the Group is unable to win new purchase contracts through the collective tender processes, the Group will lose market share to its competitors, and the Group's revenue and profitability could be adversely affected. Further, the Group may face current and potential competitors with greater financial, sales and other resources than the Group does.

Pursuant to the Guiding Opinions on Enhancing Centralised Procurement of Pharmaceutical Products by Public Hospitals issued by the General Office of the State Council (國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見) in February 2015 and the Notice on Implementing the Guiding Opinions on Enhancing Centralised Procurement of Pharmaceutical Products by Public Hospitals issued by the NHFPC (國家衛生計生委關於落實完善公立醫院藥品集中採購工作指導意見的通知) in June 2015, all drugs (except for decoction pieces) used by public hospitals in China shall be procured through a provincial centralised drug procurement online platform. However, there are uncertainties as to when a province will commence its centralised drug procurement process, and when the new prices will come into effect pursuant to the completion of a centralised tender process. In addition, drug prices face further downward pressure because the price of a drug in one province may be required to match the lower price of the same drug in another province pursuant to the centralised tender process of the latter province, and hospitals are permitted to further negotiate drug prices it intends to procure following the provincial centralised tender process. The uncertain timeline in relation to the centralised tender process and potential drug price cuts could materially and adversely affect the Group's business, results of operations and prospects.

The Group's business depends heavily on the consistent supply of certain pharmaceutical products. Should the supply of pharmaceutical products decrease or the cost of those products otherwise fluctuate, the Group's business would be adversely affected.

The Group does not manufacture pharmaceutical products and focuses its pharmaceutical business substantially on sales and distribution which relies on the consistent supply of pharmaceutical products. The Group's pharmaceutical sale and distribution business to great extent relies upon obtaining sufficient quantities of high quality pharmaceutical products at acceptable prices and in a timely manner. Any substantial fluctuations in the procurement cost of such pharmaceutical products may adversely affect the Group's revenue and profitability. For example, increases in the procurement cost of pharmaceutical products may increase the Group's cost of sales, have a negative impact on the sale income and thereby affect the profit margins. A sustained decrease in the prices of pharmaceutical products may affect the Group's sales income and profitability, market sentiment and demand for the products that the Group sells may decline, as the Group's customers may choose to delay the purchase or procurement of such products in anticipation of further decreases in prices.

In addition, the Group may be reliant on certain suppliers to supply the pharmaceutical products required for its business. Should any of the Group's suppliers fail to supply sufficient quantities of pharmaceutical products of an acceptable quality or in a timely manner, the Group may be unable to obtain them elsewhere. Consequently, the Group may be forced to obtain pharmaceutical products from different suppliers at higher prices or the Group may not be able to secure suppliers of similar quality. Any interruption in the Group's supply of pharmaceutical products could delay its production and delivery schedules, which may result in the loss of customers and revenue.

The profitability of direct sales to hospitals depends on various external factors which are out of the control of the Group and may decrease.

The profitability of direct sales to hospitals is limited by factors including reforms of China's medical system, price declines, and adoption of restrictive policies. Since the profit-making model in direct sale to hospitals is rather limited, and the logistics costs have been increasing, the Group is under pressure to generate profits from its direct sale to hospitals. The Group's profitability in its direct sale business is affected by some external factors not controlled by the Group. For example, the amount of the products available for direct sale is not controlled by the Group but by the upstream manufacturers, the hospitals' sales of pharmaceuticals are market-driven which may result in fluctuation in order size as well as changes in the products in demand, the hospitals have the discretion to choose the manufacturers to cooperate with and sales of pharmaceutical products are subject to national policy changes. There can be no assurance that the profitability of direct sales to hospitals will improve or maintain at the current level.

Failure to manage the Group's inventory turnover under the business mode of direct sale to hospitals may materially and adversely affect the Group's business, results of operations and financial condition.

Under the business mode of direct sale to hospitals, the payment cycle from the Group's customers is approximately 90 days on average. Together with the inventory turnover of approximately 30 days on average, the total payment cycle is approximately 120 days. On the other hand, suppliers normally require payment within 60 days. Therefore, there is a payment gap or cash return period of around 60 days, which could result in a period of negative cash flows from the direct sale to hospitals. The volatile economic environment and fast-evolving demands and preferences of the Group's customers have made accurate projection of inventory levels increasingly challenging. There can be no assurance that the Group will be able to maintain proper inventory levels for its operations. If the Group fails to manage its inventory turnover effectively, frequent occurrences of negative cash flows from the direct sale to hospitals may materially and adversely affect the Group's business, results of operations and financial condition.

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

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

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

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

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

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

The success and lifespan of the products sold and distributed by the Group are dependent on the Group's efforts in marketing these finished products. The Group's marketing professionals regularly visit hospitals, clinics and pharmacies to explain the therapeutic value of the Group's pharmaceutical products and to keep health care professionals up-to-date as to any developments relating to such products. The Group organises in-person product presentations and seminars for physicians and other health care professionals and participate in trade shows to generate market awareness of the Group's existing and new finished products. These various marketing activities are critical to the success of the Group. However, there can be no assurance that the Group's current and planned spending on marketing activities will be adequate to support the Group's future growth. Any factors adversely affecting the Group's ability to enhance its marketing capabilities or the Group's ability to maintain adequate spending on marketing activities could have an adverse effect on the market share and reputation of the products sold and distributed by the Group, which may result in decreased demand for such products and the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group's sales and distribution of pharmaceutical products business segment is heavily focused on a single geographical region and the Group may be unsuccessful in expanding this business segment.

The Group's sales and distribution of pharmaceutical products business segment is primarily focused on Jiangsu Province and thereby, is more susceptible to adverse changes in this area, including changes in general economic conditions and the regulatory environment. Due to the limited geographical coverage of the Group's operations, adverse changes in its target area could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group contemplates on diversifying its sales and distribution of pharmaceutical products business segment by developing additional business lines such as provision of financing services to pharmaceutical companies. The Group may consider acquiring a financial leasing company and seek to expand its sale and distribution of pharmaceutical products business in overseas markets through cross-border e-commerce platforms, such as setting up flagship shops on Tianmao.com and Taobao.com. The Group's ability to successfully implement its expansion plans is dependent upon various factors, such as market conditions and availability of suitable acquisition target, some of which are out of its control. Any failure or delays in carrying out the expansion plans could materially and adversely affect the Group's business, results of operations and prospects.

Changes in technology may render the Group's current products obsolete or require the Group to make substantial capital investments.

The pharmaceutical industry is continually evolving due to technological advances and scientific discoveries. These changes result in frequent introduction of new products and significant price competition. If the pharmaceutical products that the Group sells or distributes become obsolete, its business, financial condition and results of operations could be adversely affected. In addition, the facilities and machinery currently used by the Group for sale and distribution of pharmaceutical products may become obsolete. The cost of upgrading its facilities could be significant, which could adversely affect the Group's business, financial condition and results of operations.

If the Group is unable to maintain stable relationships with its key customers or experience a significant loss of its key customers, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group relies on certain key customers for a significant amount of its sales of pharmaceutical products. There is no assurance that the Group's key customers will not breach these agreements. In case of serious breach by the key customers, the Group need to look for new customers. In addition, the current key customers may leave the Group's network for reasons beyond the Group's control. Finding new customers involves a significant investment of time and resources, and new customers may not be able to purchase the Group's product offerings at the same or similar volumes as its current key customers. Thus, the Group's failure to maintain stable relationships with its key customers may have a significant adverse effect on its revenues, financial condition and results of operations.

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

The Group relies on the sale of a number of key products for the majority of its revenue from the sales of pharmaceutical products business. Since the pharmaceutical industry is in a period of robust innovation. New products are frequently being introduced are being developed. It is possible that such innovations will render obsolete the key products for which the Group currently heavily relies on, which may affect the Group's viability and competitiveness. For more information, please refer to "Description of the Group".

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

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

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

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

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

liability insurance will, in fact, be sufficient to cover such claims or that the Group will be able to maintain adequate insurance coverage in the future at acceptable costs. Further, the Group may not have insurance coverage in, or may not have vendor extension coverage from, its strategic partners' insurance policies in the countries to which the Group export the products.

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

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

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

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

Risks relating to the Group's Leasing, Sales of Real Properties, Land Transfer and Construction Management Businesses.

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

The Taizhou SASAC is the largest shareholder of the Company, which is also closely supervised by the Taizhou Municipal Government. In addition, the Group is an important investment, financing and operating platform for the development of Taizhou Medical Zone and many of the Group's projects depend heavily on government funding.

Accordingly, the Taizhou Municipal Government and the Management Committee of Taizhou Medical High-tech Industry Development District (the "**Management Committee**") are in a position to influence the Group's major business decisions and strategies significantly, including the scope of its activities, investment decisions and dividend policy. The policies of the Taizhou Municipal Government and the Management Committee on public spending and urban planning and development have had and will continue to have a significant impact on the Group's business, financial condition, results of operations and prospects.

The Taizhou Municipal Government and the Management Committee are in turn influenced by the policies and directions of the central PRC government, which may be formulated due to changes in the PRC economic, political and social environment, or projections of population and employment growth. For example, in response to concerns over the increase in property investments, the PRC government has, over a number of years, introduced various policies and measures to curtail property developments. Such measures may limit property developers' access to capital resources, reduce market demand for their properties and increase their operating costs in complying with these measures. There can be no assurance that the PRC government will not adopt additional and more stringent measures to further slowdown property development in China which may in result in a material adverse effect on the Group's business, financial condition and results of operations.

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

Any amendment, modification or repeal of existing policies of the central PRC government, the Taizhou Municipal Government or the Management Committee could result in a modification of the existing regulatory

regime affecting the Group's businesses which in turn could have a material adverse effect on the Group's business financial condition, results of operations and prospects. In addition, the controlling relationship between the Group and its controlling shareholder, namely the Taizhou SASAC does not necessarily correlate to, or provide any assurance as to the Group's financial condition.

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

The Group requires significant capital to fund every step of its land transfer business and construction management business: completing primary land development, acquiring land use rights, conducting real estate developments and carrying the Group's construction management. The Group may need to continue incurring significant capital expenditure in the future. Any increase in capital expenditure may place significant stress on the Group's cash flows and financial condition.

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

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

The Group may not be able to complete its land transfer and construction management projects on time or at all.

Land transfer and construction management involves many steps and a long development cycle, and requires substantial capital expenditure prior to, and during, the construction period. Unpredictability in each step of the development cycle, such as approval, development and sale steps, may put significant stress on the Group's ability to manage its land transfer and construction management projects. The progress and costs of land transfer and construction management projects may be materially and adversely affected by many factors, including:

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

There can be no assurance that the Group will not experience construction delays or failure to complete a land transfer and construction management project according to its planned schedule or budget as a result of the above or any other factors, or that the Group will not be subject to any liabilities for any such delays. Any such event could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's revenue from sale of real properties may not be sufficient to cover its costs and expenses in the construction of real properties.

Pre-sales constitute the most important source of operating cash flows of the Group's sales of real properties business segment during the project development stage. PRC laws allow for pre-selling urban commercial properties before their completion upon satisfaction of certain requirements and require the developer to use the pre-sales proceeds to develop the projects pre-sold. The amount and timing of cash inflows from pre-sales are affected by a number of factors including demand for the Group's projects subject to pre-sales and the number of property available for pre-sale. The Group has limited number of projects under development and there is no assurance that market demand for the projects available for pre-sales remains strong and stable. If the Group's proceeds from pre-sales of real properties are not sufficient to cover its costs in connection with construction of the real properties and sales expenses for the same period, the Group will rely upon external financing, which will affect its ability to finance and expand its property developments. Failure to obtain the necessary financing could delay or prevent completion of projects, which could have a material adverse effect on the Group's business, financial condition and results of operations. There is no assurance that the Group will be able to achieve positive operating cash flow in its sales of real properties business.

The Group faces contractual and legal risks relating to the pre-sales of urban commercial properties.

The Group faces contractual risks relating to the pre-sale of urban commercial properties. For example, if the Group fails to meet the completion deadline stated in pre-sale contracts, purchasers of pre-sold units have the contractual right to claim damages. If the Group still fails to deliver the properties to the purchasers within the grace period stipulated in the contract the purchasers have right of termination. The Group also faces the risk that the development of its real properties may not be completed and the risk that changes in laws and regulations in relation to the pre-sales of properties may adversely affect its business, cash flow, financial condition and results of operation.

The Group's land transfer and construction management business is subject to changes in government policies, zoning and design plans and land use rights sales plans with respect to land transfer and construction management in Taizhou or the Taizhou Medical Zone.

Government authorities may, without prior notice to, or consent from, the Group, implement changes to existing policies and plans for land transfer and construction management in the Taizhou Medical Zone, or implement new policies or plans, which may adversely affect the Group's operations and/or require the Group to adjust its development plans. The Taizhou Municipal Resources Administrative Bureau (泰州市國土資源管理局) may adjust the timing of the land use rights sales, the number of the land parcels put up for sale and the land parcels to be prioritised for sale without consulting the Group or obtaining the Group's consent.

Although the Group may have creditor's rights against the local governments for costs it has incurred for the clearing and levelling of land as well as the construction of ancillary urban infrastructure, if for any reason the local government decides not to sell a certain piece of land developed by the Group, there can be no assurance that the Group would be able to bring a successful claim, if at all, against the local governments.

All of the Group's land transfer and construction management projects are based in a single geographical region.

All of the Group's current and anticipated land transfer and construction management projects and properties for leasing are located in Taizhou Medical Zone. Any material region-wide adverse events may negatively impact the demand for land in Taizhou Medical Zone, which would in turn affect land sales, revenue including rental income and profitability of the Group. Such adverse events include changes in economic conditions and the regulatory environment, changes in the government's development plans and policies in Taizhou, slow-down in the property sector, decrease in investor confidence within the region, significant natural disasters and man-made incidents. Due to the limited geographical coverage of its operations, the Group may not be able to effectively manage any potential losses arising from these adverse events, which may materially and adversely affect the Group's business, financial condition and results of operations.

The Group faces risks associated with contracting with public authorities and entities

Designated by the Taizhou Municipal Government to take a leading role in the development, construction and management of the Taizhou Medical Zone, the Group collaborates with various governmental authorities and their controlled entities in Taizhou. Although the Group believes it currently maintains good, constructive working relationships with those governmental authorities and entities relevant to its businesses, there can be no assurance that these relationships will continue to be maintained in good terms in the future. Local governments and the government-controlled entities with which the Group collaborates may have economic or business interests or consideration that are inconsistent with those of the Group; (ii) take actions contrary to the Group's requests, policies or objectives; (iii) be unable or unwilling to fulfil their obligations; (iv) have financial difficulties; or (v) have disputes with the Group as to the scope of their responsibilities and obligations. If there are disagreements between the Group companies and the local governments, there can be no assurance that the Group is able to successfully resolve them in a timely manner. Disputes with public bodies may last for considerably longer periods of time than for those that occur with private sector counterparties, and payments from the public bodies may be delayed as a result. Any of these and other factors may materially and adversely affect the business relationships between the Group and the local governments and the governmental entities, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's reliance on independent contractors for completion of its projects may result in challenges in quality control, and substantial costs and delays.

The Group engages independent contractors to provide various services in relation to its land transfer and construction management activities, such as construction and engineering services. The independent contractors are selected through a bidding process. The Group assesses and selects its project contractors based on their reputation for reliability, timeliness, quality, track record and strength of references. The Group oversees development progress for its projects once a contract begins and implements standardised processes with which contractors are required to comply. However, there can be no assurance that the Group's contractors will at all times provide satisfactory services that meet the Group's quality standards, or act in compliance with applicable laws, rules and regulations. In addition, the independent contractors may undertake projects from other developers, engage in higher-risk undertakings or encounter financial or other difficulties, which may delay the completion of the Group's property projects or impose additional costs on the Group. Furthermore, if the Group needs to terminate the engagement of a contractor, the Group may not be able to find a replacement contractor on suitable terms, if at all, and the timetable for completing projects could be affected. Any such events could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may fail to lease its properties or maintain the current level of occupancy rate which may negatively impact the Group's financial position and results of operation.

The Group derives rental income by leasing properties and service platform owned by itself. There can be no assurance that the Group could successfully lease its properties and maintain the current level of occupancy rate and in case the Group fails to lease a substantial portion of such properties, the Group may be subject to a material cash outflow which could materially and adversely affect its business, results of operations and financial position. Further, for those properties the Group successfully leased, there can be no assurance that the tenants will not default in paying rents. If a significant number of tenants default on their rental payments, the Group's business, results of operations and financial position could be materially and adversely affected.

The Group guarantees a substantial amount of bank loans of its subsidiaries, third-party state-owned enterprise and other enterprises in the Taizhou Medical Zone, which may negatively impact the Group's financial position if the Group is required to honour the guarantees.

The Group provides guarantees over loans given by domestic banks to its subsidiaries, other state-owned enterprises and other enterprises in the Taizhou Medical Zone. In line with industry practice, the Group does not conduct independent credit reviews of third-party state-owned enterprises and other enterprises in the Taizhou Medical Zone to which it provides guarantees but rely on the credit reviews conducted by the banks. As at 30 June 2020, the Group did not encounter any incidents of default which required the Company to perform its obligations under the guarantees. There can be no assurance that defaults will not occur in the future, in which case the Group's business, results of operations and financial position could be materially and adversely affected.

The Group's actual development costs of a property development project may deviate from its initial estimations due to fluctuations in cost of labour, which could in turn have a material adverse effect on its business, results of operations and financial condition.

The Group estimates the relevant total development costs which comprise, among other things, land premium, construction and other development costs, capitalised borrowing costs, etc. at the beginning of a property development project. The Group has also developed operating procedures to monitor the progress of development works to ensure minimal deviation from the pre-approved budgets. However, the Group's total development costs are subject to numerous factors which may be beyond its control.

The Group's construction costs have also been affected by rising labour costs in the PRC in recent years, and it expects labour costs in the PRC to continue to increase in the future. Furthermore, the PRC property market is significantly affected by the policy and regulatory measures introduced by the PRC government from time to time which may affect various aspects of its property development operations, including but not limited to the Group's cost of financing as well as the schedule of development of its property projects, which in turn may result in deviation from its initial estimated development costs.

If the actual development costs of the Group's projects deviate materially from its initial estimation, the Group's business, results of operations and financial condition may be materially and adversely affected.

Other Business Related Risks

The Group's operational cash flow may fluctuate and may be volatile.

The Group's operating cash flows are primarily derived from the payment it receives in its operations of sales and distribution of pharmaceutical products, leasing business, land transfer, construction management and sales of real properties. The Group had historically experienced net operating cash outflow. Such operating cash outflows were primarily due to the credit terms for the payments from the end customers of the Group's sales of pharmaceutical products and the Taizhou municipal government as well as the Group's substantial capital expenditure for acquiring land use rights through government auctions, tendering and listing to sale.

Currently, the Group substantially relies upon external financing through bank loans and bond issuances, as well as from government subsidies the Management Committee to generate sufficient cash to financing its business operations. 'If the Group is unable to raise sufficient financing in a timely manner or on favourable terms or if the government delays or suspends the payment of government subsidies, the Group's business, financial condition and results of operations and the Group's ability to perform its payment obligations under the Bonds will be materially and adversely affected. For more details, see "Risk Factors – Risks Relating to the Bonds, the Guarantee and the Standby Letter of Credit – The Group's governmental subsidies may be unstable".

Accounts receivable may affect the Group's liquidity and restrict the Group's business activities.

The Group's accounts receivables mainly consist of payments to be made by the customers of sales and distribution of pharmaceutical products as well as the local government to cover the cost and expenses of the Group in conducting land transfer and construction management. Any substantial write-off may materially and adversely affect, the Group's liquidity, business, financial condition or results of operations. '

The Group maintains a substantial level of indebtedness which may mature.

The Group maintains a substantial level of indebtedness to finance its land transfer business and construction management business operations. Given the capital intensive nature of the land transfer business and construction management business, the Group expects to continue to maintain a high level of indebtedness in the future in line with its business growth. With a substantial portion of indebtedness maturing in the near future, if the Group is unable to generate sufficient cash from operations to make scheduled payments in connection with its debt and other fixed payment obligations as they become due, it may need to renegotiate the terms and conditions of such obligations or obtain replacement debt financing. There can be no assurance that such renegotiation efforts would be successful or timely or that the Group would be able to refinance its obligations on acceptable terms or at all.

If financial institutions decline to lend additional funds to the Group or to refinance its existing loans when they mature as a result of its credit risk and it fails to raise financing through other means, there could be a material adverse effect on the Group's business, financial condition and results of operations.

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

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

The Group's governmental subsidies may be unstable.

The Group has received government subsidies over the years. The Group's governmental subsidies mainly include (a) subsidy for Greening Improvement of Hailing South Road, Housing and Construction Bureau of Taizhou Medical High-tech Zone, Comprehensive Supporting District (泰州醫藥高新區住建局會展交易區、綜合配套區海陵南路綠化提升補助) granted by Housing Construction Bureau of Taizhou Medical High-tech Zone, (b) central government grants for the transformation of urban shantytowns (城市棚戶區改造中央補助資金) granted by Finance Bureau of Taizhou Medical Hi-tech Industrial Development Zone, (c) the central government's special fund for urban affordable housing projects in 2019, the second phase of the affordable resettlement housing on the south side of Kangju (2019年度中央財政城鎮保障性安居工程專項資金康居南側地塊保障性安置房二期) granted by Finance Bureau of Taizhou Medical Hi-tech Industrial Development Zone, (d) provincial-level affordable housing project construction guidance funds in 2019 (Phase II of the affordable resettlement housing on the south side of Kangju) (2019年度省級保障性安居工程建設引導資金(康居南側地塊保障性安置房二期)) granted by Finance Bureau of Taizhou Medical Hi-tech Industrial Development Zone, (e) greening subsidy for Gulou South Road, Housing and Urban-rural Construction Bureau, Taizhou Medical High-tech Zone (泰州醫藥高新區住建局康健醫療區、綜合配套區鼓樓南路綠化補助) granted by Housing Construction Bureau of Taizhou Medical High-tech Zone, (f) subsidies for pre-investment of project land in Kangjian Medical District (康健醫療區項目用地前期投入補助) granted by the Management Committee, and (g) subsidies for energy construction project (能源建設項目) granted by the Management Committee. The subsidies allocated to the Group by the Finance Bureau of Taizhou Medical High-tech Industry Development District are classified as categorical policy subsidies, and is significantly affected by the Taizhou Municipal Government's temporary policies with respect to the area(s) of sales and distribution of pharmaceutical products. The governmental subsidies received by the Group may vary from year to year in amount. As a result, the Group is subject to the risk of fluctuation in operational income due to the unstable nature of governmental subsidies, as well as the fact that these amounts are a significant proportion of the Group's overall operating income. Change in the amount and policy regarding governmental subsidies may materially adversely affect the Group's business, financial condition and results of operations.

The Group's business operations and prospects are dependent on the level of economic development in the Taizhou Medical Zone and policies of relevant local governments.

The Group's business is heavily affected by the level of economic development of the Taizhou Medical Zone and Taizhou City. The Taizhou Municipal Government's policies in connection with urban development, particularly those concerning the Taizhou Medical Zone, have a significant impact on the Group's business operations and growth prospects.

Key factors affecting the development of the Taizhou Medical Zone are the economic conditions and prospects in Jiangsu Province and in the PRC generally. In recent years, there has been a slowdown in the growth of the PRC's GDP and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's

GDP in 2015 slowed down to 6.9 per cent. on a year-on-year basis compared to 6.8 per cent. in 2017, and it further decreased to 6.6 per cent. in 2018 on a year-on-year basis, representing the slowest growth in the past 28 years. According to the Jiangsu Provincial Statistics Bureau, the Taizhou City's GDP increased from RMB474,453 million in 2017 to RMB513,336 million in 2019. However, the annual growth rate of the Taizhou City's GDP slowed down from 8.2% for the year 2017 to 6.4% for the year 2019. There can be no assurance that the economic development in Taizhou City will maintain its historical growth rates, if at all, and it is unclear how the economic development in Taizhou City will be affected by a perceivable slowdown in the growth of the PRC economy in general. Any continuing slowdown in the economic growth in Taizhou City may affect the Taizhou Municipal Government's development plan for the Taizhou Medical Zone, decrease the demand for the Group's businesses and adversely affect the Group's business, financial condition, results of operations and prospects.

The development and growth potential of the Group's businesses are also affected by the robustness of the support provided to Taizhou Medical Zone by the relevant government authorities. The Taizhou Municipal Government's policies and development priorities relating to the development of the Taizhou Medical Zone have a significant impact on the attractiveness and competitiveness of the Taizhou Medical Zone to the enterprises that are engaged in the regional pharmaceutical market. Since the major suppliers of the Group's sales and distribution of pharmaceutical products business and the customers of its land transfer business, construction management business and leasing businesses are mainly the enterprises operating in the Taizhou Medical Zone, the Group heavily relies on the development of the Taizhou Medical Zone and the support of the relevant government authorities to maintain and grow its business.

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

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

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

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

The Group is exposed to litigation risks.

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

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

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

The Group may not remain profitable in the future.

The financial performance of the Group has and may continue to fluctuate periodically and the Group may not maintain profitability at all in the future. The Group may incur losses in the future for a number of reasons, including the other risks described in this Information Memorandum, and may further encounter unforeseen expenses, difficulties, complications, delays and other unknown events. If the Group's operating income fails to increase at the rate it anticipates or if its expenses increase at a faster rate than the increase in operating income, the Group may not be able to remain profitable.

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

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

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

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

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

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 in the PRC and was amended on 28 December 2012 and became effective on 1 July 2013. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of completed years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from five to 15 days, depending on the length of that employee's work time. Employees who consent to waive such leave at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013-2020 (國民旅遊休閒綱要 2013-2020) which became effective on 2 February 2013, almost all workers must receive paid annual leave by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, the Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or reduce its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in a manner that the Group desires, which could result in an adverse impact on the Group's businesses, financial condition and results of operations.

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

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

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

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

The pharmaceutical industry and the land development and real estate construction industry are highly regulated within the PRC, and the Group is subject to certain laws and regulations concerning the protection of the environment in these industries.

In terms of the pharmaceutical industry, the Group is subject to the PRC environmental laws, rules and regulations concerning the discharge of effluent water and solid waste as well as the disposal of hazardous substances during its sale and distribution of pharmaceutical products and its warehousing and logistics of pharmaceutical products, and may become subject to similar laws, rules and regulations in China and other jurisdictions in the future. In addition, the Group is required to obtain clearances and authorizations from government authorities for the treatment and disposal of such discharge.

In terms of the land development and real estate construction industry, the particular environmental laws and regulations that apply to each property development project vary according to its location, the environmental factors associated with such development, construction and/or operations and the current and future use of the land and the properties. As the PRC government increases its focus on environment protection, the Group's projects may be more strictly reviewed and inspected, and approval processes for future projects or any alteration to existing projects may be prolonged.

Compliance with environmental laws and conditions may result in delays, cause the Group to incur substantial compliance and other costs and prohibit or severely restrict the Group's activity in environmentally-sensitive regions or areas.

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

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

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

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

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

damages or liabilities or to replace any property under development that has been destroyed. Any such events could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not have maintained sufficient insurance coverage against potential losses or damages with respect to its properties. Its business may be adversely affected due to natural disasters or similar events. Although the Group carries insurance on its properties of types and in amounts and with deductibles and limitations that it believes are in line with coverage customarily obtained by owners of similar properties, there are other types of losses for which the Group cannot obtain insurance at a reasonable cost, or at all. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose all or a significant portion of the capital invested in a property, as well as the anticipated future turnover from the property. Nevertheless, the Group may remain liable for any loans or other financial obligations related to the property. Any material uninsured loss would have a material adverse impact on the Group's financial condition, results of operations and cash flow.

The Group's business may be adversely affected by Acts of God, epidemics, and other disasters

The Group's business is subject to general and social conditions. Natural disasters, epidemics, acts of God and other events and disasters that are beyond the Group's control may materially and adversely affect the economy, infrastructure and livelihoods of the people in the PRC. Certain areas at the PRC have experienced epidemics such as avian and swine influenza. Starting from December 2019, the novel coronavirus COVID-19 pandemic has adversely affected global financial, foreign exchange, commodity and energy markets. The pandemic has since spread globally and there have been increased initial infection and fatality rates across the world. On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic and policies implemented by governments to deter the spread of the disease have had and may continue to have an adverse effect on consumer confidence and the general economic conditions which the Group's business is subject to. Governments of many countries (including the PRC) have declared a state of emergency, closed their borders to international travellers and issued stay-at-home orders with a view to containing the pandemic. There is no assurance that such measures will be effective in ending or deterring the spread of COVID-19. As COVID-19 continues to spread globally, many more countries may be affected, which may result in the extension or implementation of further restrictive measures. The resultant disruptions to the supply chain and reduced levels of consumption, commercial activities and industrial production in the affected countries may result in an economic slowdown in such economies which, if prolonged, could cause a global recession. There can be no assurance that this epidemic will not intensify or recur, or that other similar outbreaks or epidemic will not occur, in Asia or China. Any such event could have a material adverse effect on the Group's business, financial condition and results of operations.

RISKS RELATING TO THE PRC

The Group is subject to the political, legal and economic risks of doing business in the PRC.

The Company expects that the Group will make further investments in the PRC. The Company's financial condition, results of operations and future prospects depend to a large extent on the success of the Group's operations in the PRC and are subject, to a significant degree, to the political and economic situation and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including:

- extent of government involvement;
- overall level of development;
- growth rate;
- economic and political structure;
- control of foreign exchange;
- allocation of resources; and
- regulation of capital investment or reinvestment.

Before its adoption of reform and open-door policies in 1978, the PRC was primarily a planned economy. The PRC government has been reforming the PRC economic system and the government structure. These reforms have resulted in significant economic growth and social progress. While the PRC economy has experienced significant growth in the past few decades, growth has been uneven, both geographically and among the various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy but may also have a negative effect on the Group's operations. For example, the Group's financial condition and operating results may be adversely affected by the PRC Government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

The legal system of the PRC is still developing and there are inherent uncertainties that may affect the protection afforded to the Group's business.

The Group is organised under the laws of the PRC and is governed by its articles of association. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited weight as precedents. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited number and non-binding nature of published cases, the interpretation and enforcement of these laws and regulations involve uncertainties.

In particular, the land development, real estate and pharmaceutical industries are all highly regulated in the PRC. As the PRC legal system develops together with PRC land development, real estate and pharmaceutical industries, there can be no assurance that changes in such laws and regulations, or in their interpretation or enforcement, will not have a material and adverse effect on the Group's business operations.

It may be difficult to effect service of process upon, or to enforce against, the Group or its Directors or senior management who reside in the PRC in connection with judgments obtained in non-PRC courts.

The Group is organised under the laws of the PRC and substantially all of its assets are located in the PRC. In addition, all of the Group's directors, supervisors and senior managers reside within the PRC, and substantially all of its assets and the assets of its directors, supervisors and executive officers are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, it may not be possible for investors to effect service of process outside the PRC upon those persons in the PRC or to enforce against the Group or the Group's directors, supervisors and senior managers in the PRC, any judgments obtained from non-PRC courts. In addition, recognition and enforcement in the PRC of judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

The Group is subject to restrictions on the remittance of Renminbi into and out of the PRC and governmental controls on currency conversion, and may be affected by the risks relating to fluctuations in exchange rates in the future.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of PRC. Substantially all of the Group's operating income are denominated in Renminbi, a portion of which may need to be converted into other currencies in order to meet the Group's foreign currency obligations, such as payments of dividends, overseas acquisitions, and payments of principal and interests under the Bonds or other foreign currency denominated debt, if any.

Under the existing PRC laws and regulations on foreign exchange, payments of current account items, including profit distributions, interest payments and trade and service related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE provided that certain procedural requirements are complied with. Approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account and capital account transactions under certain circumstances. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currencies to satisfy the Group's foreign currency demands, the Group may not be able to pay interests and/or principal to holders of the Bonds or other foreign currency denominated debt, if any. In addition, there can be no assurance that new laws or regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC.

The proceeds from the offering of the Bonds will be received in U.S. dollars. As a result, any appreciation of Renminbi against U.S. dollars or any other foreign currencies may result in the decrease in the value of the Group's foreign currency-denominated assets and the Group's proceeds from the offering of the Bonds. Conversely, any depreciation of Renminbi may adversely affect the Group's ability to service the Bonds.

The value of Renminbi against U.S. dollars and other foreign currencies is subject to changes in the PRC's policies, as well as international economic and political developments. On 11 August 2015, the PBOC announced to reform the central parity quotations of Renminbi against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre with reference to the interbank foreign exchange market closing rate on the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. On the same day, the central parity of Renminbi against the U.S. dollar depreciated by nearly 2% as compared to 10 August 2015. In January and February 2016, Renminbi experienced further fluctuations in value against the U.S. dollar. In 2017, the Renminbi depreciated as against the U.S. dollar and continued to fluctuate in 2018 and early 2019. Against the backdrop of uncertain trade and global economy, the PBOC authorised the China Foreign Exchange Trade System and National Interbank Funding Centre on 8 August 2019 to publish the central parity rate of the Renminbi as against the U.S. dollar in the interbank exchange market, which was U.S.\$1.00 to RMB7.0039. That was the first time the value of the Renminbi as against the U.S. dollar fell below RMB7.00 per a U.S. dollar since 2008. There can be no assurance that Renminbi will not experience significant depreciation or appreciation against U.S. dollars or against any other currency in the future. With the development of the foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC government may in the future announce further changes to the exchange rate system. Fluctuations in the value of Renminbi could adversely affect the value of the Group's foreign currency-denominated transactions along with the value of the cash flow generated from its foreign currency-denominated operations, thereby adversely affecting its profitability.

Furthermore, the Group is required to obtain SAFE's approval before converting significant amounts of foreign currencies into Renminbi. As a result, any significant increase in the value of Renminbi against foreign currencies could reduce the value of the Group's foreign currency-denominated operating income and assets and could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Issuer shall be subject to PRC enterprise income tax on its income derived from the PRC and may be treated as a PRC resident enterprise for PRC tax purposes, which will result in it being subject to PRC enterprise income tax on its worldwide income and Bondholders being subject to PRC taxes on interest payments and gains from the sale of Bonds.

Under the PRC Enterprise Income Tax Law ("EIT Law"), which became effective on 1 January 2008, and was amended on 29 December 2018 and its Implementation Regulations as last amended on 23 April 2019, enterprises organised under the laws of jurisdictions outside the PRC, are subject to PRC enterprise income tax at the rate of 25% for income derived from or accruing in the PRC by its office or premises established in China and for income derived from or accruing outside the PRC for which the established office or premises has a de facto relationship. In the event that the Issuer is treated as a non-resident enterprise, it shall be subject to PRC enterprise income tax on its income derived from the PRC.

In the event that the Issuer is treated as a non-resident enterprise and it does not have a permanent establishment in the PRC, it should be subject to PRC enterprise income tax for income derived from or accrued in the PRC, at the tax rate of 10 per cent. (tax treaty may provide preferential treatment). If it has a permanent establishment in the PRC while the income derived from or accruing in the PRC does not have a de facto relationship with that permanent establishment, the tax rate of 10 per cent. shall also apply (tax treaty may provide preferential treatment).

On the other hand, under the EIT Law and its Implementing Regulation, enterprises organised under the laws of jurisdictions outside the PRC with "de facto management bodies" located within the PRC are deemed to be "resident enterprises for PRC tax purposes", and are therefore subject to PRC enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside China. In April 2009, July 2011 and January 2014, the SAT issued several circulars to clarify certain criteria for the administrative procedures determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises. In the event that the Issuer is treated as a PRC resident enterprise, it shall be subject to PRC enterprise income tax on its worldwide income.

Furthermore, if the Issuer is treated as a PRC resident enterprise, payments of interest by the Issuer may be regarded as derived from sources within the PRC and therefore the Issuer may be obligated to withhold PRC income tax at 10% on payments of interest on the Bonds to non-PRC resident enterprise investors (tax treaty may provide preferential treatment). In the case of non-PRC resident individual investors, the tax may be withheld at a rate of 20% (tax treaty may provide preferential treatment).

In addition, if the Issuer is treated as a PRC resident enterprise, any gain realised on the transfer of the Bonds by non-PRC resident investors may be regarded as derived from sources within the PRC and accordingly may be subject to 10% PRC income tax in the case of non-PRC resident enterprises or 20% in the case of non-PRC resident individuals. The PRC tax on interest or gains may be reduced or exempted under applicable tax treaties between the PRC and the Bondholders' home country.

In addition, on 23 March 2016, the Ministry of Finance and the SAT issued the Circular of Full Implementation of Business Tax to Value Added Tax Reform (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (the "**Circular 36**"), which stipulates that VAT will be applicable where the entities or individuals provide financial services, such as providing the loans within the PRC. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. It is further clarified under Circular 36 that "loans" refer to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Bonds is likely to be treated as the Bondholders providing "loans" to the Issuer, which will therefore be regarded as financial services for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, the Bondholders may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Bondholders may be subject to withholding VAT at the rate of 6% plus related surcharges. Besides, Circular 36 and relevant regulations pertaining to transferring Business Tax to VAT reform are relatively new and therefore the interpretation and enforcement of such laws and regulations remains uncertain. If a Bondholder, being a non-resident enterprise is required to pay any VAT (as well local surcharges) on gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

Risks Relating to the Bonds, the Guarantee and the Standby Letter of Credit

The Bonds and the Guarantee of the Bonds are unsecured obligations.

The Bonds and the Guarantee of the Bonds are unsecured obligations of the Issuer and the Guarantor, respectively. The repayment of the Bonds and payment under the Guarantee of the Bonds may be adversely affected if:

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

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay amounts due on the Bonds.

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

The Bonds and the Guarantee of the Bonds will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's existing and future subsidiaries (in the case of the Guarantor's subsidiaries, other than the Issuer), whether or not secured. The Bonds will not be guaranteed by any of the Issuer's and the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer and the Guarantor is subject to various restrictions under applicable laws

and contracts to which they are a party. Each of the Issuer's and the Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Bonds or the Guarantee of the Bonds or make any funds available therefore, whether by dividend, loans or other payments. The Issuer's and the Guarantor's right to receive assets of any of the Issuer's and the Guarantor's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Guarantor are creditors of that subsidiary). Consequently, the Bonds and the Guarantee of the Bonds will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's and the Guarantor's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer or the Guarantor may in the future acquire or establish.

Third parties, including holders of the Bonds, may be hindered or prevented from enforcing their rights with respect to the assets of the Guarantor because of the doctrine of sovereign immunity or state secret privilege.

As at the date of this Information Memorandum, the Guarantor is controlled by the PRC government, directly and indirectly, through the Taizhou SASAC. All of the assets relating to the operation of the Guarantor's business are either owned or controlled by the Guarantor itself or by companies wholly or majority owned by the Guarantor. Where a third party brings a legal action against the Guarantor, its subsidiaries or their assets based on a contract dispute with them, the legal proceeding, particularly the enforcement of judgments or any arbitral awards with respect to the assets of the Guarantor and its subsidiaries in China, may be subject to the law and legal systems and the jurisdiction of PRC courts or tribunal. While the Guarantor can be sued in its own capacity in a civil proceeding in a court or tribunal, there is no assurance that the assets of the Guarantor will not be immune from enforcement proceedings on the grounds of sovereign immunity or state secret privilege. If such immunity or privilege is invoked to dismiss judgments from the court or tribunal, it may be difficult for the third party plaintiffs (such as holders of the Bonds) to enforce their contractual rights against the Guarantor, its subsidiaries or their assets in China.

The Issuer is a special purpose finance vehicle and payments with respect to the Bonds are dependent upon cash flow from other members of the Group.

The Issuer was established specifically for the purposes of issuing notes, bonds or other securities, including the Bonds and on-lending the net proceeds thereof to the Guarantor's subsidiaries. The Issuer does not and will not have any business activities other than the issue of debt securities, and its ability to make payments under the Bonds will depend on their receipt of timely remittance of funds from the Guarantor and/or its subsidiaries. There is no assurance that the Issuer will be able to receive sufficient funds from the Guarantor and/or its subsidiaries to make payments under the Bonds.

The Bonds will be mandatorily redeemed upon a pre-funding failure.

The Conditions provide for a demand to be made under the Standby Letter of Credit in the event the Issuer or the Guarantor fails to pre-fund principal and/or interest payment due on the Bonds or upon the occurrence of an Event of Default under the Bonds. Such demand will be made in respect of the full amount of the outstanding principal due and interest accrued on the Bonds (together with all fees, costs, expenses, indemnity payments and other amounts of the Trustee then outstanding), and thereafter the Bonds will be mandatorily redeemed in accordance with Condition 7(d). Bondholders will not be able to hold their Bonds to maturity should such mandatory redemption occur.

The Issuer may undertake operating activities in the future that diminishes its ability to meet payment obligations under the Bonds.

The Issuer currently does not have any operating activities. However, the Issuer may undertake operating activities in the future and there is no restriction under the Bonds to prevent the Issuer from doing so. Engaging in operating activities may cause the Issuer to incur additional debt or other liabilities, including but not limited to accounts payables with trade creditors, wage payables, and taxes payables. Such debt or liability will rank at least *pari passu* with the Bonds. As a result, the payment obligations under the Bonds may be adversely affected. In addition, operating activities may involve operating expenses and operating losses, some of which are unforeseen. Expenses and losses could affect the Issuer's financial position. If the Issuer experiences negative cash flow from operations over a prolonged period of time, or if the Issuer suffers unexpected cash outflows, the Issuer's liquidity and ability to fulfil the payment obligations under the Bonds may be adversely affected.

The Issuer may not be able to redeem the Bonds upon the due date for redemption thereof.

The Issuer, at maturity or at any time following the occurrence of a Change of Control or a No Registration Event (each defined in the Conditions of the Bonds), is or may be required to redeem all but not some only of the Bonds. If such an event occurs, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The Issuer's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Group's other indebtedness.

The Issuer may elect to redeem the Bonds if it is required to pay additional tax amounts in respect of PRC withholding tax, and a Bondholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Bonds.

As at the date of this Information Memorandum, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, it is unclear whether the Issuer will be treated as a PRC tax resident enterprise for the purposes of the EIT Law. If the Issuer is treated as a PRC tax resident enterprise and is required to withhold tax from interest payments on the Bonds, the Issuer will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding been required. As described under Condition 7(b) of the Conditions, if the Issuer or the Guarantor is required to pay additional tax amounts as a result of any change in or amendment to, or any change in the application or official interpretation of, the laws or regulations of a relevant jurisdiction (including any change or amendment or change in the interpretation that requires the Issuer to withhold tax as a result of it being treated as a PRC tax resident enterprise), the Issuer may redeem the Bonds in whole, but not in part, at their principal amount together with interest accrued up to but excluding the date fixed for redemption.

The date on which the Issuer may elect to redeem the Bonds may not accord with the preference of particular Bondholders. In addition, a Bondholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Bonds.

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

If the Guarantor or any of its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in the Bonds or current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Guarantor or any of its subsidiaries, including the Issuer, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements and the Bonds contain or may contain cross-acceleration or cross-default provisions. As a result, the default by the Guarantor or any of its subsidiaries under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows of the Guarantor or any of its subsidiaries to repay in full all of their respective indebtedness, or that they would be able to find alternative financing. Even if the Guarantor and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Guarantor and its subsidiaries.

If the Guarantor fails to complete registration with SAFE in connection with the Guarantee of the Bonds, there may be logistical and practical hurdles for cross-border payments under the Guarantee of the Bonds.

The Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds. Such Guarantee of the Bonds will be contained in the Deed of Guarantee to be executed on the Issue Date. The Guarantor is required to submit the Guarantee of the Bonds to the Taizhou Branch of SAFE within 15 business days upon the execution of the Deed of Guarantee for registration in accordance with the Foreign Exchange Administration Rules on Cross-Border Guarantees promulgated by SAFE. Although non-registration would not as a matter of PRC law render the Guarantee of the Bonds ineffective or invalid, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. The Guarantor intends to register the Guarantee of the Bonds as soon as practicable. If the Guarantor fails to complete registration with SAFE, there may be logistical and practical

hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee of the Bonds) as domestic banks may require evidence of registration with SAFE in connection with the Guarantee of the Bonds prior to giving effect to any such remittance.

A trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Although application will be made for the listing of the Bonds on the Hong Kong Stock Exchange, no assurance can be given as to the liquidity of, or trading market for, the Bonds. The Placing Agents are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Placing Agents. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. It is investors' obligation to ensure that offers and sales of the Bonds within the United States and other countries comply with applicable securities laws. See "*Placement and Sale*". None of the Issuer or the Guarantor can predict whether an active trading market for the Bonds will develop or be sustained.

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

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group, proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, changes in the industry that the Group operates and competition, general economic conditions any adverse change in the credit rating, the revenues, earnings, results of operations or otherwise in the financial condition of the LC Bank could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

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

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

Gains on the transfer of the Bonds may be subject to income tax under PRC tax laws.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. The Issuer may be treated as a PRC enterprise for PRC tax purposes, which may subject the Issuer to PRC income tax on its worldwide income and interest payable by the Issuer to foreign investors and gain on the sale of the Bonds may be subject to withholding taxes under PRC tax law.

The PRC courts have limited experience with handling enforcement of a non PRC-law governed Guarantee with respect to Bonds issued by a subsidiary of an onshore entity.

The courts of Hong Kong are to have jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Deed of Guarantee or the Trust Deed. Notwithstanding the "Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned", which provides that a final and conclusive money judgements given by a Hong Kong court may be recognised by a PRC court, the PRC courts have limited experience on handling enforcement of a non PRC-law governed Guarantee with respect to Bonds issued by a subsidiary of an onshore entity. As such, as at the date of

this Information Memorandum, it is uncertain on the outcome of an enforcement of a Hong Kong judgement against the Company in the PRC courts.

The insolvency laws of Hong Kong and the PRC may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

As the Issuer and the Guarantor are incorporated under the laws of Hong Kong and the PRC and the LC Bank is incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer, the Guarantor or the LC Bank would likely involve Hong Kong or the PRC insolvency laws, as the case may be, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

Change of law may affect the Terms and Conditions of the Bonds.

The Terms and Conditions of the Bonds are governed by Hong Kong law in effect as at the date of this Information Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to Hong Kong law or administrative practice after the date of this Information Memorandum.

Investment in the Bonds is subject to exchange rate risks.

The Bonds are denominated and payable in US dollars. If a Bondholder measures its investment returns by reference to a currency other than US dollars, an investment in the Bonds entails foreign exchange related risks, including changes in the value of US dollars relative to the currency by reference to which an investor measures its investment returns. Depreciation of the US dollars against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for Bondholders as a result of any foreign currency gains resulting from any investment in the Bonds.

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement;
- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Information Memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's home currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless it has the expertise (either alone or with a financial advisor) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the

value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances, including without limitation the giving of notice to the Issuer or the Guarantor and the taking of enforcement steps pursuant to Condition 14 of the Terms and Conditions of the Bonds, the Trustee may, at its sole discretion, request holders of the Bonds to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of holders of the Bonds. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions directly.

Modifications and waivers may be made in respect of the Conditions, the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit by the Trustee or less than all of the holders of the Bonds, and decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of individual or minority holders of the Bonds.

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

The Conditions also provide that the Trustee may (but is not obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of the Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit (other than in respect of certain reserved matters) which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed and the Deed of Guarantee), and any waiver or authorisation of any breach or proposed breach of, or failure to comply with any of the Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee and/or Standby Letter of Credit (other than a proposed breach or breach relating to the subject of certain reserved matters) which is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable.

Decisions that may be made on behalf of all holders of the Bonds may be adverse to the interests of individual holders of the Bonds.

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

The Guarantor's financial statements were prepared in conformity with PRC GAAP, which differs from IFRS in certain aspects, and investors may have less confidence in the reliability of the Group's financial statements and adversely affect the market price of the Bonds.

The audited consolidated financial statements of the Guarantor included elsewhere in this Information Memorandum were prepared in conformity with PRC GAAP which differs in certain aspects from IFRS. Investors may have less confidence in the audited consolidated financial statements of the Guarantor and the financial information of the Guarantor included elsewhere in this Information Memorandum, which may adversely affect the market price of the Bonds. In addition, investors should consult their own professional

advisers for an understanding of any difference and how they may affect the financial information contained herein.

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

Bonds will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depository for Euroclear and Clearstream (each a “**Clearing System**”). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate.

While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Bonds are represented by the Global Certificate the Issuer will discharge its payment obligations under the Bonds by making payments to the common depository for Euroclear and Clearstream, for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

The PRC government has no legal obligations under the Bonds or the Guarantee of the Bonds.

The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds or the Guarantee of the Bonds in lieu of the Issuer or, as the case may be, the Guarantor. Bondholders shall have no recourse to the PRC government in respect of any obligation arising out of or in connection with the Bonds or the Guarantee of the Bonds in lieu of the Issuer or, as the case may be, the Guarantor.

Taizhou SASAC, which is closely supervised by the Taizhou Municipal Government, as the controlling shareholder of the Guarantor, only has the limited liability in the form of its equity contribution in the Guarantor. As such, Taizhou SASAC, or the Taizhou Municipal Government, does not have any payment obligations under the Bonds or the Guarantee of the Bonds. The Bonds are solely to be repaid by the Issuer, and the Guarantor pursuant to the Guarantee of the Bonds, each as an obligor under the relevant transaction documents and as an independent legal person.

Government data such as GDP included in this Information Memorandum is solely for the purpose to show the level of economic development in Taizhou where substantially all of the Group’s business operations and investments are located. Such data should not be construed as representing that the Bondholders have any recourse to the PRC government for payments under the Bonds or the Guarantee of the Bonds.

Investors should base their investment decision on the financial condition of the Issuer, the Guarantor and the Group and any perceived credit risk associated with an investment in the Bonds based on the Group’s own financial information reflected in its financial statements.

The LC Bank’s ability to perform its obligations under the Standby Letter of Credit is subject to its financial condition.

The LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of the authorisation given by Bank of Jiangsu Co., Ltd. (“**Bank of Jiangsu**”), and if the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Standby Letter of Credit, Bank of Jiangsu would have an obligation to satisfy the balance of the obligations under the Standby Letter of Credit. Therefore, the ability of the LC Bank to make payments under the Standby Letter of Credit will depend on the financial condition of Bank of Jiangsu, which could be materially and adversely affected by a number of factors, including, but not limited to, the following:

Impaired loans and advances: Bank of Jiangsu’s results of operations have been and will continue to be negatively affected by its impaired loans. If Bank of Jiangsu is unable to control effectively and reduce the level of impaired loans and advances in its current loan portfolio and in new loans the Bank of Jiangsu extends in the future, or Bank of Jiangsu’s allowance for impairment losses on loans and advances is insufficient to cover actual loan losses, Bank of Jiangsu’s financial condition could be materially and adversely affected.

Collateral and guarantees: A substantial portion of Bank of Jiangsu's loans is secured by collateral. In addition, a substantial portion of its PRC loans and advances is backed by guarantees. If Bank of Jiangsu is unable to realize the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of such loans due to various factors Bank of Jiangsu's financial condition could be materially and adversely affected.

Loans to real estate sector and government financing platforms: Bank of Jiangsu's loans and advances to the real estate sector primarily comprise loans issued to real estate companies and individual housing loans. The real estate market may be affected by many factors, including, without limitation, cyclical economic volatility and economic downturns. In addition, the PRC government has in recent years imposed macroeconomic control measures that are aimed at preventing the real estate market from over-heating. Such factors may adversely affect the growth and quality of its loans to the real estate industry and, consequently, Bank of Jiangsu's financial condition and results of operations. Loans to government financing platforms are a part of the loan portfolio of Bank of Jiangsu. The government revenues are primarily derived from taxes and land premiums. Therefore, economic cycles and fluctuations in the real estate market may also adversely affect the quality of such loans.

In addition, as Bank of Jiangsu has not waived sovereign immunity for the purpose of the Standby Letter of Credit, it is possible that such immunity is asserted at the time of enforcement of the Standby Letter of Credit.

The Standby Letter of Credit is subject to a maximum limit and may not be sufficient to satisfy all payments due under the Standby Letter of Credit.

Payments of principal and interest in respect of the Bonds and the fees and expenses and other amounts in connection with the Bonds and the Trust Deed will have the benefit of the Standby Letter of Credit up to a maximum limit of U.S.\$61,780,000, being an amount representing the aggregate principal amount of the Bonds plus interest payable for six months under the Bonds plus an additional amount intended to cover fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds, there can be no assurance that such maximum limit is sufficient to fully satisfy the aforementioned payments.

The Standby Letter of Credit expires a month after the Maturity Date.

The Standby Letter of Credit will expire after 6:00 p.m. (Hong Kong time) on 28 February 2024. In the event that the Trustee does not enforce the Standby Letter of Credit by this expiration time, the Bondholders and the Trustee will not be able to benefit from the credit protection provided by the LC Bank. Furthermore, in the event that any payment from the Issuer to the Trustee is avoided by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application for the time being in force and a written notice claiming such avoided payment under the Standby Letter of Credit was not given to the LC Bank on or before the expiry time of the Standby Letter of Credit, the Bondholders and the Trustee will not be able to recover such avoided payment from the LC Bank under the Standby Letter of Credit.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to amendment and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the U.S.\$60,000,000 in aggregate principal amount of 2.6 per cent. credit enhanced bonds due 2024 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) was authorised by a resolution of the board of directors of Huaxin Pharmaceutical (Hong Kong) Co., Limited (the “**Issuer**”) dated 12 January 2021 and the guarantee of the Bonds was authorised by a resolution of the board of directors of Taizhou Huaxin Pharmaceutical Investment Co., Ltd. (the “**Guarantor**”) dated 24 August 2020. The Bonds are constituted by a trust deed dated on or about 29 January 2021 (as amended, supplemented or replaced from time to time, the “**Trust Deed**”) between the Issuer, the Guarantor and Citicorp International Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds. These terms and conditions (these “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bonds have the benefit of a deed of guarantee (as amended and/or supplemented from time to time, the “**Deed of Guarantee**”) dated on or about 29 January 2021 executed by the Guarantor and the Trustee relating to the Bonds. The Bonds are the subject of an agency agreement dated on or about 29 January 2021 (as amended, supplemented or replaced from time to time, the “**Agency Agreement**”) relating to the Bonds between the Issuer, the Guarantor, the Trustee, Citibank, N.A., London Branch as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time with respect to the Bonds), as transfer agent (in such capacity, the “**Transfer Agent**”, which expression includes any successor or additional transfer agents appointed from time to time with respect to the Bonds), and as the principal paying agent (in such capacity, the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time with respect to the Bonds, and together with the paying agents with respect to the Bonds, the “**Paying Agents**”, which expression includes any additional or successor paying agents appointed from time to time with respect to the Bonds) and any other agents named in it, Citibank, N.A., Hong Kong Branch as the account bank (in such capacity, the “**Pre-funding Account Bank**”, which expression shall include any successor) with which the Pre-funding Account (as defined below) is held and Citibank, N.A., Hong Kong Branch as the account bank (in such capacity, the “**LC Proceeds Account Bank**”, which expression shall include any successor) with which the LC Proceeds Account (as defined below) is held. References herein to “**Agents**” means the Principal Paying Agent, the Registrar, the Transfer Agent(s), the Paying Agent(s) and any other agent or agents appointed from time to time with respect to the Bonds. The Bonds will have the benefit of an irrevocable standby letter of credit (the “**Standby Letter of Credit**”) dated on or about 29 January 2021 issued by Bank of Jiangsu Co., Ltd. Taizhou Branch (the “**LC Bank**”) in favour of the Trustee on behalf of itself and the holders of the Bonds.

Copies of the Trust Deed, the Deed of Guarantee, the Agency Agreement and the Standby Letter of Credit are available for inspection upon prior written request and satisfactory proof of holding during 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays) at the principal office of the Trustee (presently at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) and at the specified office for the time being of the Principal Paying Agent. The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and are deemed to have notice of those applicable to them of the Agency Agreement and the Standby Letter of Credit.

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

1 FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (the “**Specified Denomination**”).

The Bonds are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, “**Bondholder**” or “**holder**” in relation to a Bond means the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first-named thereof).

*Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) deposited with a common depositary for, and representing Bonds registered in the name of a nominee of, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). These Conditions are modified by certain provisions contained in the Global Certificate. See “Summary of Provisions relating to the Bonds in Global Form”.*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

2 TRANSFERS OF BONDS

- (a) **Transfer:** A holding of Bonds may, subject to Condition 2(d), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred (which shall be in the Specified Denomination) and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor (which shall be in the Specified Denomination). In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds, the initial form of which is scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder upon prior written request and satisfactory proof of holding.

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

- (b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within seven business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery of such form of transfer or surrender of Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), “**business day**” means a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (c) **Formalities Free of Charge:** Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment by the relevant Bondholder of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require).
- (d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal in respect of that Bond, (ii) after a Put Exercise Notice in respect of such Bond has been deposited pursuant to Condition 7(c), or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 8(a)(ii)).
- (e) **Regulations:** All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfer and registration of Bonds scheduled to the Agency Agreement. The Registrar may change the regulations from time to time, with the prior written approval of the Trustee and (in the case of any regulation proposed by the Issuer) of the Registrar. A copy of the current regulations will be made available by the Registrar to any Bondholder upon written request and proof of holding and identity to the satisfaction of the Registrar and is available at the specified office of the Registrar.

3 GUARANTEE AND STATUS

- (a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect (the “**Guarantee**”) are contained in the Deed of Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
- (b) **Status:** The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

4 STANDBY LETTER OF CREDIT AND PRE-FUNDING

- (a) **Standby Letter of Credit:** The Bonds will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of itself and the holders of the Bonds, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT (or by such method of communication otherwise permitted under the Standby Letter of Credit) sent by or on behalf of the Trustee to the LC Bank in accordance with the Standby Letter of Credit (the “**Demand**”) stating that (i) the Issuer has failed to comply with Condition 4(b) in relation to pre-funding the amount that is required to be pre-funded under these Conditions and/or failed to provide the Required Confirmations (as defined in the Conditions) in accordance with the Condition 4(b), (ii) an Event of Default (as defined in the Conditions) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with the Conditions or (iii) the Issuer has failed to pay the fees, costs, expenses and/or other amounts it is obliged to pay under these Conditions or in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Bonds when due and such failure has continued for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer.

Only one drawing is permitted under the Standby Letter of Credit.

Such drawing on the Standby Letter of Credit will be payable in U.S. dollars to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. Payment received by the Trustee in respect of the Demand will be deposited into the LC Proceeds Account.

The payment made under the Standby Letter of Credit in respect of any amount payable under these Conditions or in connection with the Bonds, the Agency Agreement, the Guarantee and/or the Trust Deed shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer and the Guarantor in respect of such amount payable under these Conditions or in connection with the Bonds, the Agency Agreement, the Guarantee and/or the Trust Deed.

The LC Bank’s liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not exceed U.S.\$61,780,000 (the “**Maximum Limit**”). The Standby Letter of Credit expires at 6:00 p.m. (Hong Kong time) on 28 February 2024.

See “Appendix A — Form of Irrevocable Standby Letter of Credit” in the Information Memorandum for the form of the Standby Letter of Credit.

- (b) **Pre-funding:** In order to provide for the payment of any amount in respect of the Bonds (other than the amounts payable under Condition 7(d)) (the “**Relevant Amount**”) as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the day falling eight Business Days (the “**Pre-funding Date**”) prior to the due date for such payment under these Conditions:
- (i) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and
 - (ii) deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Payment and Solvency Certificate signed by any Authorised Signatory (as defined in the Trust Deed) of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to

the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the “**Required Confirmations**”).

If the Relevant Amount has not been paid into the Pre-funding Account in full and the Prefunding Account Bank has notified the Trustee of such failure, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (a “**Pre-funding Failure**”), the Trustee shall

- (i) as soon as reasonably practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile or by SWIFT of the occurrence of the Pre-funding Failure, and
- (ii) by no later than 6:00 p.m. (Hong Kong time) on the second Business Day immediately following the Pre-funding Date (x) send the notice (the “**Pre-funding Failure Notice**”) to the Bondholders of (I) the Pre-funding Failure and (II) the redemption of the Bonds in accordance with Condition 7(d) to occur as a result of the Pre-funding Failure and (y) issue a Demand to the LC Bank for the principal amount in respect of all of the Bonds then outstanding, together with interest accrued to, but excluding, the Mandatory Redemption Date (as defined in Condition 7(d)) and all fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer under or in connection with the Bonds, the Agency Agreement, the Trust Deed and/or any other transaction document relating to the Bonds, provided that, in accordance with the Standby Letter of Credit, the Trustee need not physically present the Demand to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT (provided that in the event that the SWIFT system is not available for any reason, the Trustee may instead present a Demand via facsimile transmission during the period between 9:00 a.m. (Hong Kong time) to 6:00 p.m. (Hong Kong time)).

Following receipt by the LC Bank of such Demand by 6:00 p.m. (Hong Kong time) on a Business Day, the LC Bank shall by 10:00 a.m. (Hong Kong time) on the fourth Business Day immediately following such Business Day (or, if such Demand is received after 6:00 p.m. (Hong Kong time) on a Business Day, the fifth Business Day immediately following such Business Day), pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand to the LC Proceeds Account.

The Pre-funding Account Bank shall notify the Trustee and the Principal Paying Agent forthwith upon the failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with these Conditions.

For the purposes of this Condition 4:

“**Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in Hong Kong, Beijing, New York City and London;

“**LC Proceeds Account**” means a non-interest bearing U.S. dollar account established in the name of the Trustee with the LC Proceeds Account Bank;

“**Payment and Solvency Certificate**” means a certificate in substantially the form set forth in the Agency Agreement stating the Relevant Amount in respect of the relevant due date in respect of the Bonds and confirming that (A) a payment for the Relevant Amount has been made by the Issuer, as the case may be, to the Pre-funding Account in accordance with Condition 4(b) and (B) each of the Issuer and the Guarantor is solvent; and

“**Pre-funding Account**” means a non-interest bearing U.S. dollar account established in the name of the Issuer with the Pre-funding Account Bank and designated for the purposes specified above.

5 COVENANTS

- (a) **Issuer Activities:** The Issuer shall not, and the Guarantor will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with any notes, bonds or other securities (and such activities in connection with any such notes, bonds or other securities) shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds to the Guarantor or any of its subsidiaries and any other activities reasonably incidental thereto).
- (b) **Financial Information:** For so long as any Bond remains outstanding, the Guarantor will furnish the Trustee with (A) a Compliance Certificate of the Guarantor (on which the Trustee may rely conclusively as to such compliance) within 14 days of a written request by the Trustee and at the time of provision of the relevant Guarantor Audited Financial Reports; (B) a copy of the relevant Guarantor Audited Financial Reports within 120 days of the end of each Relevant Period, prepared in accordance with the Accounting Standards for Business Enterprises in the PRC (“**PRC GAAP**”) (audited by a nationally or an internationally recognised firm of independent accountants) and if such statements shall be in the Chinese language, together with an English translation of the same translated by (aa) a nationally or an internationally recognised firm of independent accountants or (bb) a professional translation service provider, and checked by a nationally or an internationally recognised firm of independent accountants, together with a certificate signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; and (C) a copy of the Guarantor Semi-Annual Unaudited Financial Reports within 90 days of the end of each Relevant Period prepared on a basis consistent with the Guarantor Audited Financial Reports and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (aa) a nationally or an internationally recognised firm of independent accountants or (bb) a professional translation service provider, and checked by a nationally or an internationally recognised firm of independent accountants, together with a certificate signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; provided that, if at any time the capital stock of the Guarantor is listed for trading on a recognised stock exchange, the Guarantor may furnish to the Trustee, as soon as they are available but in any event not more than 14 calendar days after any financial or other reports of the Guarantor are filed with the exchange on which the Guarantor’s capital stock is at such time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in Condition 5(b)(A) and Condition 5(b)(B) above.
- (c) **Undertakings relating to the Guarantee:** The Guarantor undertakes that it will register or cause to be registered with SAFE the Deed of Guarantee (the “**Cross-border Security Registration**”) within 15 Registration Business Days after the Issue Date, in accordance with the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定), use its reasonable endeavours to complete the Cross-border Security Registration and

obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to the Guarantee.

- (d) **Notification to NDRC:** The Guarantor undertakes to file or cause to be filed with the NDRC the requisite information and documents within the prescribed time period after the Issue Date in accordance with the Notice on the Administrative Reform for the Registration of Offshore Debt Issuances (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資[2015]2044 號)) issued by the NDRC and which came into effect on 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”).
- (e) **Notification of Completion of the Cross-border Security Registration and the NDRC Post-issue Filing:** The Guarantor shall before the Registration Deadline and within five Registration Business Days after the later of submission of the NDRC Post-issue Filing and receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate by an Authorised Signatory of the Guarantor confirming (A) the completion of the NDRC Post-issue Filing and the Cross-border Security Registration and (B) no Event of Default or Potential Event of Default has occurred; and (ii) copies of the relevant documents evidencing the SAFE registration certificates (or any other document evidencing the completion of registration issued by SAFE); (the items specified in (i) and (ii) together, the “**Registration Documents**”). In addition, the Guarantor shall procure that within five Registration Business Days after the documents comprising the Registration Documents are delivered to the Trustee, the Issuer gives notice to the Bondholders (in accordance with Condition 17) confirming the completion of the NDRC Post-issue Filing and the Cross-border Security Registration.

In these Conditions:

“**Guarantor Audited Financial Reports**” means, for a Relevant Period, the annual audited consolidated financial statements of the Guarantor, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in owners’ equity of the Guarantor together with the auditors’ audit report and notes to the financial statements;

“**Guarantor Semi-Annual Unaudited Financial Reports**” means, for a Relevant Period, the semi-annual unaudited consolidated financial statements of the Guarantor, which comprise the consolidated balance sheet, the consolidated income statement and the consolidated cash flow statement of the Guarantor;

“**Compliance Certificate**” means a certificate of each of the Guarantor and the Issuer (as the case may be) signed by any one of their respective directors or Authorised Signatories that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Guarantor or the Issuer (as the case may be) as at a date (the “**Certification Date**”) not more than five days before the date of the certificate:

- (i) no Event of Default (as defined in Condition 10) or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

- (ii) each of the Guarantor and the Issuer (as the case may be) has complied with all its obligations under the Trust Deed, the Deed of Guarantee and the Bonds.

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

“**person**” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

“**Potential Event of Default**” means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 10 become an Event of Default;

“**PRC**” means the People’s Republic of China which, for the purposes of these Conditions, shall not include Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan;

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

“**Registration Deadline**” means the day falling 90 Registration Business Days after the Issue Date;

“**Relevant Period**” means, in relation to the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of the Guarantor’s financial year (being 31 December of that financial year) and, in relation to the Guarantor Semi-Annual Unaudited Financial Reports, each period of six months ending on the last day of the Guarantor’s first half financial year (being 30 June of that financial year);

“**SAFE**” means the State Administration of Foreign Exchange or its local branch;

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

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

6 INTEREST

The Bonds bear interest on their outstanding principal amount from and including 29 January 2021 (the “**Issue Date**”) at the rate of 2.6 per cent. per annum, payable semi-annually in arrear on 29 January and 29 July in each year (each an “**Interest Payment Date**”), commencing on 29 July 2021.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such

event, it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

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

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

7 REDEMPTION AND PURCHASE

- (a) **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 29 January 2024 (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.
- (b) **Redemption for Taxation Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable) and to the Trustee and the Principal Paying Agent, at their principal amount (together with interest accrued to, but excluding, the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in Condition 9) as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 27 January 2021, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 7(b), the Issuer shall deliver to the Trustee (x) a certificate signed by any Authorised Signatory of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 7(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (y) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or

will become obliged to pay such Additional Tax Amounts as a result of such change or amendment. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (i) and (ii) above of this Condition 7(b), in which event they shall be conclusive and binding on the Bondholders. The Trustee shall be protected and shall have no liability to any Bondholder or any other person for so accepting and relying on such certificate or opinion.

- (c) **Redemption for Relevant Event:** Following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined below) at 100 per cent. of their principal amount, together in each case with interest accrued up to but excluding such Put Settlement Date. In order to exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, substantially in the form scheduled to the Agency Agreement, obtainable from the specified office of the Principal Paying Agent or any other Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 17.

The "**Put Settlement Date**" shall be the fourteenth day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

Not later than 14 days (in the case of a Change of Control) or 10 days (in the case of a No Registration Event) following the day on which the Issuer becomes aware of a Relevant Event, the Issuer shall procure that notice regarding such Relevant Event shall be delivered to the Trustee in writing and to the holders (in accordance with Condition 17) stating:

- (i) the Put Settlement Date;
- (ii) the date of the Relevant Event and, briefly, the events causing, as applicable, the Change of Control or the No Registration Event, as the case may be;
- (iii) the date by which the Put Exercise Notice must be given;
- (iv) the redemption amount and the method by which such amount will be paid;
- (v) the names and addresses of all Paying Agents;
- (vi) the procedures that holders must follow and the requirements that holders must satisfy in order to exercise the Relevant Event Put Right; and
- (vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and each of them shall be entitled to assume that no such event has occurred until it have received written notice to the contrary from the Issuer, the Guarantor and none of them shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any

documents in relation to or connection with the Registration Conditions, and none of the Trustee or the Agents shall be liable to the holders, the Issuer, the Guarantor or any other person for any loss arising from their not doing any of the foregoing.

In this Condition:

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

- (i) (x) the SASAC, and (y) any other person or entity Controlled by the government of the PRC, together, cease to directly or indirectly hold or own at least 71.1 per cent. of the issued share capital of the Guarantor; or
- (ii) the Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer.

“**Control**” means (where applicable) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of a person or the right to appoint and/or remove all or the majority of the members of a person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; the term “**Controlled**” has meanings correlative to the foregoing;

a “**No Registration Event**” occurs when the Registration Conditions are not complied with on or before the Registration Deadline;

a “**Person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer’s or the Guarantor’s board of directors or any other governing board and does not include the Issuer’s or the Guarantor’s wholly-owned direct or indirect subsidiaries;

“**Registration Conditions**” means the receipt by the Trustee of the Registration Documents relating to the Cross-border Security Registration as set forth in Condition 5(e);

a “**Relevant Event**” will be deemed to occur if:

- (i) there is a No Registration Event; or
- (ii) there is a Change of Control.

“**SASAC**” means the State-owned Assets Supervision and Administration Commission of Taizhou, Jiangsu Province, of the PRC or its successor.

- (d) **Mandatory Redemption upon Pre-funding Failure:** The Bonds shall be redeemed at their principal amount on the Interest Payment Date immediately falling after the date the Prefunding Failure Notice is given to the Bondholders in accordance with Condition 4(b) (the “**Mandatory Redemption Date**”) (together with interest accrued to, but excluding, the Mandatory Redemption Date), provided that if the holder of any Bond shall have exercised its right to require the Issuer to redeem its Bond pursuant to Condition 7(c) and a Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 4(b) as a result of the Pre-funding Failure relating to the amount payable pursuant to such redemption, all the Bonds then outstanding shall be redeemed in whole, but not in part, at their principal amount in accordance

with this Condition 7(d) on the Put Settlement Date, together with interest accrued to, but excluding, the Put Settlement Date, and the term “**Mandatory Redemption Date**” shall be construed accordingly.

- (e) **Notices of Redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 7 shall be redeemed on the date specified in such notice in accordance with this Condition 7. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 7(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 7(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption or Put Exercise Notice and none of them shall be liable to Bondholders, the Issuer, the Guarantor or any other person for not doing so.
- (f) **Purchase:** The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 10, 13(a) and 14.
- (g) **Cancellation:** All Certificates representing Bonds purchased by or on behalf of any of the Issuer, the Guarantor and their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds and Certificates shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.
- (h) **Calculations:** Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto, and shall not be liable to the Bondholders or any other person for not doing so.

8 PAYMENTS

- (a) **Method of Payment:**
 - (i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 8(a)(ii) below.
 - (ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made in U.S. dollars by transfer to the registered account of the holder of such Bond. In this Condition 8, the “**registered account**” of a Bondholder means the U.S. dollar account maintained by or on behalf of it with a bank, details of which appear on the Register on the Record Date.

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

Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

- (b) **Payments Subject to Laws:** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto.
- (c) **Payment Initiation:** Payment instructions (for value the due date, or if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.
- (d) **Appointment of Agents:** The Principal Paying Agent, the Registrar, and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Agents, subject to the provisions of the Agency Agreement, act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar or the Transfer Agent and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, and (iii) a Transfer Agent, in each case as approved by the Trustee.

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

- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).
- (f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this Condition 8, “**Payment Business Day**” means a day (other than a Saturday or Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business in the place in which the specified office of the Registrar, the Transfer Agent or the Principal Paying Agent is located and on which foreign exchange transactions may be carried on in U.S. dollars in New York City.

9 TAXATION

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

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC up to and including the aggregate rate applicable on 27 January 2021 (the “**Applicable Rate**”), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

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

- (a) **Other connection:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Hong Kong or the PRC other than the mere holding of the Bond; or
- (b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days.

References in these Conditions to principal and interest shall be deemed also to refer to any additional tax amounts which may be payable under this Condition 9 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

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

Neither the Trustee nor any Agent shall in any event be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 9 or otherwise in connection with the Bonds

or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor or the Bondholders or any other person to pay such tax, duty, charges, withholding or other payment in any jurisdiction or be responsible to provide any notice or information in connection with payment of such tax, duty, charges, withholding or other payment imposed by or in any jurisdiction.

10 EVENTS OF DEFAULT

If any of the following events (“**Events of Default**”) occurs, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are due and payable. Upon any such notice being given to the Issuer and the Guarantor, the Bonds shall immediately become due and payable at their principal amount together (if applicable) with accrued interest:

(a) **With Respect to the Issuer and the Guarantor:**

- (i) **Non-Payment:** there has been a failure to pay (i) the principal of any of the Bonds when due; or (ii) any interest on the Bonds within 14 days after the due date for such payment; or
- (ii) **Breach of Other Obligations:** the Guarantor or the Issuer does not perform or comply with any one or more of their respective obligations under or in respect of the Bonds, the Deed of Guarantee or the Trust Deed (other than those referred to in Condition 10(a) and where it gives rise to a redemption pursuant to Condition 7(c)) which default (i) is incapable of remedy or, (ii) being a default which is capable of remedy, remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer or the Guarantor by the Trustee, provided that any non-compliance with Condition 4(b) does not constitute an Event of Default under this Condition 10(a)(ii); or
- (iii) **Cross-Default:** (i) any other present or future indebtedness of the Guarantor, the Issuer or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Guarantor, the Issuer or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(a)(iii) have occurred equals or exceeds U.S.\$ 20,000,000 or its equivalent or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this Condition 10(a)(iii) operates); or
- (iv) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Guarantor, the Issuer or any of their respective Principal Subsidiaries; or
- (v) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Guarantor, the Issuer or any of their respective

Principal Subsidiaries in respect of all or any part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or

- (vi) **Insolvency:** the Guarantor, the Issuer or any of their respective Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or any part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Guarantor, the Issuer or any of their respective Principal Subsidiaries, as the case may be, except for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary of the Issuer or the Guarantor, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of their respective Principal Subsidiaries; or
- (vii) **Winding-up:** an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer, the Guarantor or any of their respective Principal Subsidiaries (except for any voluntary solvent winding-up of any of the Principal Subsidiaries), or the Issuer, the Guarantor, or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary of the Issuer or the Guarantor, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of their respective Principal Subsidiaries; or
- (viii) **Nationalisation:** any step is taken by any person acting under the authority of any national, regional or local government with a view to the seizure, compulsory acquisition, expropriation, or nationalisation of all or any part of the assets of the Issuer, the Guarantor or any of their respective Principal Subsidiaries; or
- (ix) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed and the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

- (x) **Illegality:** it is or will become unlawful for any of the Guarantor and the Issuer to perform or comply with any one or more of their respective obligations under any of the Bonds or the Trust Deed or the Deed of Guarantee; or
- (xi) **Guarantee:** the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or
- (xii) **Standby Letter of Credit:** the Standby Letter of Credit is not (or is claimed by the LC Bank not to be) enforceable, valid or in full force and effect; or
- (xiii) **Analogous Events:** any event occurs which under the laws of the PRC has an analogous effect to any of the events referred to in this Condition 10(a).

In this Condition 10(a):

“**Principal Subsidiary**” means, at any time, each Subsidiary of the Issuer or the Guarantor:

- (i) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statements is at least five per cent. of the consolidated revenue as shown by the latest published audited consolidated income statements of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests;
- (ii) whose net profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profit, as shown by its latest audited income statements is at least five per cent. of the consolidated net profit as shown by the latest published audited consolidated income statements of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (iii) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least five per cent. of the amount which equals the amount included in the consolidated total assets of the Guarantor and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests;

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

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

the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

- (B) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, net profit or total assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by or on behalf of the Guarantor;
- (C) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, net profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by or on behalf of the Guarantor;
- (D) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor prepared for this purpose by or on behalf of the Guarantor; and
- (E) in the case of a Subsidiary to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary upon such transfer but shall cease to be a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (i), (ii) or (iii) above of this definition

(b) **With respect to the LC Bank:**

(i) **Cross-Default:**

- (A) any Public External Indebtedness of the LC Bank or any of its Subsidiaries is not paid when due or, as the case may be, within any originally applicable grace period;
- (B) any such Public External Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the LC Bank or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Public External Indebtedness; or
- (C) the LC Bank or any of its Subsidiaries fails to pay when due any amount payable by it under any guarantee or indemnity of any Public External Indebtedness,

provided that the amount of Public External Indebtedness referred to in Conditions 10(b)(i)(A) or 10(b)(i)(B) and/or the amount payable under any guarantee or indemnity

referred to in Condition 10(b)(i)(C), individually or in the aggregate, exceeds U.S.\$25,000,000 (or its equivalent in any other currency or currencies); or

- (ii) **Security Enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the LC Bank or any of its Material Subsidiaries; or
- (iii) **Insolvency:** (A) the LC Bank or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (B) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the LC Bank or any of its Material Subsidiaries or the whole or a material part of the undertaking, assets and revenues of the LC Bank or any of its Material Subsidiaries, (C) the LC Bank or any of its Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee or indemnity of any indebtedness given by it, or (D) the LC Bank or any of its Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business, except in the case of any Material Subsidiary, where the cessation is for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, merger or consolidation whereby the business, undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the LC Bank and/or another Subsidiary; or
- (iv) **Winding-up:** an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the LC Bank or any of its Material Subsidiaries; or
- (v) **Analogous Events:** any event occurs which under the laws of the relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(b)(ii) to Condition 10(b)(iv) (both inclusive).

In this Condition 10(b):

“**LC Bank**” means Bank of Jiangsu Co., Ltd. Taizhou Branch;

“**Material Subsidiary**” means a Subsidiary of the LC Bank,

- (A) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries), whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose net profit (consolidated in the case of Subsidiary which itself has consolidated Subsidiaries) represent not less than five per cent. of the consolidated gross revenue, the consolidated gross assets, or, as the case may be, the consolidated net profit of the LC Bank and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited or reviewed financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited or reviewed consolidated financial statements of the LC Bank, provided that:
 - (I) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited or reviewed consolidated financial statements of the LC Bank relate for the purpose of applying each of the foregoing tests, the reference to the LC Bank’s latest audited or reviewed

consolidated financial statements shall be deemed to be a reference to such audited or reviewed financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited or reviewed financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the LC Bank;

- (II) if at any relevant time in relation to the LC Bank or any Subsidiary no financial statements are prepared and audited, its gross revenue, gross assets and net profit (consolidated, if applicable) shall be determined on the basis of pro forma consolidated financial statements (consolidated, if applicable) prepared for this purpose; and
 - (III) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (1) above) are not consolidated with those of the Bank, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the LC Bank;
- (B) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (i) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (ii) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of paragraph (A) of this definition above.

A certificate signed by an authorised signatory of the LC Bank that in his/her opinion (making such adjustments (if any) as he/she shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor, the Trustee and the Bondholders;

“Public External Indebtedness” means any indebtedness of the LC Bank or any Subsidiary of the LC Bank, or any guarantee or indemnity by the LC Bank of indebtedness, for money borrowed which (A) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placement) and (B) has an original maturity in excess of 365 days; and

“Subsidiary” means, in relation to any person (the **“first Person”**) at any particular time, any other person (the **“second Person”**) (A) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second

Person or otherwise, or (B) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

11 PRESCRIPTION

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

12 REPLACEMENT OF CERTIFICATES

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

13 MEETINGS OF BONDHOLDERS, MODIFICATION AND ENTITLEMENTS

- (a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee, and shall be convened by the Trustee if requested in writing by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against any costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of certain proposals, inter alia, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, (v) to modify or release the Standby Letter of Credit (other than an amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a further issue of securities pursuant to Condition 16 or modification pursuant to Condition 13(b)), or (vi) to modify or cancel the Deed of Guarantee (other than an amendment or supplement to the Deed of Guarantee in connection with a further issue of securities pursuant to Condition 16 or modification pursuant to Condition 13(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that (A) a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding or (B) passed by Electronic Consent (as defined in the Trust Deed) shall for all

purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

So long as the Bonds are evidenced by the Global Certificate, Extraordinary Resolution includes a consent given by way of electronic consents through the relevant clearing system(s) by or on behalf of all the Bondholders of not less than 90 per cent in aggregate principal amount of the Bonds for the time being outstanding.

- (b) **Modification of the Conditions, Trust Deed and Standby Letter of Credit:** The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed or the Deed of Guarantee), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit that is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, each such modification, authorisation or waiver shall be notified by the Issuer or the Guarantor to the Bondholders as soon as practicable.
- (c) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 13) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

14 ENFORCEMENT

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

15 INDEMNIFICATION OF THE TRUSTEE

Under the Trust Deed, the Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances and to be paid its fees, costs, expenses, indemnity payments, and other amounts in priority to the claims of the Bondholders. In

addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor, the LC Bank and any entity related to them without accounting for any profit.

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

None of the Trustee or the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit or these Conditions, or ascertain whether an Event of Default, a Potential Event of Default, a Pre-funding Failure or a Change of Control has occurred, and they shall not be liable to the holders or any other person for not doing so.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit or these Conditions to exercise any discretion or power, take or refrain from any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking or refraining from any such action, making any such decision, or giving any such direction, to seek directions or clarification of directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Guarantor, the LC Bank, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from such action, making such decision, or giving such direction where the Trustee is seeking such directions or clarification of directions from Bondholders or in the event that no such directions or clarification of directions are received by the Trustee.

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

None of the Trustee or any of the Agents shall be responsible or liable for the performance by the Issuer, the Guarantor, the LC Bank and/or any other person appointed by the Issuer and/or the Guarantor and/or the LC Bank in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer and/or the Guarantor and/or the LC Bank to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Guarantor and the LC Bank, and the Trustee shall not at any time have any responsibility or liability for the same and each Bondholder shall not rely on the Trustee in respect thereof.

16 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and first payment of interest on them and the timing for complying with the Registration Conditions and the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any further bonds issued pursuant to this Condition 16. However, such further securities may only be issued if a further or supplemental or replacement standby letter of credit is issued by the LC Bank (or an amendment is made to the Standby Letter of Credit) on terms that are substantially similar to the Standby Letter of Credit (including that the stated amount of such further or supplemental standby letter of credit represents an increase at least equal to the principal of and one interest payment due on such further bonds and any fees, costs, expenses, indemnity payments and all other amounts in connection with such issue) and such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Standby Letter of Credit shall thereafter include such further, supplemental, replacement or amended standby letter of credit. Any further bonds consolidated and forming a single series with the outstanding Bonds constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed and be guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee.

17 NOTICES

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday or a public holiday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Global Certificate is held by or on behalf of Euroclear, Clearstream, or the Alternative Clearing System (as defined in the Summary of Provisions relating to the Bonds in Global Form), any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear, Clearstream or the Alternative Clearing System for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

18 CONTRACTS (RIGHTS OF THIRD PARTIES) ORDINANCE (CAP.623)

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Ordinance (Cap.623).

19 GOVERNING LAW AND JURISDICTION

- (a) **Governing Law:** The Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, Hong Kong law.
- (b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed, the Agency Agreement,

the Deed of Guarantee, the Standby Letter of Credit or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit or the Guarantee (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed and the Deed of Guarantee irrevocably submitted to the jurisdiction of such courts.

- (c) **Agent for Service of Process:** Each of the Issuer and the Guarantor irrevocably appoints the Issuer at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong as its authorised agent in Hong Kong to receive service of process in any Proceedings based on any of the Bonds, the Guarantee, the Trust Deed or the Agency Agreement. If for any reason the Issuer or the Guarantor, as the case may be, ceases to have such an agent in Hong Kong, it will promptly appoint a substitute process agent and shall notify the Trustee of such replacement within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

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

USE OF PROCEEDS

The Issuer intends to use the proceeds for repaying the Group's offshore middle- and long-term indebtedness due within one year.

DESCRIPTION OF BANK OF JIANGSU

The information included in this Information Memorandum regarding Bank of Jiangsu Co., Ltd. is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. Any information available from public sources that are referenced in this Information Memorandum but is not separately included in this Information Memorandum shall not be deemed to be incorporated by reference to this Information Memorandum. The Issuer has taken reasonable care in the compilation and reproduction of the information. However, none of the Issuer, the Guarantor, the Placing Agents, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Guarantor, the Placing Agents, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

The Bonds will have the benefit of the Standby Letter of Credit which will be issued by Bank of Jiangsu Co., Ltd. Taizhou Branch as the LC Bank. Under PRC laws, the LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of authorization given by Bank of Jiangsu Co., Ltd. (“**Bank of Jiangsu**”), and if the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Standby Letter of Credit, Bank of Jiangsu would have an obligation to satisfy the remaining balance of the obligations under the Standby Letter of Credit.

OVERVIEW

Bank of Jiangsu was officially listed and opened on 24 January 2007, headquartered in Nanjing, Jiangsu Province. On 2 August 2016, Bank of Jiangsu was listed on the main board of Shanghai Stock Exchange with the stock code 600919. Bank of Jiangsu holds a financial institution license numbered B0243H232010001 from the China Banking Regulatory Commission (“**CBRC**”) and a legal entity business licenses (unified social credit code: 91320000796544598E) from the Jiangsu Municipal Administration of Industry and Commerce. The registered address of Bank of Jiangsu is No.26, Zhonghua Road, Nanjing, Jiangsu Province, the PRC.

Adhering to the mission of “creating better life and the core values of integration and innovation, pragmatic responsibility and lean growth”, Bank of Jiangsu is committed to building a leading service bank that is “Wisdom, characteristic, international and comprehensive”. Bank of Jiangsu has 17 branches under its banner and two subsidiaries of Suyin Financial Leasing Co., Ltd., and Baode County Bank of Jiangsu Danyang. The service network radiates three economic circles of the Yangtze River Delta, Pearl River Delta, and Bohai Rim, and achieves full coverage of counties in Jiangsu Province, with more than 530 business outlets and more than 15,000 employees.

BUSINESS ACTIVITIES

With approval of CBRC and examined and approved by the company registration authority, Bank of Jiangsu enjoys the scope of business of taking public deposit; issuing short-term, medium-term and long-term loans; handling domestic settlement; handling bills acceptance and discount; issuing financial bond; issuing, cashing and underwriting government bonds as an agent, underwriting short-term financing bonds; buying and selling government bonds, financial bonds and enterprise bonds; handling inter-bank borrowing; providing service and guarantee for letter of credit; handling collection, payment and insurance service as an agent, dealing with wealth management for the customers, fund sales as an agent, precious metal sales as an agent, handling receipt and payment and taking care of assembled funds trust plan as an agent; providing safe deposit box service; handling entrusted deposit and loan service; engaging in bank card business; undertaking foreign exchange deposits; foreign exchange loans; foreign exchange remittance; foreign currency exchange; foreign exchange settlement and sale at sight and forwards; handling international settlement; undertaking self-operation of and agency for foreign exchange trading; handling inter-banking foreign exchange lending; trading and acting trading foreign currency securities other than stocks; undertaking credit investigation, consulting, witness services; providing online banking; handling other businesses approved by China’s banking regulatory authorities and related departments.

Bank of Jiangsu’s main business conditions are set out below:

- **Financial business:** Bank of Jiangsu strives to improve the quality and efficiency of serving the real economy, closely follows the policy guidance, serves the national development strategy, focuses on key

areas, continuously increases support for manufacturing, green industries and other fields, and provides financing services for small, micro and private enterprises. Bank of Jiangsu also vigorously promotes the financial, cash management, e-banking and other businesses in supply chains, creates a “commercial bank + investment bank” model, and provides customized and personalized financial service programs for customers.

- **Retail financial business:** Bank of Jiangsu will continue to optimize customer group management, innovate customer service modes, promote community management and overseas study services, deepen “entrepreneur + investor” services, innovate and establish Yuanrong Entrepreneur College, actively promote family trust services, and use 5G technology to launch remote investment consulting services. In addition, Bank of Jiangsu will cooperate with the comprehensive consumption scenario platform to launch joint credit cards, continuously enrich the credit card product system, launch ETC projects, further promote the application of big data and customer life cycle management, and enhance cross-linkage and accurate marketing capabilities as well as make full use of Internet, big data, artificial intelligence, biology and image recognition technologies, launch mobile banking app 5.0 and direct selling bank 5.0 upgrade version, realize “card-free” business at intelligent counters, open up the dual platforms of “PC+applets”, and continuously expand the ecosystem of online retail application scenarios.
- **Capital Businesses:** Bank of Jiangsu pays close attention to market changes, flexibly adjusts trading strategies, and makes full use of product tools such as repurchase, issuance of inter-bank certificates of deposit, precious metals and foreign exchange derivatives to effectively reduce the cost of liabilities. Bank of Jiangsu has obtained the qualification of bill brokerage business, further demonstrates the advantages of standardized bill business. In addition, by the end of 2019, a total of 2,368 wealth management products were issued, including a series of net worth products such as “Rongxiang”, “Ronghe”, “Rongda” and “Ronghui Cash” designed and issued according to the requirements of the new asset management regulations, with a total raised amount of RMB579.8 billion and the entrusted assets amounted RMB2,519.9 billion.
- **Support System:** In addition, Bank of Jiangsu continues to strengthen the construction of smart operations, strengthen operational risk control to ensure the stable development of various businesses.
- **Financial Science and Technology:** Bank of Jiangsu also puts the “Wisdom” construction at the top of the “four modernizations” strategy, grasps the trend of digital development, closely follows the development and application of cutting-edge technologies, stimulates vitality, enhances momentum, and strives to create a financial science and technology ecosystem.

In 2019, Bank of Jiangsu has obtained many honours and awards in various selection activities organised by domestic and foreign institutions, among which:

- In January 2019, it won the “Culture Construction Advanced Unit of National Financial System in China” awarded by the Research Association of Ideological and Political Work of China Financial Institutions.
- In January 2019, it won the “Best growth bank in international business” and “Most innovative bank in international business” awarded by Jiangsu Banking Association.
- In February 2019, it was awarded the “Outstanding Contribution Award for the Integration of Informatisation and Industrialization in Jiangsu Province” by Jiangsu Development and Reform Commission and Department of Finance of Jiangsu Province. In April 2019, it was awarded the “Advanced Unit of Financial Services for Small and Micro Enterprises in Jiangsu Province” by China Banking and Insurance Regulatory Commission, Jiangsu Office.
- In April 2019, it was selected into Forbes World’s Best Banks List.
- In April 2019, it was awarded the “Best Financial Innovation Award”, “Top Ten Investment Bank Innovation Award”, “Top Ten Consumer Financial Innovation Award”, and “Top Ten Financial Technology Innovation Award” selected by *The Banker* magazine.
- In May 2019, it won the “2019 Jiangsu Financial Innovation Award” awarded by Jiangsu Provincial Department of Finance, Jiangsu Provincial Financial Supervision Bureau, Nanjing Branch of the People’s Bank of China, Jiangsu Banking and Insurance Supervision Bureau, Jiangsu Securities Supervision Bureau, etc.

- In May 2019, in the three rankings of Puyi Standard “Comprehensive Financial Management Ability”, “Risk Control Ability” and “Information Disclosure Standardization”, it ranked first among city commercial banks in the country.
- In June 2019, it ranked 92nd in UK’s *The Banker*’s Global 1000 ranking of banks by Tier 1 capital.
- In July 2019, it won the “Best Inclusive Financial Effectiveness Award” awarded by the China Banking Association.
- In November 2019, it was awarded the “Top 100 Financial Enterprises with Outstanding Brand Power in China” selected by *The Economic Observer* and *Modern Advertising* magazine.
- In November 2019, it was awarded the “Outstanding Corporate Citizen of the Year Award” by *National Business Daily*.
- In November 2019, it was awarded the “Special Contribution Award to Corporate Governance” at the 15th Golden Round Table Award of the Board of Directors of Listed Companies in China by *Directors & Boards* magazine.
- In December 2019, it was awarded the 2019 China Securities Market Golden Steed Award for “Outstanding Service to the Real Economy Award” and “Gold Medal Board Secretary Award” by *Securities Daily*.
- In December 2019, it was awarded the “Best Brand Building Small- and Medium-sized Bank” and “Best Service and High-quality Development Centre Bank” by *Financial Times*.
- In December 2019, it was awarded the “Outstanding Competitiveness Risk Management Bank” by *China Business Journal*.

FINANCIAL INFORMATION

Copies of Bank of Jiangsu’s published audited consolidated financial statements and unaudited but reviewed consolidated financial statements, as well as its public filings, can be downloaded free of charge from the websites of Bank of Jiangsu and the Shanghai Stock Exchange at <http://www.jsbchina.cn> and <http://www.sse.com.cn>, respectively. The financial statements of Bank of Jiangsu are not included in and do not form part of this Information Memorandum. The information contained on the websites of Bank of Jiangsu and the Shanghai Stock Exchange is subject to change from time to time. No representation is made by the Issuer, the Guarantor, the Placing Agents, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers and none of the Issuer, the Guarantor, the Placing Agents, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers takes any responsibility for any information contained on the websites of Bank of Jiangsu and the Shanghai Stock Exchange.

CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

The following table sets forth the Guarantor's consolidated capitalisation and indebtedness as at 30 June 2020 on an actual basis and as adjusted to give effect to the Bonds to be issued before deducting commissions and other fees expenses payable by the Issuer in connection with the offering of the Bonds. The following table should be read in conjunction with the audited consolidated financial statements of the Guarantor included elsewhere in this Information Memorandum.

	As at 30 June 2020			
	Actual		As adjusted	
	(RMB)	(U.S.\$) ⁽¹⁾	(RMB)	(U.S.\$) ⁽¹⁾
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current indebtedness				
Short-term borrowings	4,889,098,832	692,007,025	4,889,098,832	692,007,025
Non-current liabilities due within one year	9,319,414,533	1,319,077,512	9,319,414,533	1,319,077,512
Total current indebtedness	14,208,513,365	2,011,084,537	14,208,513,365	2,011,084,537
Non-current indebtedness				
Long-term borrowings.....	18,016,411,608	2,550,057,552	18,016,411,608	2,550,057,552
Bonds payable	7,037,475,024	996,089,938	7,037,475,024	996,089,938
Bonds to be issued ⁽²⁾	–	–	423,906,000	60,000,000
Total non-current indebtedness	25,053,886,632	3,546,147,490	25,477,792,632	3,606,147,490
Total indebtedness⁽³⁾	39,262,399,997	5,557,232,027	39,686,305,997	5,617,232,027
Total owners' equity.....	27,848,597,079	3,941,713,080	27,848,597,079	3,941,713,080
Total capitalisation⁽⁴⁾	67,110,997,076	9,498,945,107	67,534,903,076	9,558,945,107

Notes:

- (1) For convenience only, all translation from Renminbi into U.S. dollars was made at the rate of RMB7.0651 to U.S.\$1.00, the exchange rate as at 30 June 2020 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve Bank System of the United States.
- (2) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting commissions and other estimated expenses payable in connection with the offering of the Bonds.
- (3) Total indebtedness equals the sum of current indebtedness and non-current indebtedness.
- (4) Total capitalisation represents the sum of total indebtedness and total owners' equity.

As at the date of this Information Memorandum, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Group since 30 June 2020.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer, Huaxin Pharmaceutical (Hong Kong) Co., Limited, is a company with limited liability incorporated in Hong Kong on 11 May 2017. Its registered office is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The Issuer is a wholly-owned subsidiary of the Guarantor.

BUSINESS ACTIVITIES

As at the date of this Information Memorandum, the Issuer has not engaged, since its incorporation, in any material activities other than those in connection with any notes, bonds or other securities (including the Bonds) and the on-lending of the proceeds thereof to the Guarantor or its subsidiaries, and the authorisation of documents and agreements referred to in this Information Memorandum to which it is or will be a party.

DIRECTORS AND OFFICERS

The directors of the Issuer are Wu Zhilan and Hang Xiang.

SHARE CAPITAL

As at the date of this Information Memorandum, the authorised share capital of the Issuer is U.S.\$10,000 divided into 10,000 shares of U.S.\$1.00 each and the Issuer has 10,000 shares in issue. None of the equity securities of the Issuer was listed or dealt in on any stock exchange and no listing or permission to deal in such securities was being or was proposed to be sought as at the date of this Information Memorandum.

FINANCIAL INFORMATION

The Issuer's financial statements are prepared in accordance with Hong Kong Financial Reporting Standards.

LEGAL PROCEEDINGS

The Issuer is not involved in any legal, arbitration or other administrative proceedings, and it is not aware of any pending or threatened action against it.

DESCRIPTION OF THE GROUP

OVERVIEW

As a direct subsidiary of Taizhou SASAC, the Guarantor is a state-owned enterprise located in the Taizhou Medical High-tech Industrial Development Zone (the “**Taizhou Medical Zone**”) in Jiangsu Province with a registered capital of RMB6,328.5 million. The Taizhou Medical Zone is the first national-level medical high-tech industrial development zone in China, the largest national-level medical high-tech industrial development zone in Jiangsu Province which has benefited from substantial governmental support and the only vehicle for undertaking the construction of healthcare medical industry in Taizhou. The Taizhou Medical Zone has a total planned size of approximately 120 square kilometres comprised of seven industrial and functional parks and four districts (township-level). The seven industrial and functional parks are the Binjiang Industrial Park, the Higher Education Park, the Bonded Zone, the Data Industrial Park, the Economic Development Zone, the Medical Park and the Zhoushanhe Street. Situated on the north bank of the Yangtze River, it plays an important role in the Yangtze River Delta economic circle. Pursuant to the Notice issued by the Management Committee, the Guarantor has been designated by the Management Committee as the primary investment, financing and operating platform for the development of the Taizhou Medical Zone in 2009. Leveraging its role as the primary investment, finance and operating platform for the Taizhou Medical Zone, the Guarantor believes it takes a leading position in terms of its market share in, among others the leasing of service platforms and real properties, land transfer and construction management in Taizhou Medical Zone.

Operating through its key subsidiary Jiangsu Huawei Medical Logistics Limited (江蘇華為醫藥物流有限公司) (“**Huawei Pharmaceutical**”), the Group has eleven years of operating history in the industry of sales and distribution of pharmaceutical products. The Group believes that it takes a leading position in terms of its market share in the sales and distribution of pharmaceutical products in Jiangsu Province. In addition, the Group has progressively developed logistics services for various pharmaceutical companies and medical equipment manufacturers operating in the Taizhou Medical Zone since it started its business in the pharmaceutical industry in 2008, focusing on providing warehousing and transportation services.

In line with the general development plan of the Taizhou Medical Zone, the mission of the Group is to carry out the financing and construction of major development projects and to promote further development of the Taizhou Medical Zone.

The business of the Group primarily consists of six business segments: (i) sales and distribution of pharmaceutical products, (ii) leasing, (iii) sales of real properties, (iv) land transfer, (v) construction management, and (vi) other businesses including, among others, warehousing and logistics services in respect of pharmaceutical products for various pharmaceutical companies and medical equipment manufacturers, property management, hotel, convention and exhibition services, catering, provision of guarantees, asset assignment, transportation as well as services ancillary to the operation and management of the Taizhou Medical Zone, such as information consulting and scavenging services. As at 30 June 2020, the Group operated its businesses through 11 subsidiaries.

Set forth below is an overview of the business segments of the Group:

- *Sales and Distribution of Pharmaceutical Products:* The Group’s sales and distribution of pharmaceutical products business segment mainly consists of sales of proprietary Chinese medicines, Chinese medicinal materials, medicinal chemicals and preparation ingredients, antibiotics and preparations ingredient, biochemical drugs, biological products, healthcare food, disinfectants, antiseptics and medical equipment.
- *Leasing:* The Group commenced its leasing business in 2008. The Group’s leasing business mainly consists of leasing service platforms and real properties it owned to the enterprises located in the Taizhou Medical Zone. Service platform leasing involves leasing of various facilities and equipment of the Taizhou Medical Zone to the pharmaceutical companies located in the Taizhou Medical Zone, together with provision of ancillary services such as new medicine application, new medicine research and development, medicine screening, and molecule or animal experiment application operated by the Group. Leasing of real properties involves leasing of office buildings constructed and owned by the Group.
- *Sales of Real Properties:* The Group commenced its sales of real properties business in 2015. The Group’s sales of real properties business mainly consists of sales of the real properties, such as residential complex and plants and commercial buildings constructed by the Group in the Taizhou Medical Zone and the target

customers are the enterprises operating in the Taizhou Medical Zone and their staff.

- *Land Transfer:* After the Group obtains the land development quota from the Management Committee, it commences the financing and construction of the typical “nine connections and one levelling” (“九通一平”), such as sewage, water, electricity, cable and natural gas. After that, the Group acquires land use rights to some of such land, which will go into the Group’s land bank, through tender, auction and listing for sale by paying land premiums to the government. Some of such land will be used for the Group’s leasing and secondary real estate development, and some will be used for entrusted construction for government. Occasionally, the Group transfers land use rights to enterprises operating in the Taizhou Medical Zone at marginal profit through the government by way of tender, auction and listing for sale.
- *Construction Management:* The Group’s construction management business involves infrastructure construction projects in the Taizhou Medical Zone for the construction of road, bridge, water pipes, public service platforms and other supporting facilities.
- *Other Businesses:* The Group also carries on a number of ancillary businesses in support of its principal businesses and the construction, operation and management of major projects in the Taizhou Medical Zone. Its ancillary businesses include warehousing and logistics services of pharmaceutical products, property management, hotel, convention and exhibition services, catering, provision of guarantees, asset assignment, transportation, information consulting services, scavenging service, etc.

COMPETITIVE STRENGTHS

The Group believes that the following strengths are important to its success and future development:

Taizhou Medical Zone leads the development of pharmaceutical industry in Jiangsu Province, with Jiangsu Province itself being the leader in China’s pharmaceutical sector

The Taizhou Medical Zone is the first national-level medical high-tech industrial development zone in China, the largest national-level medical high-tech industrial development zone in Jiangsu Province which has benefited from substantial governmental support and the only vehicle for undertaking the construction of healthcare medical industry in Taizhou. The Taizhou Medical Zone has a total planned size of approximately 120 square kilometres comprised of seven industrial and functional parks and four districts (township-level). The seven industrial and functional parks are the Binjiang Industrial Park, the Higher Education Park, the Bonded Zone, the Data Industrial Park, the Economic Development Zone, the Medical Park and the Zhoushanhe Street. The Medical Park is the core area of Taizhou Medical Zone consisting of six functional areas, including scientific research and development area, production and manufacturing area, comprehensive supporting area, education and teaching area, exhibition and trade area and healthcare area. It has attracted more than 800 biopharmaceutical enterprises to settle. Situated on the north bank of the Yangtze River, it plays an important role in the Yangtze River Delta economic circle. With abundant natural resources, high technology industries and talents, and unique geographical advantages, the Taizhou Medical Zone is a strategic region for developing the economy in Taizhou, Jiangsu Province.

Pharmaceutical industry is a fast-growing industry in China. For seven consecutive years from 2013 to 2019, Jiangsu Province has been ranked among the top in China across major economic indicators of the Chinese pharmaceutical industry. In recent years, the pharmaceutical industry in Taizhou has maintained a fast pace of growth, with approximately one third of the province’s economic aggregate and economic benefits coming from the city. For 19 consecutive years from 2001 to 2019, the pharmaceutical industry in Taizhou has outperformed its peers in Jiangsu Province, ranking first among all prefecture-level cities throughout China in terms of sales volume. To develop the city and pharmaceutical industry at the same time, Taizhou set up the first national level medical high-tech industrial development zone and has been making a strong push to develop national-level industrial parks such as advanced shipbuilding park, new energy industrial park, etc. in recent years. In addition, Taizhou has successfully patented more than 500 world-class pharmaceutical innovations, making Taizhou a player in the vanguard of the international high-tech pharmaceutical area, as well as the propeller of structural adjustment and development approach transformation in the regional economy surrounding Taizhou. The Taizhou Medical Zone has introduced a large number of well-known domestic and foreign pharmaceutical companies into the Taizhou Medical High-tech Industrial Park through positive and effective investment solicitation. It has become the preferred destination of the international biomedical industry for their investment in China, and has sped up its development into a vibrant new area in Taizhou. As of the end of 2019, the Taizhou Medical High-tech Industrial Park is home to about 1,000 enterprises in total, including 12 World’s Top 500

enterprises, with 856 industrial projects with a value of more than RMB100 million settled. Major tenants in terms of total investment in the Taizhou Medical High-tech Industrial Park are Astra Zeneca Pharmaceutical (China) Ltd, Takeda Pharmaceutical (China) Ltd, CSPC Zhongnuo (Taizhou) Ltd, Sanofi Pasteur Bio-Pharma Ltd, Edding Pharma (China) Ltd.

The largest state-owned enterprise in Taizhou by assets and the only governmental investment and financing platform in the Taizhou Medical Zone directly controlled by Taizhou SASAC with strong support from all levels of governments

The Company is the largest state-owned enterprise in Taizhou in terms of total asset as of 30 June 2020, according to the information published on the website of China Foreign Exchange Trade System and the National Interbank Funding Centre. The Company is also the only governmental investment and financing platform in the Taizhou Medical Zone, which is effectively controlled by Taizhou SASAC, which, on behalf of the Taizhou Municipal Government, performs the responsibilities of shareholders. On behalf of the Taizhou Municipal Government, Taizhou SASAC applies strict supervision to equity investment, asset investment, equity transfer and daily operations of the Company. Taizhou SASAC is also responsible for appointing and removing the chairman of board of directors, delegating or replacing directors and supervisors, appointing and removing the chairman of supervisory committee, delegating or replacing supervisors and monitoring the whole process of daily operation and management of the Company. Due to the Company's position as the only governmental investment and financing platform in the Taizhou Medical Zone directly controlled by Taizhou SASAC, the Taizhou Municipal Government provides strong supports to the development of the Group in various aspects. In addition, leveraging its position in the Taizhou Medical Zone, the Group also benefits from the strategic policy supports from the Central and the Jiangsu Provincial Government. With the Taizhou Medical Zone being the first national level medical high-tech industrial development zone in China and the largest national level medical high-tech industrial development zone in Jiangsu Province and the Company being the only governmental investment and financing platform in the Taizhou Medical Zone, the Group is also mandated to implement governmental policies and material development plans in the Taizhou Medical Zone, which engages the Group into significant projects, promotes the Group's brand and reputation in relevant industries and reinforces the relationships between the Group and different levels of governments.

Moreover, the Group believes that it is well positioned to capitalise on strong support from the Taizhou Municipal Government and its status as the only investment and financing platform for the Taizhou Medical Zone. The supports by the Taizhou Municipal Government include the following measures:

Financial support

The Taizhou Municipal Government has provided and continues to provide strong financial support to the Group. The Company was established in 2005 with an initial registered capital of RMB100 million and became a company wholly-owned by the Taizhou Municipal Government in 2007. Since then, the Taizhou Municipal Government has constantly increased the Company's registered capital in the form of capital injections for eleven times in 2008, 2009, 2014, 2015, 2016 and 2020, respectively. The Company has received financial support from governments at all levels including central, provincial, municipal and Management Committee of Taizhou Medical Zone. From 2014 to 2019, the Company received subsidies, including special fund for industrial upgrading, guidance funds for energy conservation, strategic funds, investment guidance funds, and guidance funds for environmental protection etc. The Company has also received compensation and appropriation in relation to land consolidation and exploitation, entrusted construction projects and rent waiver in investment promotion from Taizhou Medical Zone. Besides, one half of the revenue incurred by the Finance Bureau of Taizhou Medical Zone and its superior Finance Bureau has been allocated for the operation and investment promotion of the Management Committee, and another half has been allocated for compensating for construction funds and repayment of loans of the Company. The Group has obtained solid financial support from the Central Government, the Jiangsu Government and the Taizhou Municipal Government with total government grants of RMB2.1 billion in cash from 2014 to 2019.

Policy Support

Jiangsu Provincial Government highly values the development of the Taizhou Medical Zone. In February 2010, Jiangsu Provincial Government, Ministry of Science and Technology, Ministry of Health, China Food and Drug Administration and State Administration of Traditional Chinese Medicine decided to jointly drive the construction of China Medical City in Taizhou. Based on Development Plan for Biotechnology and New Pharmaceutical Industry in Jiangsu (2009–2012), Taizhou Medical Zone has become the priority of the provincial plan, shouldering the heavy responsibility of leading the Jiangsu province's biopharmaceutical

industry development. In January 2011, Jiangsu Provincial Government issued *Reply as to policies to support development of Taizhou Medical Zone (Suzheng No. 7 of [2011])*, 《關於支持泰州醫藥高新區建設發展有關政策的批復》（蘇政[2011]7號）) pursuant to which the Finance Department of Jiangsu Province made an arrangement of RMB50.0 million to support new drug research and development by the Taizhou Medical Zone in 2011 and adjusted the amount according to usage in later years, and granted the Taizhou Medical Zone bonus funds and financial returns in total amount of RMB53.5 million during 2013 to 2015. The Company also received policy support in respect of international bond issuance pursuant to a letter on supporting the Company's international bond issuance issued by the Taizhou Finance Bureau.

The Taizhou Municipal Government has provided the Group with a variety of favorable policies to ensure the sustainable development of the Group. The governments of various levels have successively issued as many as 11 policies to support development of the Taizhou Medical Zone. According to the reply to the policies in relation to development and planning of the Taizhou Medical Zone issued by the Jiangsu Provincial Government in 2007, the government will provide the Group with various assistance in raising funds for the projects in the Taizhou Medical Zone. In addition to the Company's role as a governmental investment and financing platform of the Taizhou Medical Zone, the Company also undertakes land transfer projects and construction management for the government in the Taizhou Medical Zone. This has accordingly well positioned the Company to be the primary developer of major projects within the Taizhou Medical Zone by the Taizhou Municipal Government and the Management Committee through contracts with governmental entities.

Fully integrated service provider covering the whole value chain of the businesses in the Taizhou Medical Zone

Throughout its over ten years of evolution and continual development, the Group has begun a shift towards developing into a comprehensive service provider by extending along the value chain in the Taizhou Medical Zone to form a diversified portfolio of businesses including sale and distribution of pharmaceutical products, warehousing and logistics services, sales of real properties, leasing, land transfer and construction management in the Taizhou Medical Zone. The Group is dedicated to becoming an integrated service provider through the whole value chain of various businesses in the Taizhou Medical Zone, and has followed a scientific development path comprised of aggregation of high-end talents, introduction of high-end achievements, settlement of high-end enterprises and development of high-end industries.

The Group strives to enhance the integration across the full value chain, in particular, the integration of the pharmaceutical business and the real estate and land development business in the Taizhou Medical Zone. The Group believes that business integration would help to drive the development and upgrading of its core operations, create growth opportunities for expanding and optimising the Group's business portfolio and attract more pharmaceutical enterprises into the Taizhou Medical Zone. The Group's provision of fully integrated service also helps to optimise its revenue-generating capabilities by capturing significant growth opportunities and improving its bargaining power, as well as to improve its profit margins and reduce operating risks by allowing for coordinated and more efficient planning and allocation of resources.

In each of its business segments, the Group has the ability to take advantage of the synergies between its various business segments by utilising the facilities and resources from these business segments. For example, within the Group's real estate and land development businesses including sales of real properties, leasing, land transfer and construction management, after the completion of the land transfer by the Group of relevant land areas, the Group can acquire the land use rights of such land areas from the government through tender, auction and listing for sale. Given the Group's track record and stable relationship with the government from its the land transfer business, the Group believes that it enjoys competitive edge over other competitors in the auction process.

The diversified business offerings and products covering the entire value chain enable the Group to offer its customers an integrated service. Such a vertically integrated business model and diversified business portfolio provides the Group with a wide revenue base and an optimised risk return profile.

Experienced management team with a strong track record and well-established corporate governance structure

Leveraging on the constructive policy environment, the Company formed a professional team experienced with market-oriented operations of state-owned resources, infrastructure construction business, as well as the pharmaceutical industry, offering sound management supports to the Company.

The Group's senior management team and key operating personnel have rich experience in the management of state-owned enterprises which operate in the same sectors as the Group. The Group's management team has extensive industry management experience in respect of enterprise operation, financial management, capital operation and the development of corporate culture, and is able to handle complicated and volatile situations. The strong expertise and commitment to quality of its management team have contributed to the Group's proven track record in its core business segments. The Group believes that it will continue to benefit from the experience of its management team and their critical industry knowledge required to take advantage of market opportunities, formulate sound business strategies, assess and manage risks, and implement measures relating to management and production, all of which are expected to increase profitability and optimise shareholders' value.

The Company has formed a sound corporate governance structure with an effective internal control system and a complete risk control system under which the board of directors, the supervisory committee and the management perform their respective duties separately from and check and balance each other, which ensures the Group's efficient and controllable operation and protects shareholders' interests. The Company has established a sound risk management system supervised by its risk management committee, which is mainly responsible for overseeing the risks of the Company's funds operations. The Company's risk management system covers different aspects of the Group's operations, including risk assessment on investment type and investment proportion according to relevant national laws, documents, and regulations, internal information control, prevention of information leak and investment and financing management. The Company will also submit for approval the projects to be invested or disposed of with a value of more than 20 per cent. of its total assets to Taizhou SASAC, so as to its lower investment risks.

BUSINESS STRATEGIES

Leveraging on the Group's competitive strengths and the business opportunities brought by the development plan of the Taizhou Medical Zone and closely following the government policies in the pharmaceutical industry, the Group aims to expand its asset size and operation scale. The Group intends to pursue the following strategies to achieve such objectives:

Extract and maximize synergies in its business model in pharmaceutical-related business segments and optimize resource allocation and operating efficiency

The Group intends to enhance internal collaboration among its pharmaceutical operations, including sales, distribution, warehousing and logistics services and maximize synergies in its business model. The Group strives to enhance the sharing of logistics and product resources between its sales and distribution of pharmaceutical products business and warehousing and logistics business to further reduce costs and to improve its services for its customers. The Group will continue to carry out centralized procurement system so as to increase its bargaining power and improve its overall quality control system. Meanwhile, the Group will centralize and optimize the sales and marketing of its pharmaceutical products and further enhance its operational efficiency.

Continue to rely on the synergies within the Group's land transfer business and construction management business and further develop its leasing and sales of real properties businesses

Leveraging on the Group's established relationship with the Taizhou Medical Zone's local government, the Group will continue operating as the Taizhou Medical Zone's primary investment, financing and operating platform and continue undertaking the land transfer and construction management in the area. The Group plans to continue to utilize this advantage and further enhance the synergies between the primary and secondary land development businesses to secure the stable land resource for its secondary land development business, including construction of properties for its own use, such as for sale and for leasing, which is expected to contribute to a significant part of the total operating income of the Group in the future. In line with the government's general development plan of the Taizhou Medical Zone, the Group plans to focus on the high-end market and follow a high standard of construction and aims to further improve the functions and the level of industrialization of the Taizhou Medical Zone.

Focus on the further development of its core businesses and maintain its central role in the Taizhou Medical Zone and expand the scale and the influence of the Taizhou Medical Zone

The Company plays an important role in the Taizhou Medical Zone's development initiatives. In line with the 13th plan of five-year national development of the Taizhou municipal government, the Company will continue to focus on its business as the primary investment, financing and operating platform of the Taizhou Medical Zone,

with the goal of strengthening the position of the China Medical City (中國醫藥城) as a model centre which combines the functions of an industrial zone park and a city for living. The Group will strive to develop a key strategic district of China's medicine research and development, develop a key area for medicine manufacturing in the Yangtze River Delta, and shape competitive edge along full new pharmaceutical industry value chain. The Group's primary missions include cultivating a good entrepreneurial environment, introducing high-end research and development institutions and the latest innovation achievements, both nationally and abroad, integrating pharmaceutical resources nationwide and leading China's pharmaceutical industry development, constructing a world-famous medical city and being a pioneer in introducing China's pharmaceutical industry to the international market.

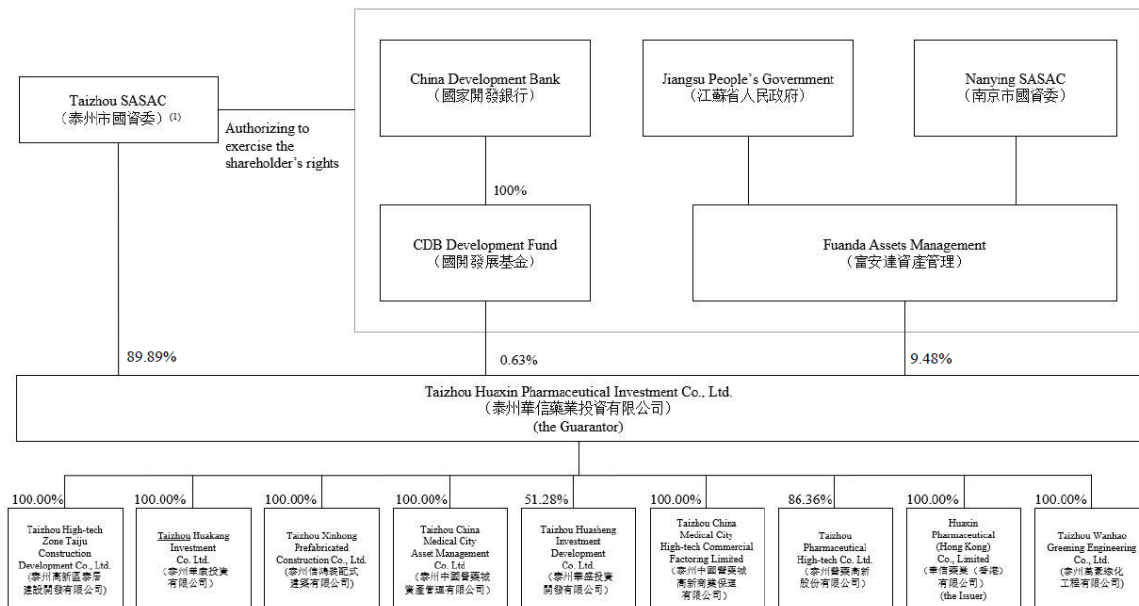
The Group will use the policy of "134 Goals (134 目標)" and the "Seven Action Plan (七大行動)" implemented by the Jiangsu Province in relation to ecological civilization construction and optimization of industrial structure as important opportunities, with its advantages in resources and brand name, to enlarge the Group's total assets and business scale, improve its business model and enhance the synergies between its business segments, and to contribute to making the Taizhou Medical Zone a featured high-tech development zone in China's pharmaceutical industry. The 134 Goals outlines the aims of Jiangsu Province to become the national leader in the biopharmaceutical and high-performance medical technology industry and to be at the forefront of cutting-edge medical technology applications through supporting research and development, as well as to become nationally known as a medical and health tourism destination, among others. Under its Seven Action Plan, Jiangsu Province initiatives include strengthening medical services and promoting health and well-being.

Further explore innovative financing channel, expand the financing sources and lower the financial cost of the Group

In order to realise the capital balance and satisfy the demand for its construction funding, the Group intends to plan ahead of time and take proactive measures in the conduct of its financing activities. In addition, the Group plans to raise funds through multi-channel financing and further develop innovative financing channels both at home and abroad, which helps to fulfil its mission designated by Taizhou municipal government to invite business and attract foreign investment. In implementing this strategy, the Group aims to rely on a wide range of financing channels including various types of bond issuance, offshore capital markets and project loans from banks, which helps to build a scientific financing structure for the Group. Furthermore, the Group plans to focus on lowering its financing cost. It seeks to control the cost of indirect financing below the benchmark interest rate as well as the cost of direct financing.

CORPORATE STRUCTURE

The following chart sets forth the shareholding structure of the Group and the simplified structure of the principal subsidiaries of the Guarantor as at the date of this Information Memorandum:



⁽¹⁾ Taizhou SASAC, on behalf of Taizhou Municipal Government, applies strict supervision to equity investment, asset investment, equity transfer and daily operations of the Company. Taizhou SASAC has the power to appoint and removes chairman of board of directors, delegates or replaces directors and supervisors.

HISTORY AND DEVELOPMENT

The Guarantor is a state-owned enterprise held by Taizhou SASAC, China Development Bank Development Fund Company Limited (CDB Development Fund (國開發展基金) and Fuanda Asset Management (Shanghai) Company Limited (富安達資產管理(上海)有限公司) (“**Fuanda**”) at shareholding percentages of 89.89%, 0.63%, 9.48%, respectively. Pursuant to the special meeting minutes No. 54 of the Taizhou Municipal Government dated November 2005, the Company was established in December 2005 by Taizhou Huatai Industrial Holdings Limited and Taizhou Haihua Industrial Construction Development Limited (泰州海華工業建設發展有限公司) in Taizhou City, Jiangsu Province, with the initial registered capital of RMB100 million.

The following are the key events in the development history of the Group:

2005	Establishment of the Guarantor by Taizhou Huatai Industrial Holdings Limited (泰州市華泰工業控股經營有限公司) and Taizhou Haihua Industrial Construction Development Limited (泰州海華工業建設發展有限公司).
2007	Taizhou Haihua Industrial Construction Development Limited (泰州海華工業建設發展有限公司) transferred all of its equity interest in the Guarantor to Taizhou Huatai Industrial Holdings Limited (泰州華泰工業控股經營有限公司). The Guarantor became a wholly-owned subsidiary of Taizhou Huatai Industrial Holdings Limited (泰州華泰工業控股經營有限公司).
	Taizhou Huatai Industrial Holdings Limited (泰州華泰工業控股經營有限公司) transferred 100% equity interest in the Guarantor to the Taizhou SASAC. The Guarantor became a wholly-owned company of Taizhou Municipal Government.
2010	Jiangsu Provincial Government, Ministry of Science and Technology, Ministry of Health, China Food and Drug Administration and State Administration of Traditional Chinese Medicine decided to jointly drive the construction of China Medical City in Taizhou. Taizhou Medical Zone became a strategic region leading the development of pharmaceutical industry in Jiangsu Province.
2015	Taizhou Municipal Government injected capital of RMB1.9 billion into the Guarantor to increase the Company’s registered capital.
2016	China Development Bank Development Fund Company Limited (國開發展基金) injected capital of RMB40.0 million into the Guarantor and the Company’s registered capital increased to approximately RMB3.8 billion.
2016	Fuanda injected capital of RMB1,500.0 million into the Guarantor and the Company’s registered capital increased to approximately RMB5.3 billion.
2019	Fuanda signed a power of attorney to entrust Taizhou SASAC to exercise the rights of shareholders on behalf of Fuanda, including the decision-making right of the Company’s operation and the right of personnel appointment and removal.
2020	Taizhou SASAC exchanged the Guarantor’s registered capital in the form of roads and bridges amounting to approximately RMB7.3 million with currency at the equivalent value.

2020	Fuanda transferred 5.63% equity interest in the Guarantor to the Taizhou SASAC.
2020	Taizhou SASAC injected capital of RMB1,000.0 million into the Guarantor and the Company's registered capital increased to approximately RMB6.3 billion.

DESCRIPTION OF THE GROUP'S BUSINESS

Sales and Distribution of Pharmaceutical Products

Overview

The Group's sales and distribution of pharmaceutical products business segment mainly consists of sales of proprietary Chinese medicines, Chinese medicinal materials, medicinal chemicals and preparations ingredients, antibiotics and preparations ingredients, biochemical drugs, biological products, healthcare food, disinfectants, antiseptics and medical equipment.

The Group conducts its sales and distribution of pharmaceutical products business segment, primarily in the Taizhou Medical City and the rest of Jiangsu Province through its own distribution platform in both wholesale and retail modes. The wholesale mode mainly focuses on the sale and distribution of medicinal goods to hospitals and healthcare institution. The retail mode mainly involves providing Chinese and Western medicine to franchisees for retail sale. As at 31 December 2019, the Group marketed approximately 8,000 products which basically cover all fields of medical treatments, including general drugs, new and special drugs as well as products of Chinese-foreign joint ventures and imported drugs. Approximately 80 first-class national new drugs of the Group are under application and research, while seven first-class national new drugs have been put into production.

Sales, Marketing and Distribution

As is common in the PRC pharmaceutical industry, the Group's in-house sales and marketing teams directly market and promote pharmaceutical products to hospitals, other medical institutions and retail pharmacies. The Group also sells products to distributors for resale to customers or in markets not covered by its sales and marketing teams.

The Group established a sales and marketing network comprising sales representatives who focus on the major markets where the pharmaceutical products are sold, primarily in the Jiangsu Province. The Group's sales representatives implement its marketing strategies by promoting the relevant products directly to hospitals and other medical institutions in Jiangsu Province through activities and the provision of relevant information that are designed to educate the doctors at the relevant hospitals and other medical institutions on the usage and benefits of the products. Furthermore, the Group continually strengthens the quality of its sales force by improving their product knowledge and sales skills.

Modes of Sales and Distribution

Overall, the Group's pharmaceutical sales and distribution business involves a process of purchasing from suppliers, conducting quality control inspections, warehousing, processing orders and invoicing, arranging logistics and delivering to customers, and then collecting payments.

There are three modes of sales and distribution by the Group, namely, (i) direct sales to hospitals, (ii) quick cash sales, and (iii) sales in the capacity as a regional sole agent or distributor. In accordance with the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》), the Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》) and other relevant laws and regulations of the PRC, the Group routinely checks if its customers possess the necessary and valid practice qualification certificates required by the relevant regulatory authority before deciding whether to supply them with special drugs or any drugs.

Direct Sales to Hospitals

Under the business model of direct sales to hospitals and other medical institutions, pharmaceutical manufacturers first participate in the provincial centralized bidding process. The winning pharmaceutical manufacturers will then select their distributors. The selected distributors will purchase products from the pharmaceutical manufacturers to build up inventories.

When the Group receives a hospital's order, the Group arranges logistics services for prompt delivery of pharmaceutical products procured from pharmaceutical manufacturers in China at the price set by the previous bidding process. The business cycle ends upon issue of an invoice to the relevant hospital and receipt of the payment. In this process, the Group's gross profit is derived from the difference between the sales revenue and the procurement cost, which is generally ranging from 6 per cent. to 8 per cent. of the order value. Meanwhile, the costs primarily consist of inventory cost, operating cost and financing cost resulting from the time between their payment to pharmaceutical manufacturers and the receipt of payment from hospitals and other medical institutions. Under the business mode of direct sale to hospitals, the payment cycle from the Group's customers is approximately 90 days on average. Together with the inventory turnover of approximately 30 days on average, the total payment cycle is approximately 120 days. On the other hand, suppliers normally require payment within 60 days.

Quick Cash Sales

The Company's quick cash sale business segment focuses on the rural area market where end customers are scattered and the logistics cost is high. The major customers of the Group's quick cash sale business are the medium and small-sized hospitals at or below the second level according to the Administrative Measures on Hospitals by Grade of the PRC, community health stations, clinics and retail pharmacies in rural areas. The quick cash sale business segment mainly relies on membership-based collective orders and has the following features:

- *Short Credit Term:* Since the trading counterparties are usually individual customers, the Group normally allows a credit term of five to seven days only. Compared with direct sales to hospitals, quick cash sales offer faster capital turnover and therefore better cash flow to the Group.
- *Speedy Distribution:* The quick cash sale business segment of the Group capitalises on its advanced logistics platform and speedy distribution network. The Group is competitive in this business segment as goods generally can be delivered to customers within 24 to 48 hours after receipt of their orders.
- *Marketing and Sales:* The Group carries out its marketing activities by use of a membership system. Under the membership system, customers are classified and managed in different levels to enhance customer loyalty and management.

In recent years, as market competition intensifies, the Group has been exploring new ways to generate profit, striving to adapt to competition, and continue to get hold of the market by upgrading its technologies and marketing skills. In order to achieve these, the Group continuously strive to adopt the comprehensive use of the Internet for this business segment while maintaining the features of quick cash sales and tapping new profit potentials through the use of e-commerce platforms.

Agency and Distribution Business

In terms of agency and distribution business mode, the Group distributes pharmaceutical products to pharmaceutical enterprises primarily in Jiangsu Province through the use of logistics services provided by Jiangsu Huawei Logistics Co., Ltd. (江蘇華為物流有限公司), a subsidiary of the Guarantor. The Group's suppliers under this business mode include both pharmaceutical manufacturers and first-level distributors.

Procurement

The Group does not manufacture pharmaceutical products and focuses its pharmaceutical business substantially on sales and distribution which relies on the consistent supply of pharmaceutical products. The Group's suppliers are highly reputable domestic and joint-venture pharmaceutical manufacturers, such as Jiangsu Enkai Biological Science and Technology Co., Ltd., Sinochem Jiangsu Pharmaceutical Company Ltd., and etc., for the three years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020. In order to enhance and optimise

management over procurement of drugs for assured quality, lower costs and higher efficiency of fund use, the Group has formulated internal guidelines in relation to procurement process and the Group manages its procurement centrally. Although the Group negotiates each procurement contract separately with different suppliers, all procurement contracts contain major terms such as price, amount, payment method and delivery time.

The Group has maintained stable relationships with more than 400 upstream suppliers, including almost all leading foreign, Chinese or Chinese-foreign joint venture drug producers.

Product Pricing

Prior to 1 June 2015, pharmaceutical products were subject to price controls by way of maximum retail prices, which were the maximum prices at which pharmaceutical products may be sold to patients through hospitals and pharmacies, and were determined based on profit margins that the relevant government authorities deemed reasonable, the product type, quality and production costs, and the prices of substitute pharmaceutical products. In May 2015, NDRC, NHFPC, MOHRSS, MIIT, MOF, MOFCOM and CFDA jointly promulgated the Notice Regarding the Opinions on Facilitating Pharmaceutical Pricing Reform (關於印發推進藥品價格改革意見的通知). According to the circular, effective from 1 June 2015, with the exception of narcotic and psychotropic drugs in category I, the maximum retail prices for drugs were lifted, allowing for a more market-based drug pricing system. Meanwhile, the government continued to retain its supervision over drug pricing by improving the drug procurement mechanism, strengthening the cost control function of the medical insurance system, and strengthening the supervision of medical practices and pricing practices, in order to foster a more market-based drug pricing mechanism. Substantially, all procurement of pharmaceutical products by public hospitals and medical institutions is subject to a centralized procurement mechanism. The Guiding Opinions on Enhancing Centralized Procurement of Pharmaceutical Products by Public Hospitals issued by the General Office of the State Council (國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見) on 9 February 2015 and the Notice on Implementing the Guiding Opinions on Enhancing Centralized Procurement of Pharmaceutical Products by Public Hospitals issued by the NHFPC (國家衛計委關於落實完善公立醫院藥品集中採購工作的指導意見的通知) on 11 June 2015 required that all drugs (except for decoction pieces) used by public hospitals shall be procured through provincial centralized drug procurement platform, and set out rules governing the centralized drug procurement process.

Under the business mode of direct sales to hospitals, the price at which the Group sells its pharmaceutical products is determined by the Jiangsu Provincial Pharmaceutical Products Procurement Centre, the Municipal Health Bureau and the National Health Insurance. Under the business mode of quick cash sales, the price is determined by the pharmaceutical manufacturers and the upstream suppliers. Under the agency and distribution business, the Group sets the price with reference to the guiding retail price issued by the government or the manufacturers.

Leasing

Overview

The Group commenced its leasing business in 2008. The Group mainly operates its leasing business through the Guarantor. The Group's leasing business mainly consists of leasing service platforms and real properties it owned to the enterprises located in the Taizhou Medical Zone. Service platform leasing involves leasing of various facilities and equipment of the Taizhou Medical Zone to the pharmaceutical companies located in the Taizhou Medical Zone, together with provision of ancillary services such as new medicine application, new medicine research and development, medicine screening, and molecule or animal experiment application operated by the Group. Leasing of real properties involves leasing of office buildings constructed and owned by the Group.

Service platform leasing

Service platform leasing involves the lease of facilities and equipment for the pharmaceutical companies in the Taizhou Medical Zone, together with the ancillary services for among others new medicine application, new medicine innovation, medicine screening, molecule or animal experiment application and etc. These facilities and services are maintained, operated and provided by the Guarantor and the rental payments for these platforms are made by the Taizhou Medical Zone to the Guarantor on an annual basis.

Real property leasing

In managing the Group's real property leasing business, the Group relies on the synergies between its primary and secondary land development businesses. After the completion of the land transfer by the Group of relevant land areas, the Group can acquire the land use rights of such land areas from the government through tender, auction and listing for sale. After obtaining the land use right, the Group constructs properties thereon for leasing.

Property leasing involves leasing of office buildings owned by the Group. Since the properties are typically located in centre of the Taizhou Medical Zone, the Group believes that they attract a number of quality enterprises with abundant capital. The overall occupancy rate for the properties has been maintained at a high level, which guarantees a steady rental income to the Group.

The Group generally requires its tenants to pay rent annually in advance and the first payment shall be made on the date the parties entering the lease. Rents are determined based on the types and conditions of the leased properties.

The following table sets forth the leased properties and their respective leasable GFA, the GFA leased and the occupancy rate as at and for the six months ended 30 June 2020:

	As at 30 June 2020			For the six months ended 30 June 2020	
	GFA leased	Total leasable GFA	Occupancy rate	Leasing price	rental income
	(sq.m.)	(sq.m.)	(per cent.)	(RMB per sq.m. per month, unless otherwise indicated)	(RMB in thousand)
Property					
Unit Research and Development Building.....	15,104	19,532	77.3	629	358
Huaxin Zhongshi Phase I.....	101,037	105,563	95.7	257	781
Huaxin Zhongshi Phase II.....	53,609	57,335	93.5	257	103
Huaxin Zhongshi Phase III.....	279,585	323,589	86.4	257	25,766
Huaxin Zhongshi Phase IV.....	297,318	331,750	89.6	390	37,754
Research and Development Building (No.8).....	3,905	12,654	30.9	410	407
Science Building.....	5,783	21,457	27.0	503	441
CMC Building Block C1.....	26,234	38,990	67.3	468	839
CMC Building Block M.....	919	50,108	1.8	460	215
Vaccine Engineer Centre.....	7,660	46,046	16.6	N/A	530
QB3.....	6,443	64,842	10.0	N/A	1,665
				10.5	
Commercial Building (No.1).....	40,599	40,599	100.0	million/year	10,500
Kangjun New Town.....	11,131	25,064	44.4	N/A	927
Factory Building Phase VI.....	39,186	351,000	11.2	150	3,575
				1,400/room/month	
Talent Apartment.....	5,754	207,132	2.78	N/A	838
Xianghe Garden Phase II.....	8,831	8,831	100.0	N/A	38
Yongxing Garden.....	5,421	5,421	100.0	N/A	618
Platform Leasing.....	N/A	N/A	N/A	N/A	50,000
Total	908,519	1,709,913	56.1	N/A	124,854

Property Management

The Group provides property management services to its tenants through its subsidiary Taizhou China Medical City Asset Management Limited (泰州中國醫藥城資產管理有限公司). The Group places emphasis on property management because it believes good ancillary services enhances property value to its tenants as well as its brand image and thus increases its rental income.

Sales of Real Properties

Overview

The Group commenced its sales of real properties business in 2015. The Group mainly operates its sales of real properties business through the Guarantor itself as well as its subsidiary Taizhou Huasheng Investment Development Limited (泰州華盛投資發展有限公司). In 2019, the Group's sales of real properties business mainly consists of sales of the real properties, such as residential complex and plants and commercial buildings constructed by the Group in the Taizhou Medical Zone and the target customers are the enterprises operating in the Taizhou Medical Zone and their staff. In 2018, the Group's revenue of its sales of real properties business comes from housing sales in Taizhou.

In managing the Group's sales of real properties business, the Group relies on the synergies between its primary and secondary land development businesses. After the completion of the land transfer by the Group of relevant land areas, the Group can acquire the land use rights of such land areas from the government through tender, auction and listing for sale. After obtaining the land use right, the Group constructs properties thereon for sale.

The Group's current portfolio of property development projects consists of nine projects at various stages of development in the Taizhou Medical Zone. The Group mainly divides its property developments into two categories: projects under development and projects held for future development.

The Group develops residential, commercial and industrial properties. For the residential projects, the Group focus on developing quality residential units with comfortable living environment and quality ancillary facilities which the Group believes meet the needs of the staff of the enterprises in the Taizhou Medical Zone. For commercial and industrial properties, the Group develops commercial complex projects comprising shopping malls, warehouses, plant and office buildings which the Group believes meet the needs of the enterprises in the Taizhou Medical Zone.

Classification of Its Property Projects

The Group generally classifies its property projects into two categories:

- **Properties under development** – comprising property projects with land use rights certificates issued by the relevant government authorities and the construction of which has commenced and/or been completed, but for which the relevant completion certificates have not been obtained;
- **Properties held for future development** – comprising property projects with respect to which the Group has signed land grant contracts with the relevant PRC authorities and has obtained the land use rights certificates, but has not obtained the requisite construction permits or commenced construction.

Projects under Development

As at 30 June 2020, the Group had ten projects under development. As at 30 June 2020, based on the Group's internal records and current development plan of the projects, the future/estimated development costs to be incurred for these projects were as follows:

Project Name	Total Investment	Actual investment as at 30 June 2020	Five-Year Investment Plan				
			2020	2021	2022	2023	2024
			(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)
Taizhou Medical Zone Innovation and Export Base (Phase III).....	5,730	5,000	270	360	100	0	0
Taizhou Medical Zone Power Station (Phase I).....	1,290	1,190	100	0	0	0	0
China Medical City Infrastructure Construction (Phase I).....	2,630	2,430	200	0	0	0	0
China Medical City Infrastructure Construction (Phase II).....	870	810	60	0	0	0	0
Yexu Town Famers Settlement Centre.....	2,800	2,590	210	0	0	0	0
Industrial Centre.....	840	820	20	0	0	0	0
Xiangzhang Bay.....	1,031	1,015	20	0	0	0	0

	Five-Year Investment Plan						
	Total Investment	Actual investment as at 30 June 2020	2020	2021	2022	2023	2024
		<i>(RMB in millions)</i>	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>
Standard Plant (Phase VI)	1,100	570	200	330	0	0	0
Taizhou No. 1 Foreign Language School.....	550	370	80	100	0	0	0
Tianlu Lake Project.....	3,109	332	300	600	600	600	680
Total.....	19,950	15,127	1,470	1,390	700	600	680

The Group's main projects under development were as follows:

Xiangzhang Bay: This project is one of the Group's commercial residential buildings projects under development, which is located in Taizhou Medical Zone. This project has a total site area of approximately 96.4 thousand sq.m., an estimated gross floor area of approximately 266.7 thousand sq.m. and a saleable floor area of approximately 174.9 thousand sq.m. the construction began in 2016 and completed in 2018. This project is comprised of 30 two-storey town houses, two nine-storey high-rise residential buildings, five 11-storey high-rise residential buildings, five 28-storey high-rise residential buildings and one three-storey comprehensive service buildings. The total investment of this project amounts to RMB1,031 million, of which 30 per cent. is self-collected funds and 70 per cent. is financing funds. As at 30 June 2020, 1,190 apartments of this project have been sold, with a total floor area of 171.3 thousand sq.m. and a value of sales of RMB1,316 million.

Tianlu Lake Project: This project is one of the Group's property projects under development, which is located in Taizhou Medical Zone. This project has a total site area of approximately 122.1 thousand sq.m., a saleable gross floor area of approximately 198.1 thousand sq.m. and a capacity building area of approximately 197.3 thousand sq.m. the construction began in the first quarter of 2020 and is expected to be completed in 2022. The project is comprised of nine 25-storey residential buildings, 12 16-storey residential buildings, 12-storey residential buildings and three two-storey supporting public buildings. The total investment of this project amounts to RMB3,109 million, of which 30 per cent. is self-collected funds and 70 per cent. is financing funds, including construction fees of RMB2,125 million and other fees of RMB411 million. As at 30 June 2020, a total floor area of 28.3 thousand sq.m. of this project has been sold, with a value of sales of RMB408 million.

Projects Held for Future Development

As at 30 June 2020, the Group had one project, the Taizhou No. 1 Foreign Language School, which was held for future development.

Land Transfer

Overview

The Group mainly operates its land transfer business through the Guarantor itself as well as its subsidiary Taizhou Huasheng Investment Development Limited (泰州華盛投資開發有限公司). The Group mainly operates its land transfer business through the Guarantor and its subsidiary Taizhou Huasheng Investment Development Limited (泰州華盛投資發展有限公司). After the Group obtains the land development quota from the Management Committee, it commences the financing and construction of the typical "nine connections and one levelling" ("九通一平"), such as sewage, water, electricity, cable and natural gas. After that, the Group acquires land use rights to some of such land, which will go into the Group's land bank, through tender, auction and listing for sale by paying land premiums to the government. Some of such land will be used for the Group's leasing and secondary real estate development, and some will be used for entrusted construction for government. Occasionally, the Group transfers land use rights to enterprises operating in the Taizhou Medical Zone at marginal profit through the government by way of tender, auction and listing for sale.

Business Model

The Group obtains the land development quota from the Management Committee it commences with the financing and construction of the typical "nine connections and one levelling" ("九通一平"), such as sewage, water, electricity, cable and natural gas. The cost of land transfer is borne by the Group while the construction

work is conducted by third-party contractor selected by the Group. Upon completion of the construction, the Group acquires land use rights to some of such land, which will go into the Group's land bank, through tender, auction and listing for sale by paying land premiums to the government. Some of such land will be used for the Group's leasing and secondary real estate development, and some will be used for entrusted construction for government. Occasionally, the Group transfers such land to enterprises operating in the Taizhou Medical Zone at marginal profit. Since the Group is the major state-owned enterprise designated by the government to be responsible for land transfer in the Taizhou Medical Zone, most of the land in the Taizhou Medical Zone is developed by the Group.

With support from the Taizhou Municipal Government and the Jiangsu Provincial Government, the government of Taizhou Medical High-tech District will reimburse the Group the full amount of the land grant fee paid by the Group after deducting the relevant fees and taxes pursuant to the decision on the refund of land grant fee for the land in the Taizhou Medical Zone to the Company (關於明確園區土地出讓金收入全額返還泰州華信藥業投資有限公司的決定) issued by the Management Committee in 2007. The refund will be used to fund the Group's future investment in land development projects in the Taizhou Medical Zone and the Group's repayment of bank loans.

Construction Management

Overview

The Group conducts its construction management business through the Company and its various subsidiaries. The construction management business involves infrastructure construction projects in the Taizhou Medical Zone for the construction of road, bridge, water pipes, public service platforms and other supporting facilities. The construction management can be either conducted on the land whose land use right is owned by the Group or the land owned by the government. After the completion of construction projects, the Management Committee pays 3 per cent. of the total construction cost as entrustment fee to the Group by instalments in five years according to the entrusted construction contracts. Under such contracts, the Group will be responsible for project financing and organizing the projects construction through bidding process. Upon the completion of such projects, the Management Committee will purchase the projects by making payments in instalments in accordance with the contractual terms.

Construction Management Process

Set forth below are the core elements of a typical construction management process:

- ***Project Origination:*** Project origination is approved by the NDRC of Taizhou High-tech District. The project location is registered in the Planning Bureau of Taizhou High-tech District.
- ***Signing of Contract:*** The Group enters into an entrust agreement with the Management Committee, pursuant to which the Group undertakes to managing the tender process to engage construction contractors, and is responsible for quality control and construction supervision.
- ***Construction:*** The Group outsources its project construction work to qualified third-party construction contractors. These construction contractors carry out various types of work, including foundation digging, main structure construction, equipment installation and engineering work. The Group appoints project managers to be responsible for monitoring the construction quality and construction progress and controlling project budgeting.
- ***Settlement upon Completion:*** After completion of construction, the Group and the Auditing Bureau of Taizhou City conducts the settlement auditing to determine the total construction cost, which is the basis for calculation of the Management Committee's payment to the Group.
- ***Collection of Management Fee:*** Pursuant to the entrust agreement, the Management Committee pays 3 per cent. of the total construction cost as entrustment fee to the Group by instalments in five years.

Under the entrusted construction contracts, the Management Committee grants the rights to the Group to undertake the financing, management and supervision of the construction work of the projects conducted by a third party constructor selected through bidding process. Upon the completion of such projects, the Management Committee will purchase the projects by making payments in instalments in accordance with the contractual

terms.

If the entrusted project is constructed on the land of which the Group owns the land use right, when the Management Committee buys back the completed project together with the land use right of the land on which the project is constructed, it shall pay the Group the land premium, the construction cost and the 3 per cent. of the construction cost as the management fee; when the Management Committee chooses to buy back the completed project only, it will pay the Group the construction cost and the 3 per cent. of the construction cost as the management fee, and the Group will continue to own the land use right of the relevant piece of land.

If the entrusted project is constructed on the land of which the government owns the land use right, when the Management Committee purchases the completed project, it will pay the Group the construction cost and the 3 per cent. of the construction cost as the management fee.

Payment under the Government Entrusted Construction and Buy-back Contract

In order to finance the projects, the Group typically raises funds through various channels, including government funds, Group's working capital and external financing. Upon completion, the projects would be delivered to the Management Committee and the Management Committee would conduct the buy-back by making the payments in instalments in five years.

The Management Committee has agreed that its payment obligations under the entrusted construction contracts are irrevocable and unchangeable. It is not allowed to refuse, delay or alter the performance of its payment obligation of the entrusted construction contracts relying on any excuse. If any disputes arise due to the fault of the Group, parties are required to resolve the disputes through negotiation without affecting the contractual payment obligations of the Management Committee.

The table below set forth details of major completed construction projects of the Group as at 30 June 2020:

Project Name	Site Area (sq.m. in thousands)	Total Investment (RMB in millions)	Total Repurchase Amount (RMB in millions)	Payment collected (RMB in millions)	Payment collection Plan	
					July 2020 – December 2020 (RMB in millions)	2021 (RMB in millions)
Batch 9 and Batch 10 in 2006 and Batch 21 in 2007	216.8	561	578	462	116	-
Batch 17 in 2010	62.4	34	35	28	7	-
Batch 18 in 2010	86.6	95	98	79	20	-
Batch 19, Batch 20 and Batch 45 in 2010.....	74.6	73	75	60	15	-
Batch 16 in 2011	90.5	311	321	257	64	-
Batch 10 and Batch 24 in 2008	98.9	56	58	47	12	-
Batch 7, Batch 8 and Batch 11 in 2009.....	121.9	70	72	58	14	-
Batch 7 in 2008	26.9	19	20	16	4	-
Batch 13, Batch 14 and Batch 15 in 2005 and Batch 11 in 2006	87.6	52	54	32	11	11
Batch 17 in 2009	330.1	884	910	546	182	182
Batch 3 in 2010...	36.9	99	102	61	20	20
Batch 17 in 2010	281.8	154	158	95	32	32
Batch 19, Batch 20 and Batch 45 in 2010.....	152.0	541	558	335	112	112
Total.....	1,667.0	2,950	3,038	2,074	608	356

The Group's main entrusted construction projects under development as at 30 June 2020 are as follows:

Concentrated Resettlement Area for Farmers in Yexu Town: This project has a total gross floor area of approximately 3,294 mu, comprised of infrastructure construction including road and municipal pipelines, resettlement housing primary projects, schools and neighbourhood centre. The project began to be built in 2012 and is expected to be completed in 2020. The total investment of this project amounts to RMB2.8 billion.

China Medical City Infrastructure Construction (Phase I): This project has a total gross floor area of approximately 20 million sq.m., comprised of road projects, bridge projects, municipal pipe network projects as

well as land acquisition and demolition projects. The project began to be built in 2014 and is expected to be completed in 2020. The total investment of this project amounts to RMB2.6 billion.

China Medical City Infrastructure Construction (Phase II): This project has a total gross floor area of approximately 20 million sq.m., comprised of road projects, bridge projects, municipal pipe network projects, landscape projects and river training projects. The project began to be built in 2015 and is expected to be completed in 2020. The total investment of this project amounts to RMB0.9 billion.

Other Businesses

The Group also carries on a number of ancillary businesses in support of its principal businesses and the construction, operation and management of major projects in the Taizhou Medical Zone. Its ancillary businesses include warehousing and logistics services of pharmaceutical products, hotel, convention and exhibition services, catering, provision of guarantees, asset assignment, transportation, information consulting services, scavenging service and etc. These ancillary businesses are conducted through various subsidiaries and affiliates of the Guarantor.

GOVERNMENT REGULATIONS

The operations of the Group are subject to various laws and regulations in the jurisdiction in which it operates. The Group's properties are also subject to routine inspections by government officials with regard to various safety and environmental issues. The Group believes that it is in compliance in all material respects with government regulations currently in effect in the jurisdictions in which it operates.

The Group is not aware of significant problems experienced by the Group or any subsidiary of the Group with respect to compliance with government regulations in relation to its operations which could materially adversely affect its properties or operations, and is not aware of any pending government legislation that might have a material adverse effect on its properties or operations.

INSURANCE

The Group is covered by insurance policies which mainly cover fire, flood, other material damage to property and public liability. The Group believes that its properties are covered with adequate insurance provided by reputable independent insurance companies in the relevant jurisdiction and with commercially reasonable deductibles and limits on coverage which are normal for the type and location of the properties to which they relate.

Notwithstanding such insurance coverage, damage to buildings, facilities, equipment or other properties as a result of occurrences such as fire, flood, water damage, explosion, typhoons and other natural disasters or terrorism, or any decline in the Group's business as a result of any threat of war, outbreak of disease or epidemic, may potentially have a material adverse effect on the Group's financial condition and results of operations.

EMPLOYEES

As at 30 June 2020, the Group had approximately 203 employees. Staff benefits include salaries, provident fund, insurance and medical cover age and housing. The Group believes that its employees are critical to its success and is committed to investing in development through continuing education and training, as well as the creation of opportunities for career growth.

The Company has not experienced any strikes or disruptions due to labour disputes. The Company considers its relations with its employees to be good.

COMPETITION

The Group faces intense competition in the distribution of pharmaceutical and healthcare products in China and Jiangsu Province in particular. The Group also faces competition in the collective tender processes implemented in public hospitals. The Group's major competitors include the other pharmaceutical companies, such as Taizhou Medical Group Co., Ltd. (泰州醫藥集團). In the past few years, the industry has experienced significant consolidation driven by more stringent regulations and policies. However, according to Frost & Sullivan, compared with developed countries, the pharmaceutical distribution market in China remains highly fragmented.

The Group must continue to explore new customer relationships and business opportunities and further serve its existing customers by providing a comprehensive product portfolio, maintaining efficient inventory controls, offering flexible and reliable services and providing competitive pricing.

The Group also faces competition in the sales of real properties business from other real estate developers or operators which operate in the Taizhou Medical Zone. The Group competes with other property developers on various fronts, including but not limited to, product and service quality, pricing, financial resources, brand recognition, and ability to acquire suitable sites.

ENVIRONMENT MATTERS

The Group's operations are subject to various environmental laws. Compliance with such laws has not had, and, to the best knowledge of the Guarantor and the Issuer, after due and careful inquiry, is not expected to have, a material adverse effect upon the Group's capital expenditures, earnings or competitive position.

LEGAL PROCEEDINGS

As at the date of this Information Memorandum, to the best knowledge of the Guarantor and the Issuer, there are no current litigation or arbitration proceedings against it or any of its senior management team members that could have a material adverse effect on its business, financial condition and results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this Information Memorandum, the members of the board of directors, supervisors and senior management of the Guarantor are as follows:

Name	Age	Position
Directors		
Mr. ZHANG Youfeng (張由鳳)	51	Chairman
Mr. YANG Bin (楊鎰).....	46	Director and General Manager
Mr. HANG Xiang (杭祥).....	54	Director, Deputy General Manager and Financial Officer
Mr. WANG Jianhui (王建慧)	42	Director and Head of the Projects Department
Ms. WU Zhilan (吳志蘭).....	38	Employee Director, General Manager Assistant, Head of the General Affairs Department and Head of the Contract Audit Department
Supervisors		
Mr. JI Shengrong (吉聖榮).....	57	Chairman of the Supervisory Committee
Ms. HAN Lei (韓蕾).....	37	Supervisor and Head of Finance Department
Ms. JIA Aihua (賈愛華)	44	Supervisor
Mr. YU Li (于力).....	39	Employee Representative Supervisor, Head of Asset Management Department and Deputy Head of Finance Department
Ms. Ding Yuehua (丁月華).....	40	Employee Representative Supervisor and Head of Industrial Planning Department
Senior Management		
Mr. ZHANG Youfeng (張由鳳)	51	Chairman
Mr. YANG Bin (楊鎰).....	46	Director and General Manager
Mr. HANG Xiang (杭祥).....	54	Director, Deputy General Manager and Financial Officer

DIRECTORS

Mr. ZHANG Youfeng (張由鳳), aged 51, is currently the chairman of the Guarantor. Mr. Zhang also serves as the chairman of Taizhou Pharmaceutical High-tech Industrial Investment Co. Ltd (泰州醫藥高新技術產業投資發展有限公司). Mr. Zhang embarked on his career in 1989 and has successively served as the deputy head of the Integrated Management Department and office manager of Taizhou Transportation Group Co., Ltd. (泰州市交通產業集團有限公司), as the chairman of Taizhou Taizheng Energy Co., Ltd. (泰州市泰政能源有限公司), as the chairman of Jiangsu Jinling Construction Development Co., Ltd. (江蘇金領建設發展有限公司), and as the member of the Committee of the Communist Party of China of Taizhou Transportation Group Co., Ltd. Mr. Zhang holds a bachelor's degree.

Mr. YANG Bin (楊鎰), aged 46, is currently a director and general manager of the Guarantor. Mr. Yang also serves as a director and general manager of Taizhou Pharmaceutical High-tech Industrial Investment Co., Ltd. Mr. Yang embarked on his career in 1995 and has successively served as the deputy director and director of real estate administration office of Gaogang District, as the office manager, assistant director, member of the Committee of the Communist Party of China and deputy director of construction bureau of Gaogang District, as the member of party work committee and director of planning and construction bureau of Gaogang High-tech Development Zone, as the member of party work committee, deputy director of management committee and director of planning and construction bureau of Taizhou Port Economic Development Zone. Mr. Yang holds a bachelor's degree.

Mr. HANG Xiang (杭祥), aged 54, is currently a director, deputy general manager and financial officer of the Guarantor. Mr. Hang also serves as a director, executive deputy general manager and financial officer of Taizhou Pharmaceutical High-tech Industrial Investment Co., Ltd. Mr. Hang embarked on his career in 1988 and has successively served as the head of the Hehuachi branch, manager of branch-level Preservation Department and head of the Guoqing North Road branch, of the Bank of Communications (交通銀行), and as the director of

corporate planning for Shanghai Jinruida Assets Management Co., Ltd. (上海金瑞達資產管理股份有限公司) and chief investment officer of Taizhou Dongfang Chinese Medicine City Holding Group Co., Ltd. (泰州東方中國醫藥城控股集團有限公司). Mr. Hang holds a bachelor's degree.

Mr. WANG Jianhui (王建慧), aged 42, is currently a director of the Guarantor. Mr. Wang also serves as the head of the Projects Department of the Guarantor. Mr. Wang embarked on his career in 2003 and has successively served for Jiangsu First Construction & Installation Engineering Co., Ltd. (江蘇第一建築安裝工程有限公司), as the legal representative and general manager of Taizhou Huicheng Structural Material Co., Ltd. (泰州惠誠結構材料有限公司) and as the deputy head of the Projects Department of the Guarantor. Mr. Wang holds a bachelor's degree.

Ms. WU Zhilan (吳志蘭), aged 38, is currently an employee director of the Guarantor. Ms. Wu also serves as the general manager assistant, the head of the General Affairs Department and head of the Contract Audit Department of the Guarantor. Ms. Wu embarked her career in 2005 and has successively served as a staff member and later a deputy director of the governmental office at Taizhou Higher Education Investment Development Co., Ltd. (泰州高教投資發展有限公司) and as the deputy head of the General Affairs Department of the Guarantor. Ms. Wu holds a bachelor's degree.

SUPERVISORY COMMITTEE

The supervisory committee of the Guarantor consists of five members, one of whom as chairman of the committee.

Mr. JI Shengrong (吉聖榮), aged 57, is currently the chairman of the supervisory committee of the Guarantor. Mr. Ji graduated from Anhui University of Technology, majoring in industrial and civil construction and has successively served as a construction and quality technician, project technical leader and project manager of Daqing Ethylene Chemical Plant under Taixing Seventh Jian'an Company (泰興第七建安公司駐大慶乙烯化工總廠), as the technical leader and project manager of Daqing Ethylene Chemical Plant under Taixing Third Jian'an Company (泰興第三建安公司駐大慶乙烯化工總廠), as the technical leader and project manager of Hulun Buir League Technical Department under Taixing Third Jian'an Company (泰興第三建安公司駐呼倫貝爾盟工程處), as the officer-in-charge of the Operation Department and the Technology Department of Jiangsu Steel Construction Co., Ltd. (江蘇一建鋼結構件有限公司) and as the manager of the Project Department of Taizhou Huasheng Investment Development Co., Ltd. (泰州華盛投資開發有限公司). Mr. Ji holds a bachelor's degree.

Ms. HAN Lei (韓蕾), aged 37, is currently a supervisor and head of the Finance Department of the Guarantor. Ms. Han graduated from College of Economics and Management of Nanjing University of Aeronautics and Astronautics, major in accounting. Ms. Han embarked on her career in 2005 and has successively served a cash accounting position, deputy head of the Finance Department of the Guarantor. Ms. Han holds a bachelor's degree.

Ms. JIA Aihua (賈愛華), aged 44, is currently a supervisor of the Guarantor and head of the Finance Department of Taizhou Huasheng Investment Development Co., Ltd. (泰州華盛投資開發有限公司). Ms. Jia embarked on her career in 1995 and has successively served as a cashier of the Finance Department of De Feng Clayton, Taizhou City (泰州市德鋒克萊頓), as a cost accounting position and later as the general ledger accounting supervisor in the Finance Department of Taizhou Modern Agricultural Equipment Co., Ltd. (泰州現代農業裝備有限公司), as a cashier and in a cost accounting position of Jiangsu Hualian Oriental Properties Limited (江蘇華聯東方置業有限公司), and as the finance officer of Taizhou Kaitai Real Estate Development Co., Ltd. (泰州開泰房地產開發有限公司). Ms. Jia holds a college degree.

Mr. YU Li (于力), aged 39, is currently an employee representative supervisor, head of the Asset Management Department and deputy head of the Finance Department of the Guarantor. Mr. Yu embarked on her career in 2003 and has successively served as at the software maintenance engineer of Taizhou Gold Abacus Financial Software Company (泰州金算盤財務軟件公司), as the accountant of Jiangsu Sanxing Machinery Manufacturing Co., Ltd. (江蘇三星機械製造有限公司) and as the general ledger accountant of Taizhou Huasheng Investment Development Co., Ltd. (泰州華盛投資開發有限公司). Mr. Yu holds a college degree.

Ms. DING Yuehua (丁月華), aged 40, is currently an employee representative supervisor and the head of Industrial Planning Department of the Guarantor. Ms. Ding has successively served as a clerk of the General Affairs Department and assistant financial advisor of the Guarantor, as the deputy director of the General Affairs Department and assistant financial advisor of Taizhou Huasheng Investment Development Co., Ltd. (泰州華盛投資開發有限公司), and as the head of Fund Planning Department of the Guarantor. Ms. Ding holds a bachelor's degree.

SENIOR MANAGEMENT

Mr. ZHANG Youfeng (張由鳳), is the chairman of the Guarantor. See "*Directors*" for his biography.

Mr. YANG Bin (楊鑛), is a director and general manager of the Guarantor. See "*Directors*" for his biography.

Mr. HANG Xiang (杭祥), is a director, deputy general manager and financial officer of the Guarantor. See "*Directors*" for his biography.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Information Memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Information Memorandum are to be regarded as advice on the tax position of any holder of the Bonds or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

PRC TAXATION

The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of PRC for the PRC tax purposes. These beneficial owners are referred to as non-resident Bondholders in this “PRC Taxation” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Income Tax and Value-Added Tax

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose “de facto management body” are within the territory of PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25 per cent. in respect of their taxable income. Although the rules are not entirely clear, dividends from a PRC tax resident enterprise should be excluded from the taxable income of a recipient that is also a PRC tax resident enterprise. In addition, a circular issued by SAT on April 22, 2009 specifies that certain offshore enterprises controlled by a PRC company or a PRC company group will be classified as resident enterprises if the following are located or resident in the PRC: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision-making bodies; key properties, accounting books, the company seal, and minutes of board meetings and shareholders meetings; and half or more of the senior management or directors having voting rights. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Issuer is within the territory of PRC, the Issuer may be treated as a PRC tax resident enterprise for the purpose of the EIT Law, and the Issuer may be subject to PRC enterprise income tax at the rate of 25 per cent. on its taxable income.

As at the date of this Information Memorandum, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there can be no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer. Accordingly, if the Issuer is treated as a PRC tax resident enterprise by the PRC tax authorities, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-PRC Bondholder, and gain from the disposition of the Bonds may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10 per cent. for non-resident enterprise Bondholders and 20 per cent. in the case of non-resident individuals, unless an applicable tax treaty provides otherwise. The Issuer has agreed to pay additional amounts to Bondholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the Conditions.

In addition, as the Guarantor is currently regarded as a PRC tax resident enterprise, if the Issuer is not able to make payments under the Bonds and the Guarantor fulfils the payment obligations under the Guarantee, the Guarantor must withhold PRC income tax on payments with respect to the interest accrued on the Bonds to non-resident enterprise holders generally at the rate of 10 per cent. (and possibly at a rate of 20 per cent. in the case of payments to non-resident individual holders), unless any applicable tax treaty provides otherwise.

On 23 March 2016, the MOF and the SAT issued Circular 36 which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. Thus, if the Issuer is treated as a PRC tax resident enterprise by the PRC tax authorities, the payments of the interest and other interest like earnings may be subject to VAT at the rate of 6 per cent. Further, the payments of the interest by the Guarantor in the event that the Guarantor is required to discharge its obligations under the Guarantee will also be subject to VAT.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

Circular 36 has been issued quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law and the VAT reform detailed above, if the Issuer is regarded as a PRC tax resident enterprise, it shall withhold EIT (should such tax apply) from the payments of interest in respect of the Bonds for any non-PRC-resident Bondholder and the Issuer shall withhold VAT (should such tax apply) from the payments of interest in respect of the Bonds for any Bondholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT, VAT or otherwise), the Issuer has agreed to pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see “*Terms and Conditions of the Bonds – Taxation*”.

However, despite the withholding of the PRC tax by the Issuer as mentioned above, the Issuer has agreed to increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required, as further set out in “*Terms and Conditions of the Bonds – Taxation*”.

Stamp Duty

No PRC stamp duty will be imposed on non-PRC Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Bonds is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

HONG KONG TAXATION

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Bonds) or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”), as it is currently applied in the Inland Revenue Department, interest on the Bonds may be deemed to be profit arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (a) Interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (b) Interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business;
- (c) Interest on the Bonds is received by or accrues to a financial institution (as defined in the IRO) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the money in respect of which the interest is received or accrues are made available outside Hong Kong; or
- (d) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO), even if the money in respect of which the interest is received or accrues are made available outside Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Securities will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisers to ascertain the applicability of any exemptions to their individual position.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of the Bonds.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Information Memorandum. Terms defined in the Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Bonds will be represented by the Global Certificate in registered form, which will be registered in the name of a nominee of, and deposited with, a common depository for Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, promises to pay such principal and interest on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Bonds, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate. So long as the Bonds are represented by a Global Certificate and the relevant Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by such Global Certificate together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system selected by the Issuer and approved in writing by the Trustee, the Principal Paying Agent and the Registrar through which the Bonds are held (an “**Alternative Clearing System**”) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Payment

So long as the Bonds are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Trustee’s Powers

In considering the interests of the Bondholders whilst the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) may consider such interests on the basis that such account holders were the holder of the Bonds in respect of which such Global Certificate is issued.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions of the Bonds.

Bondholder's Redemption

The Bondholder's redemption option in Condition 7(c) may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

Transfers

Transfers of interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer, the Guarantor or any of their subsidiaries will be effected by reduction in the principal amount of the Bonds in the register of the Bondholders.

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.\$1,000 in principal amount of the Bonds.

PLACEMENT AND SALE

The Issuer and the Guarantor have entered into a placing and subscription agreement, among others, with the Placing Agents dated 27 January 2021 (the “**Placing Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the investors identified by the Placing Agents, and the Placing Agents has agreed to facilitate the subscription and payment for the aggregate principal amount of the Bonds.

The Placing Agreement provides that the obligations of the Placing Agents are subject to certain conditions precedent, and entitles the Placing Agents to terminate it in certain circumstances prior to payment being made by such investor to the Issuer and the Bonds being issued.

General

The distribution of this Information Memorandum or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Information Memorandum or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Information Memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Placing Agents has represented and warranted that it has not offered or sold, and has agreed that it will not offer or sell, any of the Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each of the Placing Agents has represented and agreed that neither it nor any of their respective affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act (“**Regulation D**”)), nor any person acting on its or their behalf, has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the Bonds in the United States.

United Kingdom

Each of the Placing Agents has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Placing Agents has represented, warranted and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore

Each of the Placing Agents has acknowledged that this Information Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Placing Agents has represented and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA, except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA.

Singapore SFA Product Classification: In connection with the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Placing Agents has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of,

any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

The People's Republic of China

Each of the Placing Agents has agreed that the offer of the Bonds is not an offer of securities within the meaning of the PRC Securities Law or other pertinent laws and regulations of the PRC and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

GENERAL INFORMATION

Clearing Systems: The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 228197955 and ISIN XS2281979554.

Authorisations: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by resolutions of the sole director of the Issuer on 12 January 2021. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of its obligations under the Deed of Guarantee, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by a resolution of the board of directors of the Guarantor on 24 August 2020.

No Material Adverse Change: Save as disclosed in this Information Memorandum, there has been no material adverse change, or any development or event likely to involve a prospective change, in the condition (financial or otherwise), prospects, properties, results of operations, business or general affairs of the Issuer, the Guarantor or the Group since 30 June 2020.

Litigation: Save as disclosed in this Information Memorandum, none of the Issuer, the Guarantor or any other member of the Group is not involved in any litigation or arbitration proceedings that the Issuer or Guarantor believes are material in the context of the Bonds and the giving of the Guarantee, and so far as the Issuer and the Guarantor are aware, no such proceedings are pending or threatened.

Available Documents: So long as any of the Bonds is outstanding, copies of the following documents will be available for inspection from the Issue Date upon prior written request and satisfactory proof of holding and identity at all reasonable times during usual business hours at the registered office of the Issuer and, in the case of last three documents mentioned below, at the specified office of the Principal Paying Agent (currently at Citibank, N.A., London Branch, c/o Citibank, Dublin, Ground Floor, 1 North Wall Quay, Dublin 1, Ireland) and the registered office of the Issuer:

- the articles of association of the Issuer and the Guarantor;
- the Guarantor's Audited Consolidated Financial Statements;
- Standby Letter of Credit;
- the Trust Deed;
- the Deed of Guarantee; and
- the Agency Agreement.

Financial Statements: The Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2018 and 2019, which are included elsewhere in this Information Memorandum, have been audited by Da Hua Certified Public Accountants as stated in its report appearing herein. The Guarantor's unaudited but reviewed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2020, which are included elsewhere in this Information Memorandum, have been reviewed by Da Hua Certified Public Accountants, the Guarantor's independent auditor, as stated in its report appearing herein.

LC Bank Financial Statements: Copies of the latest annual report and interim report of the LC Bank, as well as its public filings, can be downloaded free of charge from the website of Shanghai Stock Exchange on the internet at <http://english.sse.com.cn/>. No representation, express or implied, is made by the Placing Agents, the Trustee or the Agents, and none of them takes any responsibility, for the accuracy, completeness or sufficiency of any information available on such website.

LEI: The legal entity identifier number of the Issuer is 30030085UOD266TW8E23.

Listing: Application will be made to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on 1 February 2021.

INDEX TO FINANCIAL INFORMATION

Reviewed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2020

Independent Review Report.....	F-3
Consolidated Statement of Financial Position.....	F-4
Consolidated Statement of Profit or Loss	F-6
Consolidated Statement of Cash Flows.....	F-7
Consolidated Statement of Changes in Equity	F-8
Notes to the Financial Statements	F-16

Audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2019

Auditor's Report.....	F-107
Consolidated Statement of Financial Position.....	F-111
Consolidated Statement of Profit or Loss	F-113
Consolidated Statement of Cash Flows.....	F-114
Consolidated Statement of Changes in Equity	F-115
Notes to the Financial Statements	F-123

Audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2018

Auditor's Report.....	F-237
Consolidated Statement of Financial Position.....	F-240
Consolidated Statement of Profit or Loss	F-242
Consolidated Statement of Cash Flows.....	F-243
Consolidated Statement of Changes in Equity	F-244
Notes to the Financial Statements	F-252

**TAIZHOU HUAXIN
PHARMACEUTICAL INVESTMENT CO., LTD
INDEPENDENT REVIEW REPORT**

DHHZ [2020] No.008126

大华会计师事务所(特殊普通合伙)

Da Hua Certified Public Accountants (Special General Partnership)

The independent review report and the accompanying financial statements are English translations of the Chinese independent review report and financial statements prepared in accordance with Accounting Standards for Business Enterprises of China. Should there be inconsistency between the Chinese and English versions, the Chinese version shall prevail.

TAIZHOU HUAXIN
PHARMACEUTICAL INVESTMENT CO., LTD
Independent Review Report and Financial Statements
(From January 1st, 2020 to June 30, 2020)

	Contents	Page
Part 1	Independent Review Report	1-1
Part 2	List of reviewed financial statements	
	Consolidated statement of financial position	1-2
	Consolidated statement of profit or loss	3
	Consolidated statement of cash flows	4
	Consolidated statement of changes in equity	5-6
	Statement of financial position of parent company	7-8
	Statement of profit or loss of parent company	9
	Statement of cash flows of parent company	10
	Statement of changes in equity of parent company	11-12
	Notes to the financial statements	1-89

Independent Review Report

DHHZ [2020] No. 008126

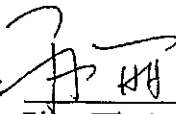
To the Shareholders of Taizhou Huaxin Pharmaceutical Investment Co., Ltd:

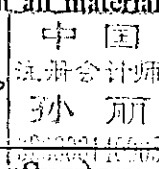
We have reviewed the accompanying interim financial information of Taizhou Huaxin Pharmaceutical Investment Co., Ltd (“the Company”), which comprise the consolidated and individual statement of financial position as at June 30, 2020, and the consolidated and individual statement of profit or loss, consolidated and individual statement of changes in equity and consolidated and individual statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Company’s management is responsible for the preparation and presentation of these interim financial statements. Our responsibility is to make a conclusion on these interim financial statements based on our review.

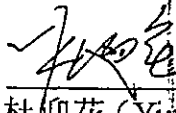
We conducted our review in accordance with Chinese Standard on Review No. 2101, “Review of Financial Statements” issued by the Chinese Institute of Certified Public Accountants(CICPA). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit in accordance with Chinese Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

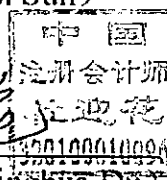
Based on our review, we did not notice any matters that led us to believe that the accompanying financial statements were not prepared in accordance with the Accounting Standards for Business Enterprises and did not fairly reflect the Company's financial position, financial performance and cash flows in all material respects.



Chinese CPA: 
孙丽 (Li Sun)



Chinese CPA: 
杜迎花 (Yinghua Du)



August 30, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

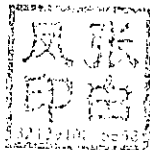
Prepared by: Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

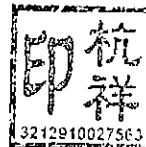
Assets	Note 6	30/06/2020	01/01/2020
Current Assets:			
Cash and bank balance	6.1	10,875,241,429.49	5,359,831,274.17
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	6.2	49,156,882.94	76,193,389.72
Accounts receivable	6.3	2,718,101,126.99	3,603,228,300.48
Accounts prepayment	6.4	676,447,940.82	617,208,913.37
Other receivables	6.5	12,630,187,048.32	9,619,245,786.77
Inventories	6.6	30,749,028,775.88	30,749,902,313.39
Available for sale assets			
Non-current assets due within one year			
Other current assets	6.7	601,529,951.02	504,773,428.02
Subtotal of Current Assets		58,299,693,155.46	50,530,383,405.92
Non-current Assets:			
Financial assets available for sale	6.8	2,126,880,000.00	2,126,880,000.00
Hold-to-maturity investments			
Long-term accounts receivable			
Long-term equity investments	6.9	556,098,181.98	58,788,577.74
Investment property	6.10	11,446,469,834.11	9,193,370,701.17
Fixed assets	6.11	68,930,500.50	17,421,936.26
Construction in progress	6.12	2,000,209,069.32	2,228,808,322.27
Biological assets			
Oil and gas assets			
Intangible assets	6.13	1,903,517,732.09	2,216,863,456.29
Development expenditure			
Goodwill	6.14	4,169,802.20	4,169,802.20
Long-term deferred expenses	6.15	94,222,921.37	22,108,792.28
Deferred income tax assets	6.16	44,143,371.53	37,472,262.06
Other non-current assets	6.17	1,693,075,114.03	1,607,625,295.68
Subtotal of Non-current Assets		19,937,716,527.13	17,513,509,145.95
Total Assets		78,237,409,682.59	68,043,892,551.87

(Notes are considered to be an irreducible constituent of the financial statements.)

Person in Charge:



Accounting Supervisor:



Fiscal Principal:

陈毅

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at June 30, 2020

Prepared by: Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

Equity and liabilities	Note 6	30/06/2020	01/01/2020
Current Liabilities:			
Short-term borrowings	6.18	4,889,098,831.54	2,274,774,691.00
Financial liabilities at fair value through profit or loss			
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	6.19	1,573,249,952.50	1,186,500,000.00
Accounts payable	6.20	936,272,861.26	1,509,621,166.34
Accounts received in advance	6.21	385,685,008.23	185,863,538.77
Accrued payroll	6.22	430,086.39	320,000.00
Taxes payable	6.23	129,159,473.07	192,813,176.37
Other payables	6.24	4,477,978,948.94	4,390,681,933.30
Available for sale liabilities			
Non-current liabilities due within one year	6.25	9,319,414,533.06	12,426,646,667.89
Other current liabilities	6.26	3,380,927,737.14	534,218,750.00
Subtotal of Current Liabilities		<u>25,092,217,432.13</u>	<u>22,701,439,923.67</u>
Non-current Liabilities:			
Long-term borrowings	6.27	18,016,411,608.12	11,218,237,642.70
Bonds payable	6.28	7,037,475,024.49	7,005,129,501.90
Including: Preferred stocks			
Including: Perpetual bonds			
Long-term accounts payable	6.29	203,290,000.00	3,290,000.00
Long-term accrued payroll			
Estimated liabilities			
Deferred income	6.30	39,418,538.54	41,136,585.21
Deferred income tax liabilities			
Other non-current liabilities			
Subtotal of Non-current Liabilities		<u>25,296,595,171.15</u>	<u>18,267,793,729.81</u>
Total Liabilities		<u>50,388,812,603.28</u>	<u>40,969,233,653.48</u>
Owners' Equity (or Shareholders' Equity) :			
Paid-in capital	6.31	6,328,511,554.00	5,328,511,554.00
Other equity instruments	6.32	1,500,000,000.00	1,500,000,000.00
Including: Preferred stocks			
Including: Perpetual bonds		1,500,000,000.00	1,500,000,000.00
Capital reserves	6.33	13,577,452,954.12	13,577,452,954.12
Less: Treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserves	6.34	199,998,170.20	199,998,170.20
General risk reserves	6.35		2,660,000.00
Retained earnings	6.36	2,656,752,304.85	2,594,054,673.08
Total equity attributable to parent company		<u>24,262,714,983.17</u>	<u>23,202,677,351.40</u>
Minority stockholder's interest		3,585,882,096.14	3,871,981,546.99
Subtotal of Owners' Equity		<u>27,848,597,079.31</u>	<u>27,074,658,898.39</u>
Total Equity and Liabilities		<u>78,237,409,682.59</u>	<u>68,043,892,551.87</u>

(Notes are considered to be an irreducible constituent of the financial statements.)

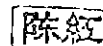
Person in Charge:



Accounting Supervisor:



Fiscal Principal:



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended June 30, 2020

Prepared by: Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

Item	Note 6	For the six-month period ended June 30, 2020	For the six-month period ended June 30, 2019
1. Total Operating Income	6.37	1,524,745,408.81	899,810,858.21
Less: Operating cost	6.37	1,483,345,292.14	761,874,336.44
Taxes and surcharges	6.38	36,927,474.92	30,688,912.96
Marketing costs	6.39	65,563,373.21	85,283,251.43
General and administrative costs	6.40	43,472,775.06	35,741,929.31
Research and development expenses			
Financial costs	6.41	14,495,532.61	16,736,234.17
Including: Interest expenses			
Interest income			
Add: Other income	6.42	195,918,850.66	58,376,295.56
Investment income (loss is marked with "-")	6.43	1,352,609.13	117,655,458.97
Including: Investment income from affiliated enterprise			
Gains from changes in fair value (losses are marked with "-")			
Asset impairment loss	6.44	-4,329,155.44	-3,593,535.61
Asset disposal income (loss is marked with "-")	6.45	-29,976.76	55,579.22
2. Operating profit (loss is marked with "-")		<u>73,853,288.46</u>	<u>141,979,992.04</u>
Add: Non-operating income	6.46	1,397,668.97	149,707.04
Less: Non-operating expenses	6.47	517,050.97	120,181.60
3. Total profit (total loss is marked with "-")		<u>74,733,906.46</u>	<u>142,009,517.48</u>
Less: Income tax expenses	6.48	14,130,725.54	29,490,741.97
4. Net profit (net loss is marked with "-")		<u>60,603,180.92</u>	<u>112,518,775.51</u>
4.1 Classified by business continuity			
4.1.1 Net profit from continuing operations (net loss is marked with "-")		60,603,180.92	112,518,775.51
4.1.2 Termination of operating net profit (net loss is marked with "-")			
4.2 Classified by ownership			
4.2.1 Net profit attributable to shareholders of the parent company (net loss is marked with "-")		64,342,631.77	115,430,532.12
4.2.2 Minority shareholders' profit and loss (net loss is marked with "-")		-3,739,450.85	-2,911,756.61
5. Other comprehensive income, net of tax			
Other comprehensive income attributable to parent company, net of tax			
5.1 Other comprehensive income that cannot be reclassified later into profit or loss			
5.1.1 Recalculate changes in net liabilities or net assets of the beneficiary plan			
5.1.2 Other comprehensive income that cannot be transferred to profit or loss under:			
5.1.3 Others			
5.2 Other comprehensive income that can be reclassified later into profit or loss			
5.2.1 Other comprehensive income convertible to profit or loss under the equity method			
5.2.2 Gains and losses from changes in fair value of available-for-sale financial assets			
5.2.3 Held-to-maturity investments are reclassified as available-for-sale financial assets			
5.2.4 Effective portion of cash flow hedge gains and losses			
5.2.5 Foreign currency translation of financial statements			
5.2.6 Disposal of subsidiaries in a package, investment income generated before loss			
5.2.7 Conversion of other assets to investment properties measured by fair value method			
5.2.8 Others			
Other comprehensive income attributable to minority shareholders, net of tax			
6. Total comprehensive income		<u>60,603,180.92</u>	<u>112,518,775.51</u>
6.1 Total comprehensive income attributable to owners of the parent company		64,342,631.77	115,430,532.12
6.2 Total comprehensive income attributable to minority shareholders		-3,739,450.85	-2,911,756.61
7. Earning Per Share:			
7.1 Basic EPS			
7.2 Diluted EPS			

(Notes are considered to be an irreducible constituent of the financial statements.)

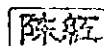
Person in Charge:



Accounting Supervisor:



Fiscal Principal:



CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended June 30, 2020

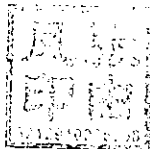
Prepared by: Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

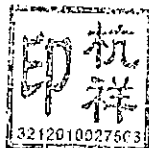
Item	Note 6	For the six-month period ended June 30, 2020	For the six-month period ended June 30, 2019
1. Cash Flow from Operating Activities:			
Cash received from sales of goods or rendering services		1,627,740,408.96	561,794,351.35
Refunds of taxes		57,089,000.00	
Cash received relating to other operating activities		1,533,224,514.01	1,189,149,815.34
Subtotal of cash inflows from operating activities		3,218,053,922.97	1,750,944,166.69
Cash paid for goods or receiving services		2,353,304,503.38	1,384,466,433.93
Cash paid to and on behalf of employees		22,569,420.84	20,858,803.46
Tax payments		198,688,169.62	200,589,593.78
Cash paid relating to other operating activities		372,431,188.30	706,650,426.68
Subtotal of cash outflows from operating activities		2,946,993,282.14	2,312,565,257.85
Net Cash Flow from Operating Activities		271,060,640.83	-561,621,091.16
2. Cash Flow from Investing Activities:			
Cash received from disposal of investments		-	
Cash received from investment income		8,091,729.97	4,000,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,500.00	141,400.00
Cash received of disposal subsidiaries and other operating units		-84,690,906.07	
Cash received relating to other investing activities		5,519,350.95	100,000,000.00
Subtotal of cash inflows from investing activities		-71,075,325.15	104,141,400.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		620,994,769.51	1,127,083,905.77
Cash paid to acquire investments		300,000,000.00	53,565,600.00
Cash payments relating to purchasing of subsidies or other enterprises		-	
Cash payments relating to other investing activities		592,322,031.63	627,500,000.00
Subtotal of cash outflows from investing activities		1,513,316,801.14	1,808,149,505.77
Net Cash Flow from Investing Activities		-1,584,392,126.29	-1,704,008,105.77
3. Cash Flow from Financing Activities:			
Cash received by investors		1,024,962,700.00	
Including: Cash received from minority shareholders by subsidiaries		17,640,000.00	
Cash received from borrowings		18,395,462,582.48	7,906,190,584.00
Cash received relating to other financing activities		291,178,000.01	654,182,229.23
Subtotal of cash inflows from financing activities		19,711,603,282.49	8,560,372,813.23
Repayments of borrowings		9,044,857,515.58	5,215,438,806.36
Dividends paid, profit distributed or interest paid		1,752,384,594.69	1,323,141,070.45
Including: Dividends, profits paid to minority stockholders by subsidiaries		-	
Cash paid relating to other financing activities		2,982,198,640.25	296,927,616.67
Subtotal of cash outflows from financing activities		13,779,440,750.52	6,835,507,493.48
Net Cash Flow from Financing Activities		5,932,162,531.97	1,724,865,319.75
4. Effect of Foreign Currency Translation			
		4,129,626.11	-141,417.82
5. Net Increase (Decrease) in Cash and Cash Equivalents			
		4,622,960,672.62	-540,905,295.00
Add: Cash and cash equivalents at the beginning of the year		4,048,514,557.36	7,281,203,308.54
6. Cash and cash equivalents at the end of the period			
		8,671,475,229.98	6,740,298,013.54

(Notes are considered to be an irreducible constituent of the financial statements.)

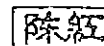
Person in Charge:



Accounting Supervisor:



Fiscal Principal:



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended June 30, 2020

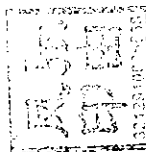
(Unless otherwise stated, the amount of Unit for RMB)

Prepared by: Taibou Huzhou Pharmaceuticals Investment Co., Ltd.

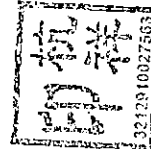
Item	For the six-month period ended June 30, 2020							Total owners' equity
	Paid-in Capital	Other equity instruments	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	
1. Balance at the end of last year	5,328,511,554.00	1,500,000,000.00	13,577,452,954.12		199,998,170.20	2,650,000.00	3,871,981,546.59	27,074,658,898.39
Add: Increase/(decrease) in profit due to changes in accounting policy								
Accounting Error Correction for last year								
Business combination under the common control								
Others								
2. Balance at the beginning of current year	5,328,511,554.00	1,500,000,000.00	13,577,452,954.12		199,998,170.20	2,650,000.00	3,871,981,546.59	27,074,658,898.39
3. Increase/(decrease) in profit during the year								
3.1 Total comprehensive income								
3.2 Capital increased or decreased by the investor								
3.2.1 Capital increased by the investor	1,000,000,000.00							80,803,180.92
3.2.2 Capital increased by other equity instruments holders	1,000,000,000.00							717,640,000.00
3.2.3 Owners' equity increased by share-based payments								
3.2.4 Others								
3.3 Profit appropriation								
3.3.1 Appropriation of surplus reserves								
3.3.2 Profit available for owners' distribution								
3.3.3 Others								
3.4 Internal transferring of owners' equity								
3.4.1 Capitalising of capital reserves								
3.4.2 Capitalising of surplus reserves								
3.4.3 Covering the deficit by using of surplus reserves								
3.4.4 Carry forward the changes in the net liabilities or net assets of the beneficiary plan								
3.4.5 Other comprehensive income carried forward related income								
3.4.6 Others								
3.5 Special reserves								
3.5.1 Current extraction								
3.5.2 Current use								
3.6 Others								
4. Balance at the end of current period	6,328,511,554.00	1,500,000,000.00	13,577,452,954.12		199,998,170.20	2,650,000.00	3,885,882,096.14	27,048,597,079.31

(Notes are considered to be an inextinguishable constituent of the financial statements.)

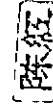
Person in Charge:



Accounting Supervisor:



Fiscal Principal:



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended June 30, 2020

(Unless otherwise stated, the amount of Unit for RMB)

	For the six-month period ended June 30, 2019							Total owners' equity		
	Owners' equity attributable to parent company									
	Paid-in Capital	Other equity instruments	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Minority stockholder's interest	
1. Balance at the end of last year	5,328,511,554.00	1,500,000,000.00	13,277,452,954.12			170,372,895.44		2,343,713,737.36	4,223,310,417.03	26,843,361,557.95
Add: Increase/(decrease) in profit due to changes in accounting Error Correction for last year										
Business combination under the common control										
Others										
2. Balance at the beginning of current year	5,328,511,554.00	1,500,000,000.00	13,277,452,954.12			170,372,895.44		2,343,713,737.36	4,223,310,417.03	26,843,361,557.95
3. Increase/(decrease) in profit during the year										
3.1 Total comprehensive income										
3.2 Capital increased or decreased by the investor										
3.2.1 Capital increased by the investor										
3.2.2 Capital increased by other equity instruments held										
3.2.3 Owners' equity increased by share-based payment										
3.2.4 Others										
3.3 Profit appropriation										
3.3.1 Appropriation of surplus reserves										
3.3.2 Profit available for owners' distribution										
3.3.3 Others										
3.4 Internal transferring of owners' equity										
3.4.1 Capitalising of capital reserves										
3.4.2 Capitalising of surplus reserves										
3.4.3 Covering the deficit by using of surplus reserves										
3.4.4 Carry forward the changes in the net liabilities or net assets of the beneficiary plan										
3.4.5 Other comprehensive income carried forward retained income										
3.4.6 Others										
3.5 Special reserves										
3.5.1 Current extraction										
3.5.2 Current use										
3.5 Others										
4. Balance at the end of current period	5,328,511,554.00	1,500,000,000.00	13,277,311,536.30			170,372,895.44		2,343,713,737.36	4,220,399,660.42	26,951,463,915.64

(Notes are considered to be an inaudible constituent or

Person in Charge:

Accounting Supervisor:

Fiscal Principal:

陈斌

陈斌

STATEMENT OF FINANCIAL POSITION OF PARENT COMPANY

As at June 30, 2020

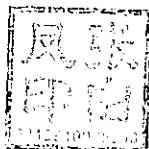
Prepared by: Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

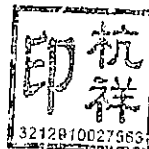
Assets	Note 13	30/06/2020	01/01/2020
Current Assets:			
Cash and bank balance		7,665,583,909.63	3,035,767,535.36
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	13.1	2,045,786,618.58	2,945,019,944.92
Accounts prepayment		536,461,575.83	528,054,386.89
Other receivables	13.2	15,609,485,035.74	11,295,038,629.17
Inventories		27,152,772,139.65	27,547,606,355.21
Available for sale assets			
Non-current assets due within one year			
Other current assets		417,484,298.91	329,102,232.58
Subtotal of Current Assets		53,427,573,578.34	45,680,589,084.13
Non-current Assets:			
Financial assets available for sale		2,123,880,000.00	2,123,880,000.00
Hold-to-maturity investments			
Long-term accounts receivable			
Long-term equity investments	13.3	6,561,629,250.98	6,319,319,646.74
Investment property		9,142,477,778.19	6,858,899,972.51
Fixed assets		60,189,882.89	8,971,053.35
Construction in progress		1,990,249,023.79	2,219,765,452.58
Biological assets			
Oil and gas assets			
Intangible assets		1,825,177,849.67	2,202,915,328.01
Development expenditure			
Goodwill			
Long-term deferred expenses		47,181,924.19	
Deferred income tax assets		3,065,325.24	3,036,582.05
Other non-current assets		1,688,774,185.46	1,603,132,693.86
Subtotal of Non-current Assets		23,442,625,220.41	21,339,920,729.10
Total Assets		76,870,198,798.75	67,020,509,813.23

(Notes are considered to be an irreducible constituent of the financial statements.)

Person in Charge :



Accounting Supervisor :



Fiscal Principal :



STATEMENT OF FINANCIAL POSITION OF PARENT COMPANY (Continued)

As at June 30, 2020

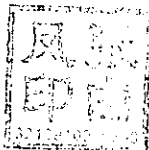
Prepared by: Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

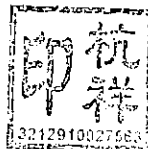
Equity and liabilities	Note 13	30/06/2020	01/01/2020
Current Liabilities :			
Short-term borrowings		3,554,456,393.00	1,040,500,000.00
Financial liabilities at fair value through profit or loss			
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		878,000,000.00	936,500,000.00
Accounts payable		732,796,224.54	1,065,504,772.87
Accounts received in advance		14,734,333.58	17,394,261.97
Accrued payroll			
Taxes payable		96,946,205.99	140,571,741.17
Other payables		14,368,069,987.07	14,126,396,375.13
Available for sale liabilities			
Non-current liabilities due within one year		7,861,037,533.06	11,760,013,657.05
Other current liabilities		3,380,927,737.14	534,218,750.00
Subtotal of Current Liabilities		30,886,968,414.38	29,621,099,558.19
Non-current Liabilities :			
Long-term borrowings		15,032,511,608.12	9,004,237,642.70
Bonds payable		6,738,502,374.49	5,269,173,801.90
Including: Preferred stocks			
Including: Perpetual bonds			
Long-term accounts payable			
Long-term accrued payroll			
Estimated liabilities			
Deferred income		21,261,950.00	22,381,000.00
Deferred income tax liabilities			
Other non-current liabilities			
Subtotal of Non-current Liabilities		21,792,275,932.61	14,295,792,444.60
Total Liabilities		52,679,244,346.99	43,916,892,002.79
Owners' Equity (or Shareholders' Equity) :			
Paid-in capital		6,328,511,554.00	5,328,511,554.00
Other equity instruments		1,500,000,000.00	1,500,000,000.00
Including: Preferred stocks			
Including: Perpetual bonds		1,500,000,000.00	1,500,000,000.00
Capital reserves		13,591,818,876.51	13,591,818,876.51
Less: Treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserves		199,998,170.20	199,998,170.20
Retained earnings		2,570,625,851.05	2,483,289,209.73
Subtotal of Owners' Equity		24,190,954,451.76	23,103,617,810.44
Total Equity and Liabilities		76,870,198,798.75	67,020,509,813.23

(Notes are considered to be an irreducible constituent of the financial statements.)

Person in Charge:



Accounting Supervisor:



Fiscal Principal:



STATEMENT OF PROFIT OR LOSS OF PARENT COMPANY

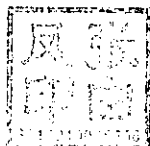
For the six-month period ended June 30, 2020

Prepared by: Taizhou Hujixin Pharmaceutical Investment Co., Ltd.

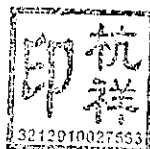
Item	Note 13	For the six-month period ended June 30, 2020	For the six-month period ended June 30, 2019
1. Total Operating Income	13.4	91,868,045.42	251,211,597.74
Less: Operating cost	13.4	128,591,319.51	224,070,882.79
Taxes and surcharges		28,860,086.54	16,521,643.85
Marketing costs			
General and administrative costs		22,324,834.90	19,466,588.26
Research and development expenses			
Financial costs		14,064,167.44	4,447,454.14
Including: Interest expenses			
Interest income			
Add: Other income		1,827,210.69	12,879,000.00
Investment income (loss is marked with "-")		24,314,118.98	108,445,071.97
Including: Investment income from affiliated enterprise and joint venture			
Gains from changes in fair value (losses are marked with "-")			
Losses of asset impairments		-114,972.76	-316,805.28
Asset disposal income (loss is marked with "-")			
2. Operating profit (loss is marked with "-")		<u>-75,946,006.06</u>	<u>107,712,295.39</u>
Add: Non-operating income		348,938.30	1,000.00
Less: Non-operating expenses		508,290.59	
3. Total profit (total loss is marked with "-")		<u>-76,105,358.35</u>	<u>107,713,295.39</u>
Less: Income tax expenses		25,147,160.78	9,778,016.84
4. Net profit (net loss is marked with "-")		<u>-101,252,519.13</u>	<u>97,935,278.55</u>
Net profit from continuing operations (net loss is marked with "-")		-101,252,519.13	97,935,278.55
Termination of operating net profit (net loss is marked with "-")			
5. Other comprehensive income, net of tax			
5.1 Other comprehensive income that cannot be reclassified later into profit or loss			
5.1.1 Recalculate changes in net liabilities or net assets of the beneficiary plan			
5.1.2 Other comprehensive income that cannot be transferred to profit or loss under			
5.1.3 Others			
5.2 Other comprehensive income that can be reclassified later into profit or loss			
5.2.1 Other comprehensive income convertible to profit or loss under the equity method			
5.2.2 Gains and losses from changes in fair value of available-for-sale financial assets			
5.2.3 Held-to-maturity investments are reclassified as available-for-sale financial assets			
5.2.4 Effective portion of cash flow hedge gains and losses			
5.2.5 Foreign currency translation of financial statements			
5.2.6 Disposal of subsidiaries in a package, investment income generated before liquidation			
5.2.7 Conversion of other assets to investment properties measured by fair value method			
5.2.8 Others			
6. Total comprehensive income		<u>-101,252,519.13</u>	<u>97,935,278.55</u>
7. Earning Per Share:			
7.1 Basic EPS			
7.2 Diluted EPS			

(Notes are considered to be an irreducible constituent of the financial statements.)

Person in Charge:



Accounting Supervisor:



Fiscal Principal:

韩雷

STATEMENT OF CASH FLOWS OF PARENT COMPANY

For the six-month period ended June 30, 2020

Prepared by: Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

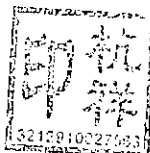
Item	Note 13	For the six-month period ended June 30, 2020	For the six-month period ended June 30, 2019
1. Cash Flow from Operating Activities:			
Cash received from sales of goods or rendering services		19,170,266.37	95,671,118.14
Refunds of taxes		57,089,000.00	-
Cash received relating to other operating activities		1,734,011,583.55	407,398,461.92
Subtotal of cash inflows from operating activities		1,810,270,849.92	503,069,580.06
Cash paid for goods or receiving services		283,185,874.77	456,713,777.92
Cash paid to and on behalf of employees		3,872,693.07	4,735,102.92
Tax payments		167,233,953.80	127,958,049.33
Cash paid relating to other operating activities		1,439,053,811.19	221,080,930.83
Subtotal of cash outflows from operating activities		1,893,346,332.83	810,487,861.00
Net Cash Flow from Operating Activities		-83,075,482.91	-307,418,280.94
2. Cash Flow from Investing Activities:			
Cash received from disposal of investments		-	-
Cash received from investment income		8,091,729.97	4,000,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term as:		-	-
Cash received of disposal subsidiaries and other operating units		-	-
Cash received relating to other investing activities		5,519,350.95	177,500,000.00
Subtotal of cash inflows from investing activities		13,611,080.92	181,500,000.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		544,538,541.93	1,109,956,991.69
Cash paid to acquire investments		300,000,000.00	-
Cash payments relating to purchasing of subsidies or other enterprises		-	-
Cash payments relating to other investing activities		592,322,031.63	27,500,000.00
Subtotal of cash outflows from investing activities		1,436,860,573.56	1,137,456,991.69
Net Cash Flow from Investing Activities		-1,423,249,492.64	-955,956,991.69
3. Cash Flow from Financing Activities:			
Cash received by investors		1,007,322,700.00	-
Including: Cash received from minority shareholders by subsidiaries		17,096,533,353.94	5,129,160,000.00
Cash received from borrowings		-	2,348,610,062.56
Subtotal of cash inflows from financing activities		18,103,856,053.94	7,477,770,062.56
Repayments of borrowings		7,964,196,034.58	4,429,326,682.59
Dividends paid, profit distributed or interest paid		1,513,206,829.29	1,158,162,374.39
Cash paid relating to other financing activities		2,641,811,840.25	958,427,527.74
Subtotal of cash outflows from financing activities		12,119,214,704.12	6,545,916,584.72
Net Cash Flow from Financing Activities		5,984,641,349.82	931,853,477.84
4. Effect of Foreign Currency Translation			
		-	-
5. Net Increase (Decrease) in Cash and Cash Equivalents			
		4,478,316,374.27	-331,521,794.79
Add: Cash and cash equivalents at the beginning of the year		2,359,267,535.36	3,457,111,414.44
6. Cash and cash equivalents at the end of the period			
		6,837,583,909.63	3,125,589,619.65

(Notes are considered to be an irreducible constituent of the financial statements.)

Person in Charge:



Accounting Supervisor:



Fiscal Principal:



STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY

For the six-month period ended June 30, 2020

(Unless otherwise stated, the amount of Unit for RMB)

Prepared by: Jiazhifu Huaxun Pharmaceutical Investment Co., Ltd.

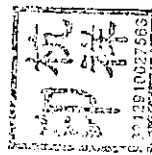
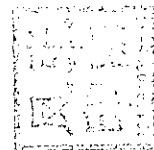
Item	For the six-month period ended June 30, 2020								
	Paid-in Capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
1. Balance at the end of last year	5,328,511,554.00	1,500,000,000.00	13,591,818,876.51				199,999,170.20	2,463,289,209.73	23,103,617,810.44
Add: Increase/(decrease) in profit due to changes in accounting policy									
Accounting Error Correction by last year									
Others									
2. Balance at the beginning of current year	5,328,511,554.00	1,500,000,000.00	13,591,818,876.51				199,999,170.20	2,463,289,209.73	23,103,617,810.44
3. Increase/(decrease) in profit during the year	1,000,000,000.00							87,306,641.32	1,087,306,641.32
3.1 Total comprehensive income								87,306,641.32	1,087,306,641.32
3.2 Capital increased or decreased by the investor	1,000,000,000.00								1,000,000,000.00
3.2.1 Capital increased by the investor	1,000,000,000.00								1,000,000,000.00
3.2.2 Capital increased by other equity instruments holders									
3.2.3 Owners' equity increased by share-based payments									
3.2.4 Others									
3.3 Profit appropriation									
3.3.1 Appropriation of surplus reserves								-4,305,000.00	-4,305,000.00
3.3.2 Profit available for owners' distribution								-4,305,000.00	-4,305,000.00
3.3.3 Others									
3.4 Internal transferring of owners' equity									
3.4.1 Capitalising of capital reserves									
3.4.2 Capitalising of surplus reserves									
3.4.3 Covering the deficit by using of surplus reserves									
3.4.4 Carry forward the changes in the net liabilities or net assets of the beneficiary plan									
3.4.5 Other comprehensive income carried forward retained income									
3.4.6 Others									
3.5 Special reserves									
3.5.1 Current extraction									
3.5.2 Current Use									
3.6 Others									
4. Balance at the end of current period	6,328,511,554.00	1,500,000,000.00	13,591,818,876.51				199,999,170.20	2,570,625,851.05	24,190,954,451.76

(Notes are considered to be an irrefutable constituent of the financial statements.)

Person in Charge:

Accounting Supervisor:

Fiscal Principal:



STATEMENT OF CHANGES IN EQUITY OF PAREN*

For the six-month period ended June 30, 2020

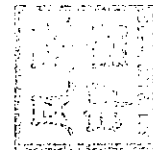
(Unless otherwise stated, the amount of Unit for RMB)

Prepared by: Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

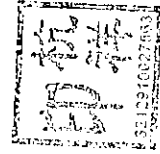
Item	For the six-month period ended June 30, 2019								
	Paid-in Capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
1. Balance at the end of last year	5,328,511,554.00	1,500,000,000.00	13,291,818,876.51				170,372,895.44	2,225,211,736.87	22,515,915,062.82
Add: Increase/(decrease) in profit due to changes in accounting Error Correction for last year									
Others									
2. Balance at the beginning of current year	5,328,511,554.00	1,500,000,000.00	13,291,818,876.51				170,372,895.44	2,225,211,736.87	22,515,915,062.82
3. Increase/(decrease) in profit during the year									
3.1 Total comprehensive income									
3.2 Capital increased or decreased by the investor									
3.2.1 Capital increased by the investor									
3.2.2 Capital increased by other equity instruments holder									
3.2.3 Owners' equity increased by share-based payments									
3.2.4 Others									
3.3 Profit appropriation									
3.3.1 Appropriation of surplus reserves									
3.3.2 Profit available for owners' distribution									
3.3.3 Others									
3.4 Internal transferring of owners' equity									
3.4.1 Capitalising of capital reserves									
3.4.2 Capitalising of surplus reserves									
3.4.3 Covering the deficit by using of surplus reserves									
3.4.4 Carry forward the changes in the net liabilities or net assets of the beneficiary plan									
3.4.5 Other comprehensive income carried forward retained income									
3.4.6 Others									
3.5 Special reserves									
3.5.1 Current extraction									
3.5.2 Current use									
3.6 Others									
4. Balance at the end of current period	5,328,511,554.00	1,500,000,000.00	13,291,818,876.51				170,372,895.44	2,318,872,015.42	22,609,575,341.37

(Notes are considered to be an irrefutable constituent of the financial statements)

Person in Charge:



Accounting Supervisor:



Fiscal Principal:



Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

Notes to the financial statements

For the six-month period ended June 30, 2020

1. GENERAL INFORMATION

1.1 Company history, registered address and headquarters address

1.1.1 Company history

- (1) Taizhou Huaxin Pharmaceutical Investment Co., Ltd.(hereinafter “ the Company”) was established on December 28,2005 which approved by Taizhou Administration for Industry&Commerce. The Company obtained the Business License for Enterprise as a Legal Person with the registration number 321200000002790. The original registered capital of the Company is RMB ¥100,000,000.00. Among them, Taizhou Huatai Industrial Holdings Limited (泰州市华泰工业控股经营有限公司) invested RMB ¥92,677,300.00, using land use right and monetary funds as the amount of capital contribution, accounted for 92.7% of the original registered capital; and Taizhou Haihua Industrial Construction and Development Co., Ltd. (泰州海华工业建设发展有限公司) invested RMB ¥7,322,700.00, using road and bridge as a physical capital contribution, accounted for 7.3% of the original registered capital. The original registered capital was paid in three phases as follows. The first phase of investment of RMB ¥52,000,000.00, including: Taizhou Huatai Industrial Holdings Limited(泰州市华泰工业控股经营有限公司)invested RMB ¥44,677,300.00, using land use right and monetary funds as the amount of capital contribution whereas Taizhou Haihua Industrial Construction and Development Co., Ltd. (泰州海华工业建设发展有限公司) invested RMB ¥7,322,700.00, using road and bridge as a physical capital contribution, Jiangsu Zhongxinhua Certified Public Accountants has published its report on verification of capital on SZXYZ(2005) No.D070. The Second phase of investment of RMB ¥35,000,000.00, which was contributed by monetary funds and Jiangsu Zhongxinhua Certified Public Accountants has published its report on verification of capital on SZXYZ(2006) No.D041. And the last phase of investment of RMB ¥13,000,000.00, which was contributed by monetary funds and Jiangsu Zhongxinhua Certified Public Accountants has published its report on verification of capital on SZXYZ(2006) No.D047.
- (2) The Company increased its registered capital of RMB ¥17,000,000.00 on June 14, 2006 by its original shareholders with monetary funds and Jiangsu Zhongxinhua

Certified Public Accountants Taizhou Development Zone Branch has published its report on verification of capital on ZXIFYZ(2006) No.D047-1. The registered capital after modification is RMB ¥ 117,000,000.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Taizhou Huatai Industrial Holdings Limited 泰州市华泰工业控股经营有限公司	10,967.73	93.7%
Taizhou Haihua Industrial Construction and Development Co., Ltd. 泰州海华工业建设发展有限公司	732.27	6.3%
Total	11,700.00	100.00%

- (3) The Company increased its registered capital of RMB ¥ 50,000,000.00 on June 4, 2007 by its original shareholders with monetary funds and Jiangsu Zhongxinhua Certified Public Accountants Taizhou Branch has published its report on verification of capital on SZXFYZ(2007) No.D015. The registered capital after modification is RMB ¥ 167,000,000.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Taizhou Huatai Industrial Holdings Limited 泰州市华泰工业控股经营有限公司	15,967.73	95.6%
Taizhou Haihua Industrial Construction and Development Co., Ltd. 泰州海华工业建设发展有限公司	732.27	4.4%
Total	16,700.00	100.00%

- (4) The Company increased its registered capital of RMB ¥ 50,000,000.00 on June 13, 2007 by its original shareholders with monetary funds and Jiangsu Zhongxinhua Certified Public Accountants Taizhou Branch has published its report on verification of capital on SZXFYZ(2007)No.D018. The registered capital after modification is RMB ¥ 217,000,000.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Taizhou Huatai Industrial Holdings Limited 泰州市华泰工业控股经营有限公司	20,967.73	96.6%
Taizhou Haihua Industrial Construction and Development Co., Ltd. 泰州海华工业建设发展有限公司	732.27	3.4%
Total	21,700.00	100.00%

- (5) On September 6, 2007, approved by State-owned Assets Supervision and

Administration Commission(SASAC) of Taizhou, Taizhou Haihua Industrial Construction and Development Co., Ltd. (泰州海华工业建设发展有限公司) transferred all its shares of the Company to Taizhou Huatai Industrial Holdings Limited (泰州市华泰工业控股经营有限公司). The Company changed to sole proprietorship after the equity transfer is completed. On November 23, 2007, pursuant to <Notice on the recovery of entire share capital of Huaxin Company held by Huatai Company> released by Taizhou Municipal People's Government (TZF[2007] No. 229), the Company's investor changed from Taizhou Huatai Industrial Holdings Limited to Taizhou Municipal People's Government, and Taizhou SASAC was designated to perform the duties of investment as investor.

- (6) The Company increased its registered capital of RMB ¥ 571,511,554.00 on May 29, 2008 by Taizhou Municipal People's Government, using land use right as a physical capital contribution and Jiangsu Zhongxinhua Certified Public Accountants Taizhou Branch has published its report on verification of capital on SZXFYZ(2008) No.D022. The registered capital after modification is RMB ¥ 788,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment	Percent%
	Amount(RMB 10-thousand)	
Taizhou Municipal People's Government 泰州市人民政府	78,851.1554	100.00%
Total	78,851.1554	100.00%

- (7) The Company increased its registered capital of RMB ¥ 100,000,000.00 on December 29, 2008 by Taizhou Municipal People's Government with monetary funds and Jiangsu Zhongxinhua Certified Public Accountants Taizhou Branch has published its report on verification of capital on SZXFYZ(2008) No.D171. The registered capital after modification is RMB ¥ 888,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment	Percent%
	Amount(RMB 10-thousand)	
Taizhou Municipal People's Government 泰州市人民政府	88,851.1554	100.00%
Total	88,851.1554	100.00%

- (8) The Company increased its registered capital of RMB ¥ 1,000,000,000.00 on August 6, 2014 by Taizhou Municipal People's Government with monetary funds and Jiangsu Zhongxinhua Certified Public Accountants Taizhou Branch has published its report on verification of capital on SZXFYZ(2014) No.005. The registered capital after modification is RMB ¥ 1,888,511,554.00 and the Company's shareholding structure

is as follows.

Name of shareholder(investor)	Investment	Percent%
	Amount(RMB 10-thousand)	
Taizhou Municipal People's Government 泰州市人民政府	188,851.1554	100.00%
Total	188,851.1554	100.00%

- (9) The Company increased its registered capital of RMB ¥400,000,000.00 on June 18, 2015 by Taizhou Municipal People's Government with monetary funds and Jiangsu Jingwei Certified Public Accountants has published its report on verification of capital on JWY(2015) No.1005. The registered capital after modification is RMB ¥2,288,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment	Percent%
	Amount(RMB 10-thousand)	
Taizhou Municipal People's Government 泰州市人民政府	228,851.1554	100.00%
Total	228,851.1554	100.00%

- (10) The Company increased its registered capital of RMB ¥300,000,000.00 on August 6, 2015 by Taizhou Municipal People's Government with monetary funds and Jiangsu Zhongxin Certified Public Accountants Taizhou Development Zone Branch has published its report on verification of capital on ZXFYZ(2015) No.0027. The registered capital after modification is RMB ¥2,588,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment	Percent%
	Amount(RMB 10-thousand)	
Taizhou Municipal People's Government 泰州市人民政府	258,851.1554	100.00%
Total	258,851.1554	100.00%

- (11) The Company increased its registered capital of RMB ¥300,000,000.00 on September 28, 2015 by Taizhou Municipal People's Government with monetary funds and Jiangsu Zhongxin Certified Public Accountants Taizhou Development Zone Branch has published its report on verification of capital on ZXFYZ(2015) No.0006. The registered capital after modification is RMB ¥2,888,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment	Percent%
	Amount(RMB 10-thousand)	
Taizhou Municipal People's Government 泰州市人民政府	288,851.1554	100.00%
Total	288,851.1554	100.00%

- (12) The Company increased its registered capital of RMB ¥ 900,000,000.00 on December 18, 2015 by Taizhou Municipal People's Government with monetary funds and Jiangsu Jingwei Certified Public Accountants has published its report on verification of capital on JWY(2015) No.1014. The registered capital after modification is RMB ¥ 3,788,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment	Percent%
	Amount(RMB 10-thousand)	
Taizhou Municipal People's Government 泰州市人民政府	378,851.1554	100.00%
Total	378,851.1554	100.00%

- (13) The Company increased its registered capital of RMB ¥ 40,000,000.00 on January 21, 2016 by CDB (China Development Bank) Development Fund with monetary funds. The registered capital after modification is RMB ¥ 3,828,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment	Percent%
	Amount(RMB 10-thousand)	
Taizhou Municipal People's Government 泰州市人民政府	378,851.1554	98.96%
CDB Development Fund 国开发展基金有限公司	4,000.0000	1.04%
Total	382,851.1554	100.00%

- (14) The Company increased its registered capital of RMB ¥ 1,500,000,000.00 on March 30, 2016 by Fuanda Asset Management (Shanghai) Co., Ltd. with monetary funds and Jiangsu Lixin Certified Public Accountants Co., Ltd. has published its report on verification of capital on SLX(2016) No.T006. The registered capital after modification is RMB ¥ 5,328,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment	Percent%
	Amount(RMB 10-thousand)	
Taizhou Municipal People's Government 泰州市人民政府	378,851.1554	71.10%
CDB Development Fund 国开发展基金有限公司	4,000.0000	0.75%
Fuanda Asset Management (Shanghai) Co., Ltd. 富安达资产管理(上海)有限公司	150,000.0000	28.15%
Total	532,851.1554	100.00%

- (15) On September 20, 2019, Fuanda Asset Management (Shanghai) Co., Ltd. transferred its 5.63% of the Company's equity in the amount of RMB ¥ 3,000,000,000.00 to the Taizhou Municipal People's Government. After completing the equity transfer, the Company's equity structure is as follows:

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	408,851.1554	76.73%
CDB Development Fund 国开发展基金有限公司	4,000.0000	0.75%
Fuanda Asset Management (Shanghai) Co., Ltd. 富安达资产管理(上海)有限公司	120,000.0000	22.52%
Total	532,851.1554	100.00%

- (16) On February 21, 2020, in accordance with the Shareholders' Resolution of the State-owned Assets Supervision and Administration Commission of Taizhou Municipal People's Government, among the registered capital, the investment amount originally priced at RMB ¥ 7,322,700.00 based on road and bridge assets is now exchanged in equivalent currency. After the replacement, the Company's shareholding structure remains unchanged.

- (17) On March 18, 2020, Fuanda Asset Management (Shanghai) Co., Ltd. transferred its 5.63% of the Company's equity in the amount of RMB ¥ 3,000,000,000.00 to the Taizhou Municipal People's Government. After completing the equity transfer, the Company's equity structure is as follows:

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	438,851.1554	82.36%
CDB Development Fund 国开发展基金有限公司	4,000.0000	0.75%
Fuanda Asset Management (Shanghai) Co., Ltd. 富安达资产管理(上海)有限公司	90,000.0000	16.89%
Total	532,851.1554	100.00%

- (18) The Company increased its registered capital of RMB ¥ 1 billion yuan on May 7, 2020 by the State-owned Assets Supervision and Administration Commission of Taizhou Municipal People's Government with monetary funds. The registered capital after modification is RMB ¥ 6,328,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	538,851.1554	85.15%
CDB Development Fund 国开发展基金有限公司	4,000.0000	0.63%
Fuanda Asset Management (Shanghai) Co., Ltd. 富安达资产管理(上海)有限公司	90,000.0000	14.22%
Total	632,851.1554	100.00%

After the equity changes over the years, as of June 30, 2020, the company's registered capital is RMB ¥6,328,511,554.00.

Registered address of the Company is the west side of Hailing South Road, Taizhou China Medical City, the east half of Room 413, 4th Floor (Business Building No. 1), north side of Guihua Road.

The headquarters' address is the west side of Hailing South Road, Taizhou China Medical City, the east half of Room 413, 4th Floor (Business Building No. 1), north side of Guihua Road.

And the parent company is Taizhou Municipal People's Government (泰州市人民政府).

1.2 Business scope

The Company is mainly engaged in investment business; pre-land development and clean-up; infrastructure; medical technology development and service; medical exhibition services; technological research and development for vaccines, biotechnology, chemical drugs and medical equipment(excluding manufacturing and selling drugs and medical equipment); housing and equipment leasing business; service of economic information consultation; property management; operation and management of pharmaceutical R&D platform as well as real estate development etc.

1.3 Nature of business and main business activities

The Company is designated to the investment industry controlled and operated by the government itself. The main business activities of the Company are investment business; pre-land development and clean-up; infrastructure; medical technology development and service; medical exhibition services; technological research and development for vaccines, biotechnology, chemical drugs and medical equipment(excluding manufacturing and selling drugs and medical equipment); housing and equipment leasing business; service of economic information consultation; property management; operation and management of pharmaceutical R&D platform as well as real estate development.

1.4 Approval of financial statements

The financial statements are approved by all directors of the Company on August 30, 2020.

2. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

There are 15 entities in the scope of consolidated financial statements in the current period, including:

Name of subsidiaries	Type of subsidiary	Level	Shareholding ratio (%)	Voting ratio (%)
Taizhou Huasheng Investment Development Co., Ltd. 泰州华盛投资开发有限公司	Holding subsidiary	2	51.28	100.00
Taizhou China Medical City Asset Management Co., Ltd. 泰州中国医药城资产管理有限公司	Wholly owned	2	100.00	100.00
Taizhou Huakang Investment Co., Ltd. 泰州华康投资有限公司	Wholly owned	2	100.00	100.00
Taizhou Pharmaceutical High-tech Co., Ltd. 泰州医药高新股份有限公司	Holding subsidiary	2	86.36	86.36
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd. 江苏华为医药物流有限公司	Holding subsidiary	3	86.36	86.36
Jiangsu Huaye Medical Devices Co., Ltd. 江苏华晔医疗器械有限公司	Holding subsidiary	3	86.36	86.36
Huaxin Pharmaceutical (Hong Kong) Co., Limited 华信药业(香港)有限公司	Wholly owned	2	100.00	100.00
Taizhou Xinkang Construction Co., Ltd. 泰州信康建设有限公司	Wholly owned	3	100.00	100.00
Taizhou Huajiang Pharmaceutical Investment Development Co., Ltd. 泰州华江医药投资发展有限公司	Holding subsidiary	3	60.00	60.00
Taizhou China Medical City New Drug Fund Management Co., Ltd. 泰州中国医药城新药基金管理有限公司	Holding subsidiary	3	86.36	86.36
Taizhou Xinhong Assembly Construction Co., Ltd. 泰州信鸿装配式建筑有限公司	Wholly owned	2	100.00	100.00
Taizhou High-tech Zone Kangju Construction Development Co., Ltd. 泰州高新区康居建设开发有限公司	Wholly owned	2	100.00	100.00
Taizhou Wanhao Green Engineering Co., Ltd. 泰州万豪绿化工程有限公司	Wholly owned	2	100.00	100.00
Taizhou Xincheng New Building Materials Co., Ltd. 泰州信诚新型建材有限公司	Holding subsidiary	4	51.00	51.00
Jiangsu Huateng Medical Equipment Co., Ltd. 江苏华腾医疗器械有限公司	Holding subsidiary	4	51.00	51.00

The number of subjects included in the scope of the consolidated financial statements in the current period increased by 2 compared with the previous period, of which:

- The operating entities newly included in the scope of consolidation in the current period (including but not limited to subsidiaries, special purpose entities, and operating entities that form control by entrusted operations or leases) are listed below:

Name	Reason for change
Taizhou Xincheng New Building Materials Co., Ltd. 泰州信诚新型建材有限公司	Established by investment

Name	Reason for change
Jiangsu Huateng Medical Equipment Co., Ltd. 江苏华腾医疗器械有限公司	Established by investment
2. The operating entities which no longer included in the scope of consolidation in the current period (including but not limited to subsidiaries, special purpose entities, and operating entities that form control by entrusted operations or leases) are listed below:	
Name	Reason for change
Taizhou China Medical City High-tech Commercial Factoring Co., Ltd. 泰州中国医药城高新商业保理有限公司	Equity transfer

3. BASIS OF PREPARATION

3.1 Preparation basis

Depending on actual transactions and matters, in accordance with the Accounting Standards for Business Enterprise – Basic Standards issued by the Ministry of Finance and All other Specific Accounting Standards, Application Guide as well as other related regulations (collectively known as “the Accounting Standards for Business Enterprise”), the financial statements have been prepared under the going concern basis.

3.2 Going concern

The Company has evaluated the continuing operating capacity for the 12 months from the end of the reporting period and has not found any significant suspicions or circumstances regarding the continuing operation capacity. Accordingly, the financial statements are prepared on the going concern basis.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

4.1 Declaration on compliance with the Accounting Standards for Business Enterprises

The financial statements have been prepared in compliance with the Accounting Standards for Business Enterprises to truly and completely reflect the Company’s financial position as of June 30, 2020 and its operating results, cash flows and other relevant information for the six-month period then ended.

4.2 Accounting period

The financial year of the Company is from January 1 to December 31 of each calendar year.

4.3 Functional currency

The Company's functional currency is Chinese Renminbi (hereafter referred to as "RMB").

4.4 Account treatment of business combination under common control and not under common control

4.4.1 When a business combination is achieved in stages, if the terms, conditions and economic effects of the transactions are in compliance with one or more of the

following transactions, accounting for a number of transactions as a package transaction.

- (1) these transactions are made at the same time or in consideration of each other's influence;
- (2) these transactions are made at the same time or in consideration of each other's influence, the whole of these transactions can reach a complete business results;
- (3) the occurrence of a transaction depends on the occurrence of at least one other transaction;
- (4) single transaction is uneconomical, but it is economical to consider with other transactions.

4.4.2 Business combination under common control

The assets and liabilities acquired by the Company in the business combination are measured at the carrying amount of the consolidated financial statements in the final controlling party in accordance with the merger date and the liabilities of the merged party's assets and liabilities (including the goodwill acquired by the ultimate controlling party). The difference between the carrying amount of the net assets obtained in the merger and the carrying amount of the consideration paid (or the total nominal value of the issued shares), adjust the capital premium in the capital reserve, capital reserve is insufficient, adjust the retained earnings.

If there is a consideration or need to confirm the estimated liabilities or assets, the difference between the expected liabilities or the amount of assets and the amount of follow-up or consideration, adjust the capital reserve (capital premium or share premium), capital reserve is insufficient, adjust the retained earnings.

For transactions that are finally merged through multiple transactions and belong to a package transaction, the transactions are accounted for as a transaction with control. If the transaction is not included in the package, adjust the capital reserve with the difference between the carrying amount of the long-term equity investment before the merger and the book value of the newly paid consideration for the merger date. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For the equity investment held prior to the merger date, other comprehensive income recognized by the use of the equity method or the recognition and measurement of financial instruments shall not be subject to accounting treatment until the disposal of the investment is carried out with the direct disposal of the investee. Assets or liabilities of the same basis for the accounting treatment; due to the use of equity method to confirm the net assets of the investee net profit and loss, other comprehensive income and profit distribution other than the owner of the other changes, not for accounting treatment. The investment is transferred to the current profits

and losses.

4.4.3 Business combination not under common control

The difference between the fair value and its book value is recognized at the fair value at the date of purchase, and the liabilities incurred or incurred as a result of the merger of the enterprise are recognized in profit or loss for the current period.

The positive difference between the fair value of the Company and the fair value of the acquiree's identifiable net assets obtained from the merger is recognized as goodwill. The negative difference between the cost of the merger and the fair value of the acquiree's identifiable net assets obtained from the merger is recognized in the current profit or loss after review.

For transactions that are finally merged through multiple transactions and belong to a package transaction, the transactions are accounted for as a transaction with control. If the transaction is not included in the package, the equity investment held prior to the merger date is calculated using the equity method, the sum of the book value of the equity investment held by the acquiree prior to the acquisition date and the new investment cost of the purchase date as the initial investment cost of the investment; The other consolidated income recognized by the equity method for the equity investment is accounted for using the same basis as the investee's disposal of the relevant assets or liabilities in the disposal of the investment. The equity investment held prior to the merger date shall be calculated using the recognition and measurement standard of the financial instrument, and the fair value of the equity investment on the date of consolidation plus the sum of the new investment costs shall be taken as the initial investment cost of the merger date. The difference between the fair value and the book value of the original holding equity and the accumulated fair value change originally recorded in the other comprehensive income shall be transferred to the investment income of the current date.

4.4.4 Costs incurred for the business combination

The transaction costs of auditing, legal services, assessment consulting and other directly related expenses incurred in connection with the business combination shall be recorded into the current profits and losses at the time of occurrence. The transaction fee for the issuance of equity securities for the business combination can be directly attributable to the equity transaction interest deduction.

4.5 The preparation of consolidated financial statements

4.5.1 Scope of consolidation

The consolidated scope of the consolidated financial statements of the Company is determined on the basis of control and all subsidiaries (including the individual entities controlled by the Company) are included in the consolidated financial statements.

4.5.2 Process of consolidation

The Company prepares the consolidated financial statements based on the financial statements of the Company and its subsidiaries in accordance with other relevant information. The Company compiles the consolidated financial statements and regards the whole enterprise group as an accounting entity. According to the unified accounting policies, it reflects the overall financial status, operating results and cash flow of the group as a whole.

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidated financial statements are in line with the Company. If it is inconsistent with the Company, when the consolidated financial statements are prepared, accounting policy and the accounting period of the subsidiaries shall make the necessary adjustments.

When the financial statements are consolidated, the impact of the internal transactions between the Company and individual subsidiary, among individual subsidiaries on the consolidated balance sheet, consolidated profit statement, consolidated cash flow statement and consolidated shareholders' equity changes are recorded. If the group merges the financial statements from the perspective of the company or subsidiary for the accounting subject of the same transaction is not the same time, from the perspective of the group as a whole to adjust the transaction.

The equity of the subsidiaries, the net profit or loss of the current period and the share of the minority shareholders in the current consolidated income are presented separately under the net profit items and the consolidated income items under the consolidated equity items under the owner's equity items in the consolidated balance sheet. The current loss of the minority shareholders of the subsidiary is more than the balance formed by the minority shareholders' share of the owner's equity at the beginning of the subsidiary, and the minority shareholders' equity is reduced.

For the subsidiaries acquired under common control, the financial statements shall be adjusted on the basis of the carrying amount of the assets and liabilities (including the goodwill formed by the ultimate controlling party's acquisition of the subsidiary) in the final controlling party's financial statements.

For subsidiaries acquired by business combination not under common control, the financial statements shall be adjusted on the basis of the fair value of the identifiable net assets at the acquisition date.

(1) Addition of the subsidiary or business

During the reporting period, if the newly increased subsidiary or business is consolidated under the same control, the beginning balance of the consolidated balance sheet shall be adjusted; the income, expenses and profit of the subsidiary or business

combination from the beginning of the current period to the end of the reporting period shall be included in the consolidated income statement ; the cash flow of the subsidiaries or business combination from the beginning of the current period to the end of the reporting period is included in the consolidated cash flow statement, and the relevant items of the comparative report are adjusted as the subject of the consolidated report has existed since the time when the final controlling party begins to control.

Due to additional investment and other reasons to be under the same control of the investee to implement control, as the parties involved in the merger in the final control of the beginning of control when the current state of existence to adjust. The equity income held prior to the acquisition of the controlling right of the merged party has confirmed the relevant gains and losses between the date of the same control and the date of merger and the merged party and the merged party to the date of merger, and the other comprehensive income. As well as other changes in net assets, respectively, compared with the beginning of the reporting period retained earnings or current profits and losses.

During the reporting period, if the newly increased subsidiary or business is not included in the merger under the same control, the balance sheet shall not be adjusted at the beginning of the consolidated balance sheet; the income, expenses and profits of the subsidiary or business from the date of purchase to the end of the reporting period and the cash flow of the subsidiary or business from the date of purchase to the end of the reporting period is included in the consolidated cash flow statement.

The Company shall be subject to the fair value of the equity interest at the date of purchase, and the fair value of the Company shall be re-measured at the fair value of the acquisition date for the equity interest held by the acquirer held prior to the date of purchase if the investment is controlled under the same control due to additional investment. The difference between the book value is included in the current investment income. Other equity income and other comprehensive benefits related to changes in other owners' equity other than net profit or loss, other comprehensive income and profit distribution, other equity interests in the equity interests held by the acquirer prior to the acquisition date, the change of the equity interest to the current investment income of the acquisition date, except for the other comprehensive income arising from the re-measurement of the net profit or net asset change of the beneficiary plan.

(2) Disposition of the subsidiary or business

1) General handling method

During the reporting period, the Company disposed of its subsidiaries or business, the income, expenses and profits of the subsidiary or business period from the

beginning date till the date of disposal to be included in the consolidated income statement; the cash flow from the beginning date till the date of disposal of the subsidiary or the business to be included in the consolidated cash flow table.

When the disposal of part of the equity investment or other reasons for the loss of control of the investee, the Company in accordance with its loss of control at the fair value of the re-measurement for the disposal of the remaining equity investment. The difference between the fair value of the disposal price and the fair value of the remaining equity shall be calculated by subtracting the difference between the share of the net assets and the sum of the goodwill that the original subsidiary shall continue to calculate from the original date of purchase or the date of merger into the loss of control of the current investment income. Other changes in owners' equity related to other comprehensive income or net profit or loss, other comprehensive income and profit distribution related to the equity investment of the original subsidiaries shall be converted into current investment income when the control is lost since the investee is re-measured except for other consolidated income arising from changes in net liabilities or net assets of the benefit plan.

2) Step-by-step disposal of subsidiaries

Through a number of transactions step by step disposal of equity investment in subsidiaries until the loss of control, the terms, conditions and economic effects of the transactions dealing with the equity investments of the subsidiaries are one or more of the following situations, it is generally stated that multiple transactions should be accounted for as a transaction.

- A. These transactions are made at the same time or in consideration of each other's influence;
- B. The whole of these transactions can reach a complete business results;
- C. The occurrence of a transaction depends on the occurrence of at least one other transaction;
- D. A transaction is uneconomical, but it is economical to consider with other transactions.

The disposal of the equity investment of the subsidiary until the loss of control of the transaction is a package of transactions, the company will deal as a disposal of subsidiaries and loss of control transactions for accounting treatment; However, before the loss of control, the difference between the disposal price and the disposal of the corresponding net assets of the subsidiary occurred each time is recognized as other comprehensive income in the consolidated financial statements and transferred to the loss or loss of control in the current period.

The disposal of the equity investment of the subsidiary until the loss of control of the transaction does not belong to a package of transactions, before the loss of control, treating as without loss of control in the case of part of the disposal of the subsidiary's equity investment accounting policy; whereas treating as loss of control according to the disposal of subsidiaries of the general approach to accounting treatment.

(3) Purchasing minority interest in subsidiaries

The difference between the long-term equity investment acquired by the Company for the acquisition of minority interests and the share of the net assets that the subsidiary will continue to calculate from the date of purchase (or the merger date) shall be adjusted in the consolidated balance sheet of the capital reserve in the capital premium, capital surplus in the capital premium is insufficient to offset, adjust the retained earnings.

(4) Partial disposal of the equity investment of the subsidiary without loss of control

The disposal price of the long-term equity investment in the part of the disposal of the long-term equity investment in the case of no loss of control and the difference between the disposal of the long-term equity investment and the share of the net assets of the subsidiary from the date of purchase or the date of consolidation, adjust the equity premium in the capital reserve in the consolidated balance sheet, and if the share premium in the capital reserve is insufficient to offset, adjust the retained earnings.

4.6 Cash and cash equivalents

When preparing the cash flow statement, the company's cash on hand and deposits that can be used for payment at any time are recognized as cash. The investment that has the four conditions of short term (generally due within three months from the date of purchase), strong liquidity, easy conversion into cash of a known amount, and low risk of value changes will be determined as cash equivalents.

4.7 Foreign currency transactions and foreign currency translation

4.7.1 Foreign currency transactions

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate at the date when the fair value is determined. The resulting exchange difference is recognized as profit or loss for the fair value. In the case of foreign currency non-monetary items available for sale, the resulting exchange difference is included in other comprehensive income.

4.8 Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

4.8.1 Classifications

The management classifies the financial assets and financial liabilities into different categories based on the terms of the contract for the financial instruments issued and the economic nature of the financial instruments disclosed and not only in legal form, but in conjunction with the acquisition of financial assets and financial liabilities. Financial instruments are classified into the following specified categories: financial assets (or financial liabilities) at fair value through profit or loss; available-for-sale financial assets; other financial liabilities.

4.8.2 Recognition and measurement

(1) Financial assets/liabilities 'at fair value through profit or loss' (FVTPL)

Financial assets or financial liabilities at fair value through profit or loss, including transactional financial assets or financial liabilities, and financial assets or financial liabilities that are directly designated as measured at fair value through profit or loss.

A financial asset or liability is classified as held for trading if:

- 1) it has been acquired principally for the purpose of selling it in the near term; or
- 2) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- 3) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset or financial liability other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- 1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 2) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- 3) a mixture of one or more embedded derivatives unless the embedded derivative does not significantly alter the cash flow of the mixing tool or the embedded derivative

should not be removed from the associated mixing tool;

- 4) contains a hybrid tool that requires spin-off but can not be individually measured at the time of acquisition or subsequent balance sheet date.

The Company's financial assets or financial liabilities at fair value through profit or loss are recognized at fair value (net of declared or unpaid cash dividends or interest on bonds that have not yet been received) as the initial confirmation amount, the relevant transaction costs are included in the current profits and losses. The interest or cash dividend that will be obtained during the holding period is recognized as investment income at the end of the period, the fair value change is included in the current profit and loss. At the time of disposal, the difference between the fair value and the initial recorded amount is recognized as investment income, and the fair value gains and losses are adjusted at the same time.

(2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets designated as available for sale at the time of initial recognition and financial assets other than other financial asset classes.

The initial recognition amount of available-for-sale financial assets at the fair value (excluding the cash dividends that have been declared but not yet paid or have been paid but not yet received) and the related transaction costs. Interest earned during the holding period or cash dividend is recognized as investment income. Gains or losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in other comprehensive income, except for impairment losses and exchange differences arising from foreign currency monetary financial assets. When the disposal of available-for-sale financial assets, the difference between the price obtained and the carrying amount of the financial assets shall be recorded into the investment gains and losses. At the same time, the amount of the accumulated amount of the fair value of the other comprehensive income shall be directly transferred , Included in the investment gains and losses.

The Company invests in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, as well as derivative financial assets that are linked to the equity instrument and are settled by delivery of the equity instrument, at cost.

(3) Other financial liabilities

According to its fair value and related transaction costs as the initial confirmation amount. Using amortized cost for subsequent measurement.

4.8.3 Recognition and measurement of financial asset transfer

In the event of a transfer of financial assets, the financial asset is derecognised if almost all of the risks and rewards of ownership of the financial asset are transferred to the transferee; if the risk and remuneration of the financial asset is retained, Terminate the recognition of the financial asset.

In determining whether the transfer of financial assets to meet the above-mentioned conditions for the termination of financial assets, the use of the principle of substance over form. The Company divides the transfer of financial assets into the overall transfer and partial transfer of financial assets. Where the overall transfer of financial assets satisfies the conditions for derecognition, the difference between the following two amounts shall be recorded into the current profits and losses:

- (1) The carrying amount of the transferred financial asset;
- (2) The sum of the fair value changes accumulated in the owner's equity, which relates to the transfer of financial assets to the available-for-sale financial assets.

Where the financial assets are partially transferred to meet the conditions for derecognition, the book value of the transferred financial assets as a whole shall be apportioned between the derecognized portion and the non-derecognised portion at their respective relative fair values and the difference between the following two amounts in profit or loss:

- (1) The book value of the derecognized portion;
- (2) The sum of the consideration for the derecognised portion and the accumulated amount of the fair value change that is directly included in the owner's equity (the case where the transferred financial asset is the available-for-sale financial asset).

If the transfer of financial assets does not meet the conditions for derecognition, the financial asset shall be recognized and the consideration received shall be recognized as a financial liability.

4.8.4 Termination of financial liabilities

If the current obligation of the financial liability has been discharged in whole or in part, the financial liability shall be derecognised or a part thereof; if the Company has an agreement with the creditor to replace the existing financial liability with the new financial liability, the new financial liability and the existing financial liability of the terms of the contract are substantially different, the existing financial liabilities are derecognised and the new financial liabilities are recognized at the same time.

If a substantial change is made to all or part of the terms of the existing financial liability, the existing financial liability or part thereof shall be derecognised and the financial liability after the amendment shall be recognized as a new financial liability.

When the financial liability is terminated in whole or in part, the difference between the

carrying amount of the recognized financial liability and the consideration paid (including the transferred non-cash asset or the new financial liability) is recognized in the current profits and losses.

If the Company repurchases part of the financial liabilities, the book value of the financial liabilities shall be distributed at the repurchase date in accordance with the relative fair value of the continuing recognition and termination confirmation. The difference between the carrying amount assigned to the derecognised portion and the consideration paid (including the transferred non-cash asset or the new financial liability) is recognized in profit or loss for the current period.

4.8.5 Recognition of fair value of financial assets and financial liabilities

The Company adopts financial assets and financial liabilities at fair value to measure the financial assets or financial liabilities of the active market, and the fair value of the active market is determined; the initial acquisition or derivative of financial assets or financial liabilities assumed, the market transaction price as the basis for determining its fair value; there is no active financial assets or financial liabilities, the use of valuation technology to determine its fair value. At the time of valuation, the Company uses valuation techniques that are applicable in the current circumstances and are sufficiently available to support the use of data and other information, and are selected to be consistent with the asset or liability characteristics considered by the market participants in the transactions of the underlying asset or liability and use the relevant observable input values as much as possible. Unacceptable input values are used where the relevant observable input value is not available or is not practicable.

4.8.6 Provision for impairment of financial assets (excluding receivables)

At the balance sheet date, the carrying amount of the financial assets other than the financial assets measured at fair value through profit or loss shall be inspected. If there is objective evidence that the financial asset is impaired, provision for impairment shall be made.

Exclusive evidence of impairment of financial assets, including but not limited to:

- (1) The issuer or the debtor has serious financial difficulties;
- (2) The debtor violates the terms of the contract, such as the payment of interest or principal default or overdue;
- (3) The creditor makes concessions to the debtor who is financially difficult, taking into account economic or legal considerations;
- (4) The debtor is likely to close down or carry out other financial restructuring;
- (5) The financial assets can not be traded in the active market due to significant financial difficulties;
- (6) It is not possible to identify whether the cash flow of an asset in a set of financial assets

has been reduced but the overall assessment of the financial assets based on the published data reveals that the estimated future cash flows of the group's financial assets since the initial recognition have been reduced and measurable, such as the gradual deterioration of the debtor's ability to pay the financial assets of the group, or the increase in the unemployment rate in the country or region where the debtor is located, the price of the collateral in its area is significantly reduced, and the industry downturn;

- (7) Significant adverse changes in the technical, market, economic or legal environment in which the issuer operates, so that the equity instrument investor may not be able to recover the investment cost;
- (8) The fair value of the equity instrument investment has experienced a serious or non-temporary decrease.

The specific impairment of financial assets is as follows,

(1) Impairment of available-for-sale financial assets

The Company assesses the impairment losses on individual available-for-sale financial assets on the balance sheet date, including: the objective evidence that the impairment of available-for-sale equity instruments has occurred, including the seriousness of the fair value of the equity instrument investment or non-temporary fall. If the fair value of the equity instrument is less than 50% (or 50%) or less than the cost of the equity instrument for more than 1 year (including 1 year), the fair value of the equity instrument is less than 1% impairment occurs.

The "cost" of the aforesaid "cost" is deducted from the initial acquisition cost of the available-for-sale equity instrument and the amortized amount has been recognized and the original impairment loss is recognized. The "fair value" is based on the closing price of the stock exchange to determine, unless the sale of equity instruments available for sale period. For the sale of the available-for-sale equity instrument for the period of sale, the market participant shall be determined at the closing price of the stock exchange after deducting the amount of compensation required by the market participant for the risk of not being able to sell the equity instrument in the open market for a specified period.

When the available-for-sale financial assets are impaired, the Company shall transfer the accumulated losses arising from the decrease in the fair value of the other comprehensive income directly from other comprehensive income, if the financial asset is not derecognised. The accumulated loss of the transfer is equal to the initial acquisition cost of the available-for-sale financial asset after deducting the balance between the principal and the amortized amount, the current fair value and the original impairment loss.

For the available-for-sale debt instruments that have been recognized for impairment losses, the fair value has increased in the subsequent accounting period and is objectively related to the event occurring after the recognition of the original impairment loss. The original recognized impairment loss is transferred back to the current period profit and loss; impairment losses on investments in available-for-sale equity instruments are reversed through equity when the value of the equity instrument is reversed. However, impairment charges arising from investments in equity instruments that are not quoted in an active market and whose fair value can not be reliably measured or which are linked to the equity instrument and which are to be settled through the delivery of the equity instrument shall not be reversed.

(2) Impairment of held-to-maturity investments

For held-to-maturity investments, if there is objective evidence that the impairment has occurred, the impairment loss is recognized based on the difference between the carrying amount of the book value and the expected future cash flow. If there is evidence that the value has been recovered, the original recognized impairment loss may be reversed and credited to the current profits and losses, but the carrying amount of the reversal does not exceed the assumption that the financial asset is not included in the provision for impairment.

4.8.7 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other. However, the net amount after offsetting the following conditions is met in the balance sheet:

- (1) The Company has the legal right to offset the recognized amount and that such legal rights are currently enforceable;
- (2) The Company plans to settle the net assets or settle the financial assets at the same time.

4.9 Receivables

4.9.1 Receivables with significant single amount and provision for bad debts individually

Confirmation criteria for receivables with significant single amount and provision for bad debts individually: Accounts receivable at the end of the balance of more than RMB ¥1 million (inclusive), other receivables at the end of the balance of more than RMB ¥500,000.00 (inclusive). The provision for bad debts of receivables with significant single amount is: the impairment test shall be conducted separately, and if the bad debts are incurred, it shall be borne by the government.

4.9.2 Accounts receivable with provision for bad debts according to the combination of credit risk characteristics

- (1) The Basis of Determining the Combination of Credit Risk

For receivables with insignificant amounts, the accounts receivable with insignificant individual amount are divided into several combinations according to the credit risk characteristics, together with the receivables with significant single amount which have not been impaired after the individual test, based on the actual loss rate of the receivables with similar credit risk characteristics in the previous year, the provision for bad debts shall be determined in the light of the current situation.

Determine the basis of the combination:

Name	Method	Basis of the combination
Portfolio 1- Aging analysis	Aging analysis	Based on past historical experience, the Company makes the best estimate of the proportion of accounts receivable. The credit risk combination is classified according to the aging of accounts receivable

(2) Method adopted according to the combination of credit risk characteristics

① Provision for bad debts with aging analysis method

Aging	Accounts receivable provision(%)	Other receivable provision(%)
Within 1 year	0	0
1-2 year	10	10
2-3 year	20	20
3-4 year	30	30
4-5 year	50	50
More than 5 years	100	100

4.9.3 The amount of individual receivables which are not significant but are individually prepared for bad debts

The reason for the provision for bad debts is: there is objective evidence that the Company will not be able to recover the original terms of the receivables.

The provision for bad debts is based on the difference between the present value of the expected future cash flow of accounts receivable and the book value.

4.9.4 Other method of presentation

The Company does not make provision for bad debts with related parties and government departments.

4.10 Inventories

4.10.1 Classifications

Inventory refers to the finished products or commodities that the company holds for sale in daily activities, the products in the production process, the materials and materials consumed in the production process or the process of providing labor services, etc. Mainly include: development costs, development products, inventory of goods, turnover

materials and others.

The development cost refers to the property that has not yet been completed and is for sale purpose. The proposed land is the land purchased and has decided to develop into the land for the finished product development. The developed product refers to the property which has been built and is for sale. When the project is developed as a whole, the land to be developed will be transferred to the development cost. When the project is developed in phases, the development land will be transferred to the development cost. The undeveloped land will remain in the land to be developed.

4.10.2 Measurements

When the inventories are acquired, they are initially measured at cost, including purchase costs, processing costs and other costs. When inventory is sent out, the Company can choose to use the individual identification method or the weighted average method at the end of the month.

4.10.3 Recognition criteria of net realizable value of inventories and provision for impairment of inventories

At the end of the period, the inventories shall be withdrawn or adjusted according to the lower of the cost of inventories and the net realizable value. Finished goods, stocks of goods and materials used for sale, etc., in the normal production and operation process, the estimated price of the inventory minus the estimated sales costs and related taxes after the amount to determine its net realizable value. Need to be processed materials inventory, in the normal production and operation process, to produce the finished product of the estimated price minus the estimated completion of the cost will be incurred, the estimated sales costs and the amount of the relevant taxes and fees to determine its net real value. Need to be processed materials inventory, in the normal production and operation process, to produce the finished product of the estimated price minus the estimated completion of the cost will be incurred, the estimated sales costs and the amount of the relevant taxes and fees to determine its net real value. The net realizable value of inventories held for the purpose of executing a sales contract or a labor contract is calculated on the basis of the contract price. If the quantity of the stock is more than the quantity ordered in the sales contract, the net realizable value of the excess based on the calculation.

The closing balance of inventory is measured at the lower of cost and net realizable value. The provision for diminution in value of inventories is based on the difference between the cost of individual inventories and the net realizable value. The net realizable value is determined by the estimated selling price of the inventory in the day-to-day activities to the estimated costs to be incurred at the time of completion, the estimated selling expenses and the related taxes.

The amount of the impairment loss of the value of the inventory has been lost and the amount of the write-down has been restored and transferred back to the original provision for diminution in value of the inventory, and the amount transferred back to the current profits and losses.

4.10.4 Inventory system

Perpetual inventory system have been adopted.

4.10.5 Amortization method for low value consumables and packaging

- (1) low-value consumables using one-off amortization method;
- (2) packaging using one-off amortization method;
- (3) other turnover materials using one-off amortization method.

4.10.6 Accounting methods for developing land

Pure land development projects, the cost of its own constitute a separate land development costs;

Together with the overall development of the project, the cost can distinguish between the burden of the object, generally according to the actual area of the cost of housing into the real estate.

4.10.7 Method of accounting for public facilities

For public facilities that can not be paid for the transfer: according to the proportion of benefits to determine the standard assigned to the cost of housing;

For those public facilities that can be paid for the transfer of public facilities: the facilities to the project as a cost accounting object, the cost of the collection.

4.10.8 Method of accounting for maintenance fund

According to the relevant provisions of the development project location, the maintenance fund in the development of product sales (pre - sale), to the purchase of the purchase or by the company included in the development of the relevant product development costs, and unified payment of maintenance fund management.

4.10.9 Method of accounting for quality deposit/warranties

The quality deposit shall be reserved from the construction unit according to the construction contract. In the development of product warranty period occurred in the maintenance costs, the quality of deposit reduction; in the development of products agreed upon the expiry of the warranty period, the quality margin balance returned to the construction unit.

4.11 Long-term equity investment

4.11.1 Determination of investment costs

- (1) Accounting treatment methods for business combination under common control and not under common control (see Note 4 / (4)).

(2) Other ways to obtain long-term equity investment

The long-term equity investment obtained by way of cash payment shall be regarded as the initial investment cost according to the purchase price actually paid. Initial investment costs include expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investments.

The long-term equity investment obtained from the issuance of equity securities shall be the initial investment cost in accordance with the fair value of the issuance of equity securities. The transaction costs incurred when the issue or acquisition of its own equity instruments may be directly attributable to the deduction of interest from equity.

The long-term equity investment in the exchange of non-monetary assets shall be determined based on the fair value of the assets transferred out of the non-monetary assets with the commercial substance and the fair value of the assets transferred or the assets transferred out can be reliably measured. Investment costs, unless there is conclusive evidence that the fair value of the assets into the more reliable. Does not meet the above premise of the non-monetary assets exchange to exchange the book value of assets and should pay the relevant taxes and fees into the long-term equity investment in the initial investment costs.

The initial investment cost of the long-term equity investment obtained through debt restructuring is determined on the basis of the fair value.

4.11.2 Subsequent measurement and profit and loss recognition

(1) Cost method

The long-term equity investment that the Company can control the investee shall adopt the cost method and calculate the cost of the long-term equity investment by accruing or withdrawing the investment according to the initial investment cost.

The cash dividends or profits declared by the investee are recognized as current investment income in addition to the cash dividends or profits that have been declared but not yet paid in addition to the actual payment of the price or the consideration.

(2) Equity method

The Company's long-term equity investment in associates and joint ventures is accounted for using the equity method; For the part of the equity investment, through a venture capital firm, a mutual fund, a trust company or an associate of an indirect entity, including the investment insurance fund, is measured at fair value through profit or loss.

The initial investment cost of the long-term equity investment is greater than the difference between the fair value of the identifiable net assets of the investee and the

initial investment cost of the long-term equity investment. The difference between the initial investment cost and the fair value of the identifiable net assets of the investee shall be recorded into the current profits and losses.

After the acquisition of the long-term equity investment by the Company, the investment income and other comprehensive income shall be recognized separately in accordance with the net profit or loss and other comprehensive income realized by the investee or share, and the book value of the long-term equity investment shall be adjusted. The unit value of the long - term equity investment shall be reduced by the corresponding part of the profit or cash dividend declared by the investment unit; The book value of the long-term equity investment shall be adjusted and recorded into the owner's equity for other changes in the owner's equity other than the net profit or loss, other comprehensive income and profit distribution of the investee.

The Company shall, after confirming the share of the net profit or loss of the investee, adjust the net profit of the investee after confirming the net profit of the investee based on the fair value of the identifiable assets of the investee. The gains and losses of the unrealized internal transactions between the Company and the associates and the joint ventures shall be offset against the part attributable to the Company in proportion to the share of the Company.

The Company confirms that the losses incurred by the investee shall be shared in the following order: First, the book value of long-term equity investment is offset. Second, the carrying amount of the long-term equity investment is not sufficient to offset, and the book value of the long-term equity of the investee is calculated as the book value of the long-term equity of the investee. Finally, after the above treatment, in accordance with the investment contract or agreement agreed that the enterprise still bear additional obligations, according to the expected obligations to confirm the estimated liabilities, included in the current investment losses.

If the investee is profitable in the later period, the Company shall, after deducting the unrecognized loss share, handle the book balance in the reverse order of the above and reduce the carrying amount of the recognized liabilities and restore any other net investment in the investee long-term equity and long-term equity investment, the resumption of recognition of investment income.

4.11.3 Conversion of long-term equity investment accounting method

(1) Fair value measurement to equity method

The equity investment held by the Company in respect of the recognition and measurement of financial instruments, which is not subject to control, joint control or significant influence to the investee, due to additional investment and other reasons to

the investment unit can exert significant influence or the implementation of joint control but does not constitute control, the initial investment cost of the original equity investment and the initial investment cost calculated by the change of equity method according to the fair value of the original equity investment and the new investment cost as determined by Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

The original equity investment is classified as available-for-sale financial assets, the difference between the fair value and the book value, and the accumulated fair value change recorded in the other comprehensive income shall be transferred to the current profits and losses accounted for under the equity method.

The initial investment cost calculated by the equity method is less than the difference between the fair value of the investee and the identifiable net assets of the investee, which is determined by the new shareholding proportion after the additional investment, and adjust the carrying amount of the long-term equity investment, and included in the current non-operating income.

(2) Fair value measurement or equity method accounting to cost method

The equity investment held by the Company in respect of the recognition and measurement of financial instruments, which is not subject to control, joint control or significant influence to the investee, or the original holding of long-term equity investment in associates and joint ventures, due to additional investment and other reasons to the same control under the control of the investee units, in the preparation of individual financial statements, in accordance with the original book value of equity investment plus the sum of the new investment costs, as a change to the cost of accounting method of initial investment costs.

The other comprehensive income recognized by the equity method prior to the date of purchase shall be treated on the basis of the same basis as the investee's direct disposal of the relevant assets or liabilities.

The equity investment held prior to the acquisition date is subject to the accounting treatment in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The accumulated fair value change recorded in other comprehensive income is subject to change in the cost method Transferred to the current profits and losses.

(3) Equity method accounting to fair value measurement

If the Company has lost the joint control or significant influence on the investee unit due to the disposal of part of the equity investment and other reasons, the remaining shareholding after disposal shall be reduced according to Accounting Standard for

Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The difference between the fair value and the book value of the date of joint control or significant influence shall be recorded into the current profits and losses.

The other comprehensive income recognized by the equity method for the original equity investment is accounted for using the same basis as the investee's direct disposal of the relevant assets or liabilities at the time of termination of the equity method.

(4) Cost method accounting to equity method

The Company has lost control of the investee unit due to the disposal of part of the equity investment and other reasons, in the preparation of individual financial statements, the remaining shares after the disposal of the investee to implement joint control or exert a significant impact, according to the equity method of accounting, and the remaining equity as self-obtained by the use of equity method to adjust.

(5) Cost method accounting to fair value measurement

The Company has lost control of the investee due to the disposal of part of the equity investment. When the individual financial statements are prepared, the residual equity after the disposal cannot be jointly controlled or exerted a significant influence on the investee, the difference between the fair value and the book value at the date of loss of control shall be recorded into the current profits and losses in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

4.11.4 Disposal of long-term equity investment

The difference between the carrying amount of the long-term equity investment and the actual acquisition price shall be recorded into the current profits and losses when disposing long-term equity investment. The long-term equity investment accounted for using the equity method shall be accounted for using the same basis as the investee's direct disposal of the relevant assets or liabilities at the time of disposal of the investment. The terms, conditions and economic effects of the transactions to deal with the equity investment of the subsidiary are one or more of the following circumstances, accounting for the transaction as a package transaction:

- (1) these transactions are made at the same time or in the case of mutual influence;
- (2) the whole of these transactions in order to achieve a complete business results;
- (3) the occurrence of a transaction depends on the occurrence of at least one other transaction;
- (4) a transaction is uneconomical, but it is economic when it is considered in conjunction with other transactions.

Due to the disposal of part of the equity investment or other reasons for the loss of the original subsidiary of the control, not a package of transactions, to distinguish between individual financial statements and consolidated financial statements related to accounting treatment:

- (1) In the individual financial statements, the difference between the carrying amount and the actual acquisition price for the disposal of the equity is included in the current profits and losses. After the disposal of the remaining equity to the joint venture to implement joint control or exert significant influence, according to the equity method of accounting, and the remaining shares as the acquisition of the equity method is used to adjust. After the disposal of the remaining equity can not be jointly controlled or exerted significant influence on the investee, it shall be subject to accounting treatment in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The difference between fair value and book value is recognized in profit or loss for the current period.
- (2) In the consolidated financial statements, the difference between the disposal price and the disposal of the long-term equity investment in respect of the transactions prior to the loss of control of the subsidiary to the share of the net assets held by the subsidiary from the date of purchase or the date of consolidation, adjust the capital reserve (share premium), the capital reserve is insufficient to offset, adjust the retained earnings. In the event of loss of control of the subsidiary, the remaining equity is re-measured at its fair value at the date of loss of control. The difference between the consideration obtained from the disposal of the equity and the fair value of the remaining equity shall be calculated as the difference between the share of the net assets that the original subsidiary shall continue to calculate from the original purchase date in the proportion of the original shareholding, taking into account the loss of control investment income, while offsetting goodwill. And other comprehensive income related to the original subsidiary equity investment, etc., in the loss of control into the current investment income.

The disposal of the equity investment of the subsidiary until the loss of control of the transaction is a package of transactions, the transaction as a disposal of subsidiaries of the equity investment and loss of control transactions for accounting treatment, distinguishing between individual financial statements and consolidated financial statements for accounting treatment:

- (1) In the individual financial statements, the difference between the disposal price and the book value of the long-term equity investment corresponding to the disposal of

the equity before the loss of control is recognized as other comprehensive income and, when the loss of control is transferred into profit and loss.

- (2) In the consolidated financial statements, the difference between the disposal price and the share of the net assets of the subsidiary corresponding to the disposal of the investment before the loss of control is recognized as other comprehensive income and the loss of control is transferred to the loss or loss of control.

4.11.5 Judgment criteria for common control and significant impact

If the Company makes a decision on the activities that have a significant impact on the arrangement's return with the other parties in accordance with the relevant agreement and need to be agreed upon by the participant who has shared the control, it shall be deemed that the Company and the other parties jointly control an arrangement which is a joint venture arrangement.

If the joint venture is negotiated by a separate entity and the Company has the right to judge the net assets of the individual entity in accordance with the relevant agreement, the individual entity shall be deemed to be a joint venture and be accounted for using the equity method. If the Company determines that the Company is not entitled to the net assets of the individual entity in accordance with the relevant stipulations, the individual entity shall, as a co-operation, confirm the items related to the share of common interests and perform accounting treatment in accordance with the relevant accounting standards.

Significant influence refers to the right of the investor to participate in the decision-making of the financial and operating policies of the investee, but it can not control or jointly control the formulation of these policies with other parties. The Company has a material impact on the investee after the adoption of one or more of the following circumstances and taking into account all the facts and circumstances.

- (1) To be represented in the board of directors or similar authority of the investee;
- (2) Participate in the financial and business policy development process of the investee;
- (3) And important transactions occurred between the investor and the investee;
- (4) Send management personnel to the investee;
- (5) Provide key technical information to the investee.

4.12 Investment real estate

Investment real estate refers to the real estate used to earn rent or capital appreciation, or both, including land use rights that have been leased, land use rights held and prepared for value-added transfer, and rented buildings.

The Company's investment real estate is based on its cost as the recorded value. The cost of the purchased investment real estate includes the purchase price, the relevant taxes and other expenses that can be directly attributable to the asset; The cost of building an investment real

estate by itself is made up of the necessary expenses incurred before the construction of the asset reaches its intended usable condition.

The Company adopts the cost model to carry on the subsequent measurement to the investment real estate and depreciate or amortize the building and the land use right according to its expected service life and net residual value. Rental buildings and land use rights are amortized over the estimated useful lives using the straight-line method. If the building is expected to last for more than 40 years, it will be amortized by 20-40 years. And if the land use right is expected to last for more than 50 years, it will be amortized over 50 years.

The estimated useful lives, net residual value and annual depreciation (amortization) rate of investment real estate are as follows:

Category	Useful lives (year)	Estimated residual value ratio (%)	Annual Dep'n/Amortisation reatio (%)
Land use right	50	3%-5%	1.90%-1.94%
Buildings	20-40	3%-5%	2.38%-4.85%

When the use of investment real estate is changed to its own use, the Company converts the investment real estate into fixed assets or intangible assets from the date of change. When the use of real estate is changed to earn rent or capital appreciation, the Company converts fixed assets or intangible assets into investment real estate from the date of change. When the conversion occurs, the book value before the conversion is converted into the recorded value.

When the investment real estate is disposed of, or permanently withdrawn from use and is expected to be unable to obtain economic benefits from its disposal, the recognition of the investment real estate. The amount of income from disposal, transfer, disposal or disposal of investment real estate after deducting its book value and related taxes is recognized in profit or loss for the current period.

4.13 Fixed assets

4.13.1 Recognition criteria

Fixed assets are tangible assets held for the purpose of producing goods, providing services, leasing or operating management and having a useful life of more than one fiscal year. Fixed assets are recognized when the following conditions are met:

- (1) The economic benefits associated with the fixed assets are likely to flow into the enterprise;
- (2) The cost of the fixed asset can be measured reliably.

4.13.2 Initial measurement

The fixed assets of the Company are initially measured at cost. Among them, the cost of purchased fixed assets, including the purchase price, import duties and other related taxes

and fees, and in order to make fixed assets reach the intended use of the state can be directly attributable to the other assets of the expenditure. The cost of self-construction of fixed assets consists of the necessary expenses incurred before the construction of the asset reaches its intended usable condition. The fixed assets invested by the investors shall be recorded at the value stipulated in the investment contract or agreement, but the value agreed in the contract or agreement shall be recorded at fair value. The purchase price of fixed assets exceeds the normal credit terms for deferred payment, which is essentially financially owned. The cost of fixed assets is determined on the basis of the present value of the purchase price. The difference between the actual payment price and the present value of the purchase price shall be recorded into the current profits and losses in the credit period, except for capitalization.

4.13.3 Subsequent measurement and disposal of fixed assets

(1) Depreciation

Depreciation of fixed assets is accrued in the estimated useful life after subtracting the estimated residual value from its recorded value. In the case of fixed assets with provision for impairment, the carrying amount shall be determined after deducting the impairment provision and the depreciation amount shall be determined according to the useful life.

According to the nature and use of fixed assets, the Company determines the useful life and estimated net residual value of fixed assets. And at the end of the year, the use of fixed assets, estimated residual value and depreciation methods for review, such as the original estimates with the difference, the corresponding adjustments.

Depreciation method, depreciation period and annual depreciation rate of various types of fixed assets are as follows:

Category	Dep'n method	Useful lives (year)	Residual value ratio (%)	Annual Dep'n ratio (%)
Buildings	Straight-line method	20-40	5	2.375-4.75
Machinery equipment	Straight-line method	10	5	9.5
Electronic equipment	Straight-line method	3-5	3-5	19.00-32.33
Transportation equipment	Straight-line method	5	5	19.00
Others	Straight-line method	3-5	3-5	19.00-32.33

Note: For fixed assets such as infrastructures authorized for management, depreciation is not included, and the follow-up expenses are updated and maintained by financial disbursement.

(2) Follow-up expenditure on fixed assets

Subsequent expenses related to fixed assets, which meet the conditions for recognition of fixed assets, are included in the cost of fixed assets; if they do not meet

the conditions for recognition of fixed assets, they shall be included in the current profits and losses when incurred.

(3) Disposal of fixed assets

The fixed asset is terminated when the fixed asset is disposed of or is expected to generate economic benefits by use or disposal. The amount of disposal income of the fixed assets sold, transferred, scrapped or destroyed after deducting its book value and related taxes is recognized in profit or loss for the current period.

4.13.4 Basis of valuation, valuation and depreciation of fixed assets

When the fixed assets leased by the Company meet one or more of the following criteria, it is recognized as a fixed asset for financing:

- (1) At the end of the lease term, the ownership of the leased asset is transferred to the Company;
- (2) The Company has the option to purchase the leased asset, and the purchase price is expected to be much lower than the fair value of the leased asset when exercising the option. Therefore, it is reasonable to determine that the Company will exercise this option at the beginning of the lease;
- (3) Even if the ownership of the asset is not transferred, the lease term accounts for the majority of the useful life of the leased asset;
- (4) The present value of the minimum lease payments of the Company at the beginning of the lease is almost equivalent to the fair value of the leased assets at the beginning of the lease;
- (5) Leasing assets of a special nature, if not for a major transformation, only the company can use.

The minimum value of the fixed assets leased under finance leases is the lower of the fair value of the leased asset and the present value of the minimum lease payment as the recorded value. The minimum lease payments are recorded as long-term payables, and the difference is recognized as unrecognized financing costs. The initial direct costs incurred in the process of leasing negotiations and signing of the lease contract, such as fees, attorneys' fees, travel expenses and stamp duty attributable to the leasing project, are included in the value of the leased asset. Unrecognized financing costs are apportioned using the effective interest method during each period of the lease term.

The Company adopts the depreciation policy consistent with its own fixed assets to recoup the depreciation of fixed assets. If it is possible to reasonably determine the ownership of the leased asset at the end of the lease term, the depreciation shall be made within the useful life of the leased asset. If it is not possible to reasonably determine the ownership of the leased asset at the end of the lease term, depreciation shall be made

within a shorter period between the lease term and the useful life of the leased asset.

4.14 Construction in progress

4.14.1 Classifications

The actual construction cost of the construction in progress is determined by the actual expenses incurred before the construction of the asset reaches the intended usable condition, including the cost of engineering materials, labor costs and relevant taxes payable, capitalized borrowing costs and indirect costs that should be apportioned. The Company's construction in progress is classified by project classification.

4.14.2 Recognition criteria and timing of transferring to fixed assets

The total expenditure incurred before the construction project is constructed to reach the intended usable condition shall be recorded as the value of the fixed assets. If the construction in progress has been made to the intended use status but has not yet completed the final accounts, the project will be transferred to the fixed assets according to the estimated value according to the project budget, the cost or the actual cost of the project, and depreciation of fixed assets shall be made according to the depreciation policy of fixed assets of the Company. After the completion of the final accounts, the original estimated value shall be adjusted according to the actual cost, but the original depreciation amount shall not be adjusted.

4.15 Borrowing costs

4.15.1 Recognition criteria of capitalization of borrowing costs

The borrowing costs incurred by the Company can be directly attributable to the acquisition, construction or production of assets eligible for capitalization, and capitalized under the conditions of capitalization and included in the cost of the relevant assets. Other borrowing costs, at the time of occurrence, are recognized as expenses based on their occurrence and are recognized in profit or loss for the current period.

Assets that meet the capitalization conditions are assets that require a long period of purchase or construction or production activities to achieve fixed assets, investment real estate and inventory that are intended to be available or sold.

Borrowing costs begin to capitalize when the following conditions are met:

- (1) Assets expenditure has occurred, including expenditure incurred in the form of cash, transfer of non-cash assets or interest-bearing debt for the acquisition or construction of assets eligible for capitalization;
- (2) Borrowing costs have already occurred;
- (3) The purchase and construction or production activities necessary for the asset to reach the intended use or saleable status.

4.15.2 Capitalization period

During the period of capitalization, the period during which the borrowing costs are suspended from capitalization is not included during the period from the point of time when the borrowing costs are capitalized to the point where the capitalization is stopped.

The borrowing costs shall cease to be capitalized when the assets acquired or produced meet the conditions for capitalization are ready for use or sold.

When part of the assets purchased or produced in accordance with the capitalization conditions are completed and can be used alone, the part of the asset borrowing costs to stop capitalization.

The parts of the assets purchased or produced are completed separately, but must wait until the whole is completed or can be sold abroad. The capitalization of the borrowing costs shall be stopped when the asset is completed as a whole.

4.15.3 Suspension of capitalization period

If the assets that meet the capitalization conditions are interrupted abnormally during the construction or production process and the interruption time lasts for more than 3 months, the borrowing costs shall be suspended. The borrowing costs continue to be capitalized if the assets purchased or produced in accordance with the capitalization conditions are required to achieve the intended use or the state of sale. The borrowing costs incurred during the interruption are recognized as profit or loss for the current period and the borrowing costs continue to be capitalized until the asset is purchased or the activity is resumed.

4.15.4 Accounting method of capitalization amount of borrowing costs

Interest expense on borrowings (excluding interest income from borrowed funds that have not yet been used by banks or investment income from temporary investments) and ancillary costs Assets that are eligible for capitalization of the assets acquired or produced or can be sold before the state, to be capitalized.

The amount of interest that should be capitalized by the general borrowings is calculated based on the weighted average of the asset expenditure over the portion of the accumulated borrowing multiplied by the capitalization of the general borrowing. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

If there is a discount or premium in the borrower, the discount or premium amount that should be amortized for each accounting period shall be determined according to the effective interest rate method.

4.16 Intangible assets

Intangible assets are identifiable non-monetary assets, including land use rights, and software,

which are owned or controlled by the Company without physical form.

4.16.1 Initial measurement of intangible assets

The cost of outsourcing intangible assets, including purchase price, related taxes and other expenses directly attributable to the asset to the intended use. The purchase price of intangible assets exceeds the normal credit terms deferred payment, in essence, the nature of the financing, the cost of intangible assets to determine the value of the purchase price. The difference between the carrying amount of the reorganized debt and the fair value of the intangible asset used for the debt shall be recognized in the current period based on the fair value of the intangible asset, profit and loss.

In the non-monetary assets exchange with commercial substance and into the assets or the assets of the fair value can be reliably measured under the premise, the intangible assets exchanged for non-monetary assets are determined based on the fair value of the assets surrendered unless there is conclusive evidence that the fair value of the transferred assets is more reliable. Does not meet the above premise of the non-monetary assets exchange to exchange the book value of assets and should pay the relevant taxes and fees into the cost of intangible assets, not recognized gains and losses.

The intangible assets acquired by the merger and acquisition under the same control shall be determined according to the book value of the merged party. The intangible assets acquired by the enterprise under the same control shall be determined according to the fair value.

Internal costs of intangible assets, including: the consumption of materials used in the development of the intangible assets, labor costs, registration fees, other patents and concessions used in the development process and the interest rate to meet the capitalization conditions and other direct costs incurred prior to the intended use of the intangible asset.

4.16.2 Subsequent measurement of intangible assets

When the Company obtains intangible assets, it analyzes the service life of the intangible assets and divides it into intangible assets with limited service life and uncertain service life.

(1) Intangible assets with limited useful life

For intangible assets with limited useful life, it is amortized on a straight-line basis over the term of economic benefits for the enterprise. The estimated life expectancy of intangible assets with limited useful life is as follows:

Item	Useful lives (year)	Basis of estimation
Software	10	Determined by the update of software
Land use right	50	Determined by the land use right certificate

At the end of each period, the service life and amortization method of intangible assets with limited service life shall be reviewed. If there is any difference from the original estimate, the corresponding adjustment shall be made.

The useful life and amortization method of intangible assets at the end of the period is not different from the previous estimate.

(2) Intangible assets with uncertain useful life

It is not foreseeable that intangible assets bring economic benefits to the enterprise and are regarded as intangible assets with uncertain service life. For intangible assets with uncertain service life, it is not amortized during the holding period, and the life of intangible assets is reviewed at the end of each period. If the end of the re-review is still uncertain, in each accounting period to continue the impairment test.

4.17 Long-term asset impairment

At the balance sheet date, the Company determines whether there is any indication that long-term assets are likely to be impaired. If there is evidence of impairment of long-term assets, the recoverable amount is estimated on the basis of individual assets. Where it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the asset belongs.

The estimate of the recoverable amount of the asset is determined by the higher of the net amount of the fair value less the disposal expenses and the present value of the expected future cash flow of the asset.

If the recoverable amount of the long-term assets is lower than its book value, the carrying amount of the long-term assets shall be reduced to the recoverable amount, and the amount of the write-down shall be recognized as impairment loss of the assets, at the same time, the provision for impairment of assets is made. Once the asset impairment loss is confirmed, it shall not be reversed in the subsequent accounting period.

After the asset impairment loss is recognized, the depreciation or amortization expenses of the impairment asset are adjusted accordingly in the future period so that the asset is systematically assessed the book value of the adjusted assets (net of the estimated net residual value) within the remaining useful life.

4.18 Employee benefits

Employee benefits refer to the various forms of remuneration or compensation given by the Company to obtain the services provided by the employees or to terminate the labor relationship. Employee benefits include short-term remuneration, after-service benefits, dismissal benefits and other long-term employee benefits.

4.18.1 Short-term remuneration

Short-term remuneration refers to the remuneration of employees who are required to be

paid in the twelve months after the end of the annual report period for employees to provide related services, except for after-service benefits and dismissal benefits. In the accounting period in which the employees provide services, the Company recognizes the short-term salary payable as liabilities and takes into account the cost and expenses of the relevant assets according to the beneficiaries of the services provided by the employees.

4.18.2 After-service benefits

After-service benefits refer to the various forms of remuneration and benefits, short-term remuneration and dismissal benefits provided by the Company in connection with the services provided by the Company to retire after retirement or with the enterprise. The Company's after-service benefit plan is classified as set-up plan and set benefit plan.

After the separation of benefits set to raise the plan mainly to participate in labor and social security agencies organized by the implementation of the basic social pension insurance, unemployment insurance. In the accounting period in which the employee provides services for the Company, the amount due shall be recognized as the liability based on the deposit and withdrawal plan, and shall be included in the current profit or loss or related asset cost.

After the Company has paid the above-mentioned funds on a regular basis in accordance with the standards and annuity plans stipulated by the State, there is no other payment obligation.

4.18.3 Dismissal benefits

The dismissal benefit means that the Company relieves the employee's labor relationship before the employee's labor contract expires or compensates the employee for encouraging the employee to voluntarily accept the reduction, in the event that the Company can not unilaterally withdraw the termination of the labor relations plan or the reduction proposal and confirm the costs associated with the reorganization involving the payment of the dismissal benefits, as soon as possible, to recognize the liabilities arising from the discharge of compensation for the labor relationship with the employee, which included in the current profits and losses.

4.19 Preferred shares, permanent debts and other financial instruments

In accordance with the provisions of the Financial Instruments Standards, the Company shall, in accordance with the terms of the contractual instruments of the issued financial instruments such as preferred shares and perpetual debts and the economic nature of the financial instruments, rather than the legal form or the definition of financial liabilities and equity instruments. The financial instrument or its components are classified as financial liabilities or equity instruments at the time of initial recognition.

4.19.1 Meet one of the following conditions, the financial instruments will be classified as

financial liabilities

- (1) The obligation to pay cash or other financial assets to other parties;
- (2) In the potential adverse conditions, with other parties to exchange financial assets or financial liabilities of the contractual obligations;
- (3) A non-derivative contract to be settled in the future using the enterprise's own equity instrument and the enterprise will deliver a variable number of its own equity instruments under the contract;
- (4) In the future, a derivative contract for the settlement of a fixed amount of cash or other financial assets with a fixed number of own equity instruments is required, except in the case of a derivative contract.

4.19.2 At the same time meet the following conditions, the financial instruments will be classified as equity instruments

- (1) The financial instrument does not include the obligation to deliver cash or other financial assets to other parties or to exchange financial assets or financial liabilities with other parties under potential adverse conditions;
- (2) The financial obligations of the financial instrument as a non-derivative instrument, not including the delivery of a variable quantity of its own equity instruments, shall be settled in future use or available to the enterprise's own equity instrument; As a derivative instrument, an enterprise can only settle the financial instrument by exchanging a fixed amount of cash or other financial assets with a fixed number of its own equity instruments.

4.19.3 Accounting treatment

For the financial instruments classified as equity instruments, the interest expense or dividend distribution shall be used as the distribution of profits of the issuing enterprise, and the repurchase and cancellation of the transaction shall be deducted from the equity as the transaction of the change of the equity, the handling fee and the commission.

For financial instruments classified as financial liabilities, their interest expense or dividend distribution is, in principle, treated in accordance with the borrowing costs, and the proceeds or losses arising from repurchase or redemption shall be included in the initial measurement of the current profits and losses, fees, commissions and other transaction costs included in the issued instruments.

4.20 Revenue

4.20.1 Specific judging standards for the timing of revenue recognition

- (1) The Company has transferred the major risks and rewards of the ownership of the goods to the purchaser;
- (2) The company neither retains the continuing management rights associated with

ownership, nor does it have effective control over the goods that have been sold;

- (3) The amount of income can be measured reliably;
- (4) The relevant economic benefits are likely to flow into the enterprise;
- (5) Related to the cost of occurrence or will be able to reliably measured, to confirm the realization of sales of goods.

Where the contract or agreement price is collected in a deferred manner and is substantially of a financing nature, the amount of the sales proceeds shall be determined at the fair value of the contract or agreement price receivable.

4.20.2 Confirming the basis for the transfer of the right to use the asset

The economic benefits associated with the transaction are likely to flow into the enterprise, the amount of income can be measured reliably, according to the following different circumstances to determine the amount of the right to use the transfer of assets:

- (1) The amount of interest income shall be calculated according to the time and actual interest rate of the enterprise's monetary funds;
- (2) The amount of royalties used shall be calculated and determined according to the time and method stipulated in the relevant contract or agreement.

4.20.3 Recognition criteria for the revenue of service providing

If the results of the labor service transaction can be reliably estimated at the balance sheet date, the income percentage shall be recognized by the percentage of completion method. The progress of the completion of the labor service transaction is determined based on the measurement of the completed work.

The result of providing a labor service transaction can be reliably estimated to mean that the following conditions are met:

- (1) The amount of income can be measured reliably;
- (2) The relevant economic benefits are likely to flow into the enterprise;
- (3) The completion of the transaction can be reliably determined;
- (4) The costs incurred and incurred in the transaction can be measured reliably.

The total amount of labor services provided shall be determined in accordance with the price of the contract or agreement received or receivable, except that the price of the contract or agreement receivable or receivable is unfair. At the balance sheet date, the total amount of labor income is determined by the completion schedule after deducting the amount of accumulated income from the previous accounting period, confirm the amount of labor income. At the same time, in accordance with the estimated total cost of labor services determined by the completion of the progress, after deducting the previous accounting period has been confirmed the amount of labor costs, carry forward the current labor costs.

If the results of the labor service transaction can not be reliably estimated at the balance sheet date, the following cases shall be dealt with separately:

- (1) If the cost of labor services incurred is expected to be compensated, the income of labor services shall be recognized in accordance with the amount of labor costs incurred and the labor costs shall be carried forward at the same amount.
- (2) If the labor costs incurred are not expected to be compensated, the cost of labor services incurred shall be recorded into the current profits and losses, and the income from providing labor services shall not be confirmed.

When the company contracts or agreements with other enterprises, including the sale of goods and the provision of labor services, part of the sale of goods and the provision of labor services can distinguish and can be measured separately, part of the sale of goods as a sales of goods processing, will provide services as part of the provision of labor services. The sale of goods and the provision of labor services cannot be part of the distinction, but can distinguish but can not be measured separately, the sales of goods and the provision of labor services as part of the sale of all goods.

The company's income types include land transfer, goods sales, housing sales, leasing, construction management fees and other income. For the land transfer, according to the land ownership transfer point of time to confirm the income; Sales of goods to receive the other goods when the receipt of goods to confirm the income; Housing sales income in the signing of an irreversible sales contract, the property contract with the agreed terms of delivery, made the buyer agreed to pay the real estate sales agreement to confirm the sales revenue to achieve, whereas housing rental income in accordance with the contract agreed to confirm the income during the lease period, the park for the financial platform rental income under the contract agreed to confirm the income; For the construction side management fees, according to the contract to confirm revenue.

4.21 Government subsidy

4.21.1 Categories

Government subsidy is the monetary assets and non-monetary assets obtained by the Company from the government free of charge, but does not include the capital invested by the government as the owner of the enterprise. According to the relevant government documents provided by the subsidy object, the government subsidies are divided into asset-related government subsidies and income-related government subsidies.

Asset-related government subsidies are government grants obtained by the Company for the acquisition, construction or otherwise formation of long-term assets. Revenue-related government grants refer to government grants other than government-related government subsidies.

4.21.2 Recognition criteria

If there is evidence at the end of the period that the company can meet the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds, the government subsidy shall be recognized according to the amount receivable. In addition, government grants are recognized when they are actually received.

If the government subsidy is monetary assets, it shall be measured according to the amount received or receivable. Where the government subsidy is a non - monetary asset, it shall be measured at the fair value. If the fair value can not be reliably obtained, it is measured at the nominal amount (RMB ¥ 1.00). Government grants measured in nominal terms are directly included in the current profits and losses.

4.21.3 Accounting treatment

The government subsidies related to the assets are recognized as deferred income and are included in the non-operating income according to the period of use of the assets used or purchased;

Revenue related government subsidies are used to compensate the relevant expenses or losses which will be incurred in the subsequent period of the enterprise and are recognized as deferred income and are included in current profits and losses during the period when the relevant expenses are recognized. Used to compensate for the relevant costs or losses which have already incurred by the enterprise, and are directly included in current profits and losses.

Government subsidies related to daily activities of the enterprise are included in other benefits; whereas those subsidies which unrelated to daily activities of the enterprise are included in non-operating income/expenses.

When the recognized government subsidy needs to be returned:

- If the initial confirmation of the government subsidy reduces the book value of the underlying asset, the book value of the asset needs to be adjusted subsequently;
- If there is a balance of deferred income in the approved government subsidy, the book balance of the relevant deferred income is reduced, and the excess part is included in the current profit and loss;
- If there is no relevant deferred income of the recognized government subsidy, it is directly included in the current profits and losses.

4.22 Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are recognized based on the difference between the taxable basis of assets and liabilities and their book value (temporary difference). On the balance sheet date, deferred income tax assets and deferred income tax

liabilities are measured using the tax rates that are expected to recover the asset or settle the liability.

4.22.1 Recognition criteria of deferred income tax assets

The Company is likely to obtain the amount of taxable income that is used to offset deductible temporary differences and be able to carry forward the deductible losses and tax credits for subsequent years, and confirm that the deductible temporary differences as deferred tax assets. However, deferred income tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics are not recognized:

- (1) The deal is not a business combination;
- (2) The transaction does not affect the accounting profit nor the taxable income or deductible loss.

For deductible temporary differences related to the investment of associates, the following deferred income tax assets are recognized when the following conditions are met:

Temporary differences are likely to turn back in the foreseeable future, and it is likely that future taxable income will be used to offset deductible temporary differences.

4.22.2 Recognition criteria of deferred income tax liabilities

The Company shall recognize the taxable temporary difference between the current and the previous period as deferred income tax liabilities. But does not include the following:

- (1) The temporary difference between the initial recognition of goodwill;
- (2) Non-business combination of the formation of transactions or matters, and the transaction or event does not affect the accounting profit, nor does it affect the taxable income (or deductible loss) formed by the temporary differences;
- (3) For temporary differences in taxes payable to subsidiaries, associates, the timing of the temporary discrepancy can be controlled and the temporary difference is likely to not be reversed in the foreseeable future.

4.22.3 When the following conditions are met, the deferred income tax assets and deferred income tax liabilities are presented at the net amount after offset.

- (1) The enterprise has the legal right to settle the current income tax assets and the current income tax liabilities on a net basis;
- (2) Deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection and management department on the same taxpayer or related to different taxpayers. However, in the future of each of the important deferred income tax assets and deferred income tax liabilities back to the period, the main body of the taxpayer concerned shall settle the current income tax assets and the current income tax liabilities at the same time or collect the assets at

the same time and settle the debts.

4.23 Leasing

If the lease term transfers substantially all of the risks and rewards associated with the ownership of the leased asset to the lessee, the lease is a finance lease and the other lease is an operating lease.

4.23.1 Operating lease accounting treatment

- (1) The leases paid by the Company for leasing of assets are assessed on a straight-line basis over the entire lease term without deducting the rent-free period and are charged to the current expenses. The initial direct costs incurred by the Company in connection with the leasing transaction are charged to current expenses.

When the lessor of the asset undertakes the expenses associated with the lease to be borne by the company, the Company deducts the part of the total amount from the total amount of the rent, and the rental expenses after deduction are apportioned during the lease term and included in the current expenses.

- (2) The leasing fees charged by the Company's leased assets shall be assessed on a straight-line basis over the entire lease term without deducting the rent-free period and recognized as rental income. The initial direct costs associated with the lease transaction paid by the Company are charged to the current expenses; and if the amount is large, it is capitalized and is included in the current income during the whole lease period in the same basic period as the lease income is recognized.

When the Company undertakes the expenses associated with the lease payable by the lessee, the Company deducts the part of the total amount from the total rental income and is deducted after the deducted rental fee.

4.23.2 Financial lease accounting treatment

- (1) Financial leases: The Company shall take the lower of the fair value of the leased asset and the present value of the minimum lease payment as the recorded value of the leased asset at the beginning date of the lease, the minimum lease payments as the long-term payables recorded value, the difference as unrecognized financing costs.

The Company adopts the effective interest method to amortize the unrecognized financing expenses and be included in the financial expenses during the asset lease period.

- (2) Financing assets: On the lease start date, the Company recognizes the difference between the sum of the financial leases and the unguaranteed residual value and its present value as unrealized financing income, the initial direct costs incurred by the Company in connection with the leasing transaction shall be included in the initial measurement of the finance lease and the amount recognized in the lease term shall

be recognized in the future period.

4.24 Significant changes in accounting policies and accounting estimates

4.24.1 Significant changes in accounting policies

During the reporting period, no significant changes occurred in accounting policies.

4.24.2 Significant changes in accounting estimates

During the reporting period, no significant changes occurred in accounting estimates.

5. TAXES

5.1 Main taxes and tax rates

Category	Tax Base	Tax Ratio %
VAT	Sales of goods, taxable services income and taxable services income, intangible assets or real estate	5%,6%,11%,13%,9%
Urban maintenance and construction tax	Payable turnover tax	7%
Education surtax	Payable turnover tax	5%
Enterprise income tax	Taxable income	25%
Property tax	According to 70% of the original value of the property (or rental income) for the tax base	1.2%/12%
Land holding tax	Land area	4-12 RMB Yuan/ Per Square Meter

Description of income tax rates for different taxpayers:

Name of taxpayer	Income tax rate %
Huaxin Pharmaceutical (Hong Kong) Co., Limited 华信药业(香港)有限公司	16.5%

6. NOTES TO MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB except for explicit annotations)

6.1 Cash and bank balance

Item	30/06/2020	01/01/2020
Cash on hand	8,660.58	11,581.38
Cash at bank	8,671,466,569.40	4,048,502,975.98
Other monetary funds	2,203,766,199.51	1,311,316,716.81
Total	10,875,241,429.49	5,359,831,274.17
Of which: Total amount of money deposited abroad	68,490,606.77	11,858,012.54

6.1.1 Details of the restricted monetary funds at the end of the period are as follows.

Item	30/06/2020	01/01/2020
Banks acceptance bill (BAB) deposit	918,000,000.00	336,500,000.00
Guarantee deposit	400,000,000.00	400,000,000.00

Item	30/06/2020	01/01/2020
Pledged Deposit for certificates of deposit	160,000,000.00	550,000,000.00
Common reserve fund deposit	25,766,199.51	24,816,716.81
Borrowing deposit	300,000,000.00	
Factoring deposit	300,000,000.00	
Structured deposits	100,000,000.00	
Total	2,203,766,199.51	1,311,316,716.81

6.2 Notes receivable

6.2.1 Classifications

Item	30/06/2020	01/01/2020
Banks acceptance bill	49,113,851.69	76,193,389.72
Commercial acceptance bill	43,031.25	
Total	49,156,882.94	76,193,389.72

6.2.2 Notes receivables that have been endorsed or discounted at the end of the period and have not yet expired on the balance sheet date

Item	Amount being terminated at the end of the period	Amount not yet being terminated at the end of the period
Banks acceptance bill	498,005,099.04	
Commercial acceptance bill	538,100,000.00	
Total	1,036,105,099.04	

6.3 Accounts receivable

6.3.1 Classified by provision method of bad debt

Category	30/06/2020				NBV
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Individual accounts receivable with significant amount and provision for bad debts separately	2,650,009,314.67	95.44	45,013,063.95	1.70	2,604,996,250.72
Accounts receivable with provision for bad debts according to the combination of credit risk characteristics	101,132,915.59	3.64	5,945,903.99	5.88	95,187,011.60
Individual accounts receivable with insignificant but separate provision for bad debts	25,616,656.82	0.92	7,698,792.15	30.05	17,917,864.67
Total	2,776,758,887.08	100.00	58,657,760.09		2,718,101,126.99

Continued.

Category	01/01/2020				NBV
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Individual accounts receivable with significant amount and provision for bad debts separately	3,569,658,604.08	97.67	40,464,401.71	1.13	3,529,194,202.37
Accounts receivable with provision for bad debts according to the combination of credit risk characteristics	56,770,116.15	1.55	3,915,934.50	6.90	52,854,181.65
Individual accounts receivable with insignificant but separate provision for bad debts	28,622,280.05	0.78	7,442,363.59	26.00	21,179,916.46
Total	3,655,051,000.28	100.00	51,822,699.80		3,603,228,300.48

(1) In the combination, accounts receivable for bad debt provision by aging analysis

Aging	30/06/2020		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Within 1 year	77,914,965.81		0.00
1-2 years	12,603,427.08	1,258,182.71	10.00
2-3 years	4,978,828.98	1,000,085.80	20.00
3-4 years	1,899,007.30	569,702.19	30.00
4-5 years	1,237,506.26	618,753.13	50.00
More than 5 years	2,499,180.16	2,499,180.16	100.00
Total	101,132,915.59	5,945,903.99	

6.3.2 Provision for bad debts, withdrawn or transferred back during the period

Provision for bad debts in the current period amounted to RMB ¥ 6,835,060.29.

6.3.3 Top five accounts receivable at the end of the period are as follows.

Company name	30/06/2020	Percentage of accounts receivable at the end of the period (%)	Provision for bad debts
Management Committee of Taizhou Medical New&High-tech Industrial Development Zone 泰州医药高新技术产业园区管理委员会	2,139,358,668.18	77.05	
Jiangsu You'te Steel Supply Chain Management Co., Ltd. 江苏优特钢供应链管理有限公司	154,967,891.74	5.58	
State Reserve Energy Sichuan Investment Co., Ltd. 国储能源四川投资有限公司	85,541,000.00	3.08	
Jiangsu Taizhou Peoples' Hospital (New District Branch)	17,140,764.08	0.62	

Company name	30/06/2020	Percentage of accounts receivable at the end of the period (%)	Provision for bad debts
泰州市人民医院（新区医院）			
Jiangsu Taizhou Peoples' Hospital 泰兴市人民医院	15,737,786.24	0.57	
Total	2,412,746,110.24	86.89	

6.4 Accounts Prepayment

6.4.1 Aging analysis

Aging	30/06/2020		01/01/2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	150,848,218.14	22.30	479,744,953.56	77.73
1-2 years	389,843,700.49	57.63	123,985,101.54	20.09
2-3 years	123,324,122.45	18.23	1,046,958.53	0.17
More than 3 years	12,431,899.74	1.84	12,431,899.74	2.01
Total	676,447,940.82	100.00	617,208,913.37	100.00

6.4.2 Reasons for accounts prepayment with important amount that have not been settled in time for more than one year.

Company name	30/06/2020	Aging	Unsettled reason
Taizhou New District Construction Service Co., Ltd. 泰州新区建设服务有限公司	506,222,988.77	Within 1 year; 1-2 years	During demolition, unsettled
Taizhou Xintai Construction Development Co., Ltd. 泰州市新泰建设发展有限公司	12,431,899.74	More than 3 years	During demolition, unsettled
Total	518,654,888.51		

6.4.3 Top five balances of accounts prepayment at the end of the period are as follows.

Company name	30/06/2020	Proportion of total prepayments (%)	Aging	Unsettled reason
Taizhou New District Construction Service Co., Ltd. 泰州新区建设服务有限公司	506,222,988.77	74.84	Within 1 year; 1-2 years	The demolition project is not completed
Guangdong Petro China International Co., Ltd. 广东中石油国际事业有限公司	30,200,000.00	4.46	Within 1 year	The goods have not been received
Jiangsu Tian Bang Medical Polytron Technologies Inc. 江苏天邦医疗科技股份有限公司	21,099,500.00	3.12	Within 1 year	The goods have not been received

Company name	30/06/2020	Proportion of total prepayments (%)	Aging	Unsettled reason
Changzhou Anbo Furnace Charge Co., Ltd. 常州安博炉料有限公司	13,627,873.83	2.01	Within 1 year	The goods have not been received
Taizhou Xintai Construction Development Co., Ltd. 泰州市新泰建设发展有限公司	12,431,899.74	1.84	More than 3 years	The demolition project is not completed
Total	583,582,262.34	86.27		

6.5 Other receivables

Item	30/06/2020	01/01/2020
Interests receivable	34,569,422.56	11,366,160.88
Dividends receivable	37,040,303.41	
Other receivables	12,558,577,322.35	9,607,879,625.89
Total	12,630,187,048.32	9,619,245,786.77

6.5.1 Interests receivable

6.5.1.1 Classifications

Item	30/06/2020	01/01/2020
Fixed deposit	31,518,288.59	8,337,256.94
Subordination trust	3,051,133.97	3,028,903.94
Total	34,569,422.56	11,366,160.88

6.5.2 Dividends receivable

6.5.2.1 Classifications

Invested unit	30/06/2020	01/01/2020
Taizhou China Medical City high - tech commercial factoring Limited. 泰州中国医药城高新商业保理有限公司	37,040,303.41	
Total	37,040,303.41	

6.5.3 Other receivables

6.5.3.1 Classified by provision method of bad debt

Category	30/06/2020				NBV
	Book balance		Provision for bad debts		
	Amount	proportion (%)	Amount	Provision ratio (%)	
Other receivables with significant individual amounts and separate provision for bad debts	12,565,166,755.74	99.84	22,697,195.40	0.18	12,542,469,560.34
Other receivables with provision for bad debts in combination with credit risk characteristics	19,580,630.49	0.15	4,847,022.52	24.75	14,733,607.97

Category	30/06/2020				NBV
	Book balance		Provision for bad debts		
	Amount	proportion (%)	Amount	Provision ratio (%)	
Other receivables with no insignificant amounts but with separate provision for bad debts	1,374,154.04	0.01			1,374,154.04
Total	12,586,121,540.27	100.00	27,544,217.92		12,558,577,322.35

Continued.

Category	01/01/2020				NBV
	Book balance		Provision for bad debts		
	Amount	proportion (%)	Amount	Provision ratio (%)	
Other receivables with significant individual amounts and separate provision for bad debts	9,624,278,489.97	99.86	26,801,630.47	0.28	9,597,476,859.50
Other receivables with provision for bad debts in combination with credit risk characteristics	13,578,595.10	0.14	3,253,170.64	23.96	10,325,424.46
Other receivables with no insignificant amounts but with separate provision for bad debts	77,341.93				77,341.93
Total	9,637,934,427.00	100.00	30,054,801.11		9,607,879,625.89

(1) In the combination, other receivables for bad debt provision by aging analysis

Aging	30/06/2020		
	Other receivables	Provision for bad debts	Provision ratio (%)
Within 1 year	9,911,386.47	-	
1—2 years	3,438,825.72	343,882.58	10.00
2—3 years	1,386,527.19	277,305.44	20.00
3—4 years	404,615.11	121,384.53	30.00
4—5 years	669,652.06	334,826.03	50.00
More than 5 years	3,769,623.94	3,769,623.94	100.00
Total	19,580,630.49	4,847,022.52	

6.5.3.2 Provision for bad debts, withdrawn or transferred back during the period

Bad debts transferred back during the period amounted to RMB ¥2,510,583.19.

6.5.3.3 Top five balances of the other receivables at the end of the period.

Company name	30/06/2020					Provision for bad debts as at 31/12/2019
	Nature of payment	Amount	Aging	Proportion of the balance (%)		
Taizhou Pharmaceutical High-tech Industrial Park Management Committee 泰州医药高新技术产业园区管理委员会	Open credit	6,894,381,324.56	Within 1 year RMB ¥ 1,147,361,220.78, 1-2 years RMB ¥ 1,886,615,416.01, 2-3 years RMB ¥ 3,860,404,687.77	54.78		
Taizhou Huazheng Engineering Management Service Co., Ltd. 泰州华正工程管理服务有限公司	Open credit	2,860,907,452.45	Within 1 year	22.73		
Taizhou Huacheng Medical Investment Group Co., Ltd. 泰州华诚医学投资集团有限公司	Open credit	519,931,898.29	Within 1 year, 2-3 years	4.13		
Taizhou Liaoxin Construction Co., Ltd. 泰州联信建设有限公司	Open credit	287,074,337.18	Within 1 year	2.28		
Taizhou Dongfang Medical City Holding Group Co., Ltd. 泰州东方医药城控股集团有限公司	Open credit	399,139,223.30	2-3 years	2.56		
Total		10,961,434,235.78		87.09		

6.6 Inventories

6.6.1 Classifications

Item	30/06/2020			01/01/2020		
	Book balance	Provision	NBV	Book balance	Provision	NBV
Raw materials	1,043,188.55		1,043,188.55			
Finished goods	189,940,751.44		189,940,751.44	148,136,056.75		148,136,056.75
Goods delivered	311,662.00		311,662.00			
Development costs	29,578,614,803.50		29,578,614,803.50	29,616,476,726.55		29,616,476,726.55

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the six-month period ended June 30, 2020

Development product	979,063,071.43	979,063,071.43	985,289,530.09	985,289,530.09
Engineering construction	50,960.00	50,960.00		
Consumable biological assets	4,338.96	4,338.96		
Total	30,749,028,775.88	30,749,028,775.88	30,749,902,313.39	30,749,902,313.39

6.6.2 Details of the pledged inventory at the end of the period are as follows

Category	Warrants No.	Book value	Start Date of Mortgage	Expiry date of Mortgage	Mortgage Bank
Land	TZGY (2014) No.18401	338,172,572.20	2014.12.30	2021.12.30	China Construction Bank (Syndicate) 建设银行
Land	TZGY (2014) No.18402	431,416,750.83	2014.12.30	2021.12.30	China Construction Bank (Syndicate) 建设银行
Land	TZGY (2014) No.18403	64,475,818.17	2014.12.30	2021.12.30	China Construction Bank (Syndicate) 建设银行
Land	TZGY (2015) No.1494	125,804,996.20	2014.12.30	2021.12.30	China Construction Bank (Syndicate) 建设银行
Land	TZGY (2015) No.1504	194,875,662.00	2014.12.30	2021.12.30	China Construction Bank (Syndicate) 建设银行
Land	TZGY (2015) No.8489	223,070,018.00	2014.10.28	2039.10.27	China Development Bank Jiangsu Branch 国开行江苏省分行
Land	TZGY (2015) No.7129	50,607,410.00	2016.6.12	2021.6.11	光大银行南京分行
Land	TZGY (2015) No.7879	505,852,584.20	2019.3.28	2023.3.27	China Development Bank Jiangsu Branch 国家开发银行江苏省分行
Land	TZGY (2015) No.16330	412,383,459.60	2016.6.12	2021.6.11	China Everbright Bank Nanjing Branch 光大银行南京分行
Land	Su(2016)TZBDCQNo.0022761	120,642,253.60	2014.10.28	2039.10.27	China Development Bank Jiangsu Branch 国开行江苏省分行
Land	Su(2016)TZBDCQNo.0022762	288,665,687.60	2016.6.12	2021.6.11	China Everbright Bank Nanjing Branch 光大银行南京分行
	Total	2,755,967,212.40			

6.7 Other current assets

Item	30/06/2020	01/01/2020
VAT allowance	232,437,565.94	262,055,317.27
Prepaid business tax	46,516,837.77	47,215,776.14
Prepaid city maintenance and construction tax	4,090,827.07	4,128,660.16
Prepaid education surcharge	2,921,633.59	2,948,657.22
Prepaid land value added tax	212,913,543.45	170,283,307.59
Prepaid individual income tax		
Prepaid loan interest	102,640,603.03	18,132,769.47
Damaged property to be disposed of	8,940.17	8,940.17
Total	601,529,951.02	504,773,428.02

6.8 Financial assets available for sale

6.8.1 Classifications

Item	30/06/2020			01/01/2020		
	Book balance	Provision	NBV	Book balance	Provision	NBV
Available for sale of equity instruments	178,000,000.00		178,000,000.00	178,000,000.00		178,000,000.00
Measured by cost	178,000,000.00		178,000,000.00			178,000,000.00
Others	1,948,880,000.00		1,948,880,000.00	1,948,880,000.00		1,948,880,000.00
Taizhou Pharmaceutical High-tech Zone Urban Development Private Equity Fund 泰州医药高新区城市发展私募基金	800,000,000.00		800,000,000.00	800,000,000.00		800,000,000.00
Capital Development Investment Fund Management Co., Ltd. 首京建设投资基金管理(北京)有限公司	600,000,000.00		600,000,000.00	600,000,000.00		600,000,000.00
CITIC Trust 中信信托有限责任公司	148,880,000.00		148,880,000.00	148,880,000.00		148,880,000.00
Jiangsu Taizhou Optical Holding Investment Partnership (Limited Partnership) 江苏泰州光控股权投资合伙企业(有	350,000,000.00		350,000,000.00	350,000,000.00		350,000,000.00

Item	30/06/2020			01/01/2020		
	Book balance	Provis ion	NBV	Book balance	Provis ion	NBV
限合伙)						
Jiangsu Taizhou Light Control Industry Investment Partnership (Limited Partnership) 江苏泰州光控产业投资合伙企业(有限合伙)	50,000,000.00		50,000,000.00	50,000,000.00		50,000,000.00
Total	2,126,880,000.00		2,126,880,000.00	2,126,880,000.00		2,126,880,000.00

6.8.2 Equity instruments measured at cost at the end of the period

Invested unit	Shareholding ratio(%)	Changes in current period			
		01/01/2020	Additions	Reductions	30/06/2020
Jiangsu Affinity Biotechnology Co., Ltd. 江苏亲和力生物技术有限公司	10.00	1,000,000.00			1,000,000.00
Taizhou Rural Commercial Bank 泰州市农村商业银行	5.00	174,000,000.00			174,000,000.00
Taizhou China Medical City Class I New Drug R&D Investment Fund Partnership Investment Enterprise (Limited Partnership) 泰州中国医药城一类新药研发投资基金合伙企业投资企业(有限合伙)	2.00	3,000,000.00			3,000,000.00
Total		178,000,000.00			178,000,000.00

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the six-month period ended June 30, 2020

6.9 Long-term equity investments

Invested unit	01/01/2020	Changes in current period				Other comprehensive income adjustment
		Additional investment	Reduce investment	Gains and losses recognized under the equity method		
I. Associated company						
Taizhou Wan Tuo Town Reconstruction Development Co., Ltd 泰州万拓城镇改造开发有限公司	30,061,724.14			-949,343.01		
Taizhou Shuangxing Construction Co., Ltd 泰州双兴建设有限公司	21,987,970.62					
Taizhou Medical City State Chemical Biopharmaceutical Technology Co., Ltd 泰州医药城国科化生物医药科技有限公司	1,740,992.62			-1,740,992.62		
Taizhou Lianxin Construction Co. Ltd. 泰州联信建设有限公司	4,997,890.36			-60.13		
Taizhou Pharmaceutical High-tech Zone Huayin Financial Investment Co., Ltd. 泰州医药高新区华银金融投资有限公司		500,000,000.00				
Total	58,788,577.74	500,000,000.00		-2,690,395.76		

Continued.

Invested unit	Changes in current period			Closing bal. of provision for impairment
	Other changes in equity	Declare a cash dividend or profit	Provision for impairment	
1. Associated company				
Taizhou Wan Tuo Town Reconstruction Development Co., Ltd 泰州万拓城镇改造开发有限公司				29,112,381.13
Taizhou Shuangxing Construction Co., Ltd 泰州双兴建设有限公司				21,987,970.62
Taizhou Medical City State Chemical Biopharmaceutical Technology Co., Ltd				

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the six-month period ended June 30, 2020

Invested unit	Changes in current period				30/06/2020	Closing bal. of provision for impairment
	Other changes in equity	Declare a cash dividend or profit	Provision for impairment	Others		
泰州医药城固科化生物医药科技有限公司						
Taizhou Liaoxin Construction Co. Ltd. 泰州联信建设有限公司					4,997,830.23	
Taizhou Pharmaceutical High-tech Zone Huayin Financial Investment Co., Ltd. 泰州医药高新区华银金融投资有限公司					500,000,000.00	
Total					556,098,181.98	

6.10 Investment property

Item	Buildings		Land use rights		Total
A. Cost					
1. 01/01/2020		7,720,334,274.68		2,813,790,511.92	10,534,124,786.60
2. Additions		1,122,623,222.91		1,280,455,641.60	2,403,078,864.51
Purchasing		-		-	-
Inventory \ fixed assets \ construction in progress \ intangible assets transferred		1,122,623,222.91		1,280,455,641.60	2,403,078,864.51
Others					
3. Reductions					
Dispose of					
Others					
4. 30/06/2020		8,842,957,497.59		4,094,246,153.52	12,937,203,651.11
B. Accumulated Dep'n/amortization					
1. 01/01/2020		1,009,487,297.21		331,266,788.22	1,340,754,085.43

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the six-month period ended June 30, 2020

Item	Buildings	Land use rights	Total
2. Additions	106,966,211.76	43,013,519.82	149,979,731.58
Accrued or amortized	106,966,211.76	43,013,519.82	149,979,731.58
Increase due to business combination			
Others			
3. Reductions			
Dispose of			
Others			
4. 30/06/2020	1,116,453,508.97	374,280,308.04	1,490,733,817.01
C. Provision for impairment			
1. 01/01/2020			
2. Additions			
Provision			
Increase due to business combination			
Others			
3. Reductions			
Dispose of			
Others			
4. 30/06/2020			
D. Net Book Value			
1. As at 06/30/2020	7,726,503,988.63	3,719,965,845.48	11,446,469,834.11
2. As at 01/01/2020	6,710,846,977.47	2,482,523,723.70	9,193,370,701.17

6.10.1 Details of the investment properties mortgaged as at June 30, 2020 are as follows.

Category	Warrants No.	Book value	Date of Mortgage	Date of Expiration	Mortgagee
Buildings	TFQZKFZ No.S0007711	83,912,750.84	2014.03.20	2021.10.31	China Development Bank Jiangsu Branch 国家开发银行江苏省分行
Buildings	TFQZKFZ No.S0007251	215,065,847.02	2014.03.20	2021.10.31	China Development Bank Jiangsu Branch 国家开发银行江苏省分行
Buildings	TFQZKFZ No.S0006704	728,519,591.84	2011.12.30	2022.12.29	China Development Bank Jiangsu Branch(Syndicate) 国家开发银行江苏省分行(银团)
Buildings	TFQZKFZ No.S0007254	185,458,886.17	2013.03.28	2023.03.27	China Development Bank Jiangsu Branch 国家开发银行江苏省分行
Buildings	TFQZKFZ No.S0007255	154,760,105.10	2015.12.28	2020.12.19	Bank of Jiangsu Taizhou New District Branch 江苏银行泰州新区支行
Land use rights	TZGY (2007) No.0006	23,787,000.01	2017.03.28	2023.03.27	China Development Bank Jiangsu Branch 国家开发银行江苏省分行
Land use rights	TZGY (2009) No.7319	10,770,052.02	2017.03.28	2023.03.27	China Development Bank Jiangsu Branch 国家开发银行江苏省分行
Land use rights	TZGY (2010) No.14353	170,322,725.67	2011.12.30	2022.12.29	China Development Bank Jiangsu Branch(Syndicate) 国家开发银行江苏省分行(银团)
Land use rights	TZGY (2010) No.12050	39,525,722.77	2017.03.28	2023.03.27	China Development Bank Jiangsu Branch 国家开发银行江苏省分行
Land use rights	TZGY (2013) No.5955	17,878,806.00	2015.12.28	2020.12.19	Bank of Jiangsu Taizhou New District Branch 江苏银行泰州新区支行
Land use rights	TZGY (2005) No.0627-1	8,098,047.00	2015.12.28	2020.12.19	Bank of Jiangsu Taizhou New District Branch 江苏银行泰州新区支行
Land use rights	TZGY (2009) No.7306	498,576,663.00	2011.12.30	2022.12.29	China Development Bank Jiangsu Branch(Syndicate) 国家开发银行江苏省分行(银团)

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the six-month period ended June 30, 2020

Category	Warrants No.	Book value	Date of Mortgage	Date of Expiration	Mortgagee
Buildings + Real estates	Su (2019) TZBDCQ No.0012221	150,721,738.98	2014.10.28	2039.10.27	China Development Bank Jiangsu Branch 国家开发银行江苏省分行
Buildings + Real estates	Su (2018) TZBDCQ No.0058501	97,372,655.88	2019.9.24	2029.9.24	ICBC Taizhou Branch 工商银行泰州分行
Buildings + Real estates	Su (2020) TZSBDCQ No.0134451	1,500,994,240.58	2017.12.26	2032.11.30	Agricultural Bank of China (Syndicate) 农业银行 (银团)
Buildings + Real estates	Su (2020) TZSBDCQ No.0134453	863,226,239.35	2017.12.26	2032.11.30	Agricultural Bank of China (Syndicate) 农业银行 (银团)
Buildings	Su (2016) TZBDCQ No.0038976	20,159,611.57	2019/10/29	2021/12/29	China Huarong Asset Management Co., Ltd. Shanghai Branch 中国华融资产管理上海分公司
Buildings	Su (2017) TZBDCQ No.0001046	309,208,527.68	2019/4/15	2021/4/14	Bank of Guangzhou Nanjing Branch 广州银行南京分行
Buildings	Su (2017) TZBDCQ No.0000737	685,191,960.85	2018/2/27	2027/12/31	Bank of Communications Taizhou Branch 交通银行泰州分行
Buildings	Su (2016) TZBDCQ No.0064091	817,367,234.99	2018/6/21	2021/9/21	China Minsheng Bank Taizhou Branch 民生银行泰州分行
Buildings	Su (2017) TZBDCQ No.0002056	151,985,550.70	2019/2/2	2028/12/19	ICBC Taizhou Branch 中国工商银行股份有限公司泰州分行
Buildings	Su (2017) TZBDCQ No.0002176	38,546,292.63	2019/2/2	2028/12/19	ICBC Taizhou Branch 中国工商银行股份有限公司泰州分行
Total		6,771,450,250.64			

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the six-month period ended June 30, 2020

6.11 Fixed assets and accumulated depreciation

Item	Buildings	Mechanical equipment	Transportation equipment	Electronic equipment	Others	Total
A. Costs						
1. Balance as at 01/01/2020	16,019,072.30	22,330,604.02	3,062,613.69	9,313,989.84	10,696,505.41	61,422,785.26
2. Additions		40,208,534.78	713,911.49	8,770,003.58	5,694,155.48	55,386,605.33
Purchasing		105,503.05	713,911.49	178,385.83	5,694,155.48	6,691,955.85
Others	-	40,103,031.73	-	8,591,617.75		48,694,649.48
3. Reductions		132,655.47	42,735.04	590,085.16	71,150.64	836,626.31
Disposed of or scrapped			42,735.04	590,085.16	71,150.64	703,970.84
Others		132,655.47				132,655.47
4. Balance as at 30/06/2020	16,019,072.30	62,406,483.33	3,733,790.14	17,493,908.26	16,319,510.25	115,972,764.28
B. Accumulated depreciation						
1. Balance as at 01/01/2020	11,690,510.26	18,218,657.71	2,463,881.57	6,098,651.64	5,529,147.82	44,000,849.00
2. Additions	386,211.12	1,258,490.03	127,791.02	926,352.07	1,081,777.35	3,780,621.59
Provision	386,211.12	1,258,490.03	127,791.02	926,352.07	1,081,777.35	3,780,621.59
Others						
3. Reductions	38,810.94	30,901.79	40,598.29	560,580.86	68,314.93	739,206.81
Disposed of or scrapped	-	-	40,598.29	560,580.86	68,314.93	669,494.08
Others	38,810.94	30,901.79	-	-	-	69,712.73
4. Balance as at 30/06/2020	12,037,910.44	19,446,245.95	2,551,074.30	6,464,422.85	6,542,610.24	47,042,263.78
C. Provision for impairment						
1. Balance as at 01/01/2020						
2. Additions						

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the six-month period ended June 30, 2020

Item	Buildings	Mechanical equipment	Transportation equipment	Electronic equipment	Others	Total
3. Reductions						
4. Balance as at 30/06/2020						
一. D.Net Book Value						
1. As at 30/06/2020	3,981,161.86	42,960,237.38	1,182,715.84	11,029,485.41	9,776,900.01	68,930,500.50
2. As at 01/01/2020	4,328,562.04	4,111,946.31	598,732.12	3,215,338.20	5,167,357.59	17,421,936.26

Including: Fixed assets mortgaged at the end of the period: None.

6.12 Construction in progress

Item	30/06/2020	01/01/2020
Constructions in progress	2,000,209,069.32	2,228,808,322.27
Total	2,000,209,069.32	2,228,808,322.27

Note: The construction in progress in the above table refers to the construction in progress after deducting the construction materials.

Item	30/06/2020			01/01/2020		
	Book value	Provisions	NBV	Book value	Provisions	NBV
Sixth plant 六期厂房				568,275,304.15		568,275,304.15
CMC Project	866,757,635.76		866,757,635.76	773,891,392.36		773,891,392.36
Resettlement house on the south side of Kangju Community (Kangze Garden) 康居社区南侧安置房 (康泽花园)	236,957,067.23		236,957,067.23	22,814,034.27		22,814,034.27
Others	896,494,366.33		896,494,366.33	863,827,591.49		863,827,591.49
Total	2,000,209,069.32		2,000,209,069.32	2,228,808,322.27		2,228,808,322.27

6.13 Intangible assets

6.13.1 Classifications

Item	Land use rights	Software	Total
A. Costs			
1. Balance as at 01/01/2020	2,526,546,689.40	3,314,154.73	2,529,860,844.13
2. Additions	65,004,006.00	30,175.74	65,034,181.74
Purchasing	65,004,006.00	30,175.74	65,034,181.74
Others			
3. Reductions	407,903,489.43	15,000.00	407,918,489.43
Dispose of			
Others	407,903,489.43	15,000.00	407,918,489.43
4. Balance as at 30/06/2020	2,183,647,205.97	3,329,330.47	2,186,976,536.44
B. Amortization			
1. Balance as at 01/01/2020	311,636,780.18	1,360,607.66	312,997,387.84
2. Additions	24,510,525.56	311,965.59	24,822,491.15
Provision	24,510,525.56	311,965.59	24,822,491.15
3. Reductions	54,361,074.64	-	54,361,074.64
Dispose of			
Others	54,361,074.64	-	54,361,074.64
4. Balance as at 30/06/2020	281,786,231.10	1,672,573.25	283,458,804.35
C. Provision for impairment			
1. Balance as at 01/01/2020			
2. Additions			
Provision			
3. Reductions			
Dispose of			
Others			
4. Balance as at 30/06/2020			
— D. Net Book Value			
1. As at 30/06/2020	1,901,860,974.87	1,656,757.22	1,903,517,732.09
2. As at 01/01/2020	2,214,909,909.22	1,953,547.07	2,216,863,456.29

6.13.2 Details of intangible assets mortgaged as at June 30, 2020 are as follows.

Category	Warrants No.	Book value	Date of Mortgage	Date of Expiration	Mortgagee
Land use right	TZGY (2014) No. 13244	119,756,574.88	2013.3.28	2023.3.27	China Development Bank Jiangsu Branch

Category	Warrants No.	Book value	Date of Mortgage	Date of Expiration	Mortgagee
					国开行江苏省分行
Land use right	TZGY (2014) No. 13238	282,957,116.60	2020.1.15	2022.1.15	Kunlun Trust Co., Ltd. 昆仑信托有限责任公司
Land use right	TZGY (2013) No. 17915	44,597,081.44	2015.12.28	2020.12.19	Bank of Jiangsu Taizhou New District Branch 江苏银行泰州新区支行
Total		447,310,772.92			

6.14 Goodwill

Invested entity or the matters forming goodwill	01/01/2020	Additions	Reductions	30/06/2020
		Formed by a business combination	Dispose of	
Taizhou High-tech Zone Kangju Construction Development Co., Ltd. 泰州高新区康居建设开发有限公司	4,169,802.20			4,169,802.20
Total	4,169,802.20			4,169,802.20

6.15 Long-term deferred expenses

Item	01/01/2020	Additions	Amortisations	Other reductions	30/06/2020
Renovation costs		87,128.71	1,452.15		85,676.56
Engineering funds	4,998,172.28	58,317,252.68	4,091,090.27		59,224,334.69
Financial service fee	17,110,620.00	19,011,800.00	1,584,316.67		34,538,103.33
Equipment Leasing		1,457,724.50	1,082,917.71		374,806.79
Total	22,108,792.28	78,873,905.89	6,759,776.80		94,222,921.37

6.16 Deferred income tax assets and deferred income tax liabilities

Item	30/06/2020		01/01/2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Impairment of assets	93,386,039.56	23,346,509.89	81,836,150.92	20,459,037.73
Deductible losses	83,187,446.56	20,796,861.64	68,052,897.32	17,013,224.33
Total	176,573,486.12	44,143,371.53	149,889,048.24	37,472,262.06

6.17 Other non-current assets

Category and content	30/06/2020	01/01/2020
Prepayments for the projects	213,926,803.00	128,476,984.65
Prepaid software	691,125.40	691,125.40
Asset management plan	300,000,000.00	300,000,000.00
Prepaid taxes	4,300,928.57	4,300,928.57
Land income right	1,174,156,257.06	1,174,156,257.06
Total	1,693,075,114.03	1,607,625,295.68

6.18 Short-term borrowings

Item	30/06/2020	01/01/2020
Pledged loan	377,000,000.00	180,500,000.00
Guaranteed loan	3,984,098,831.54	180,000,000.00
Credit loan	108,000,000.00	
Mortgage + guaranteed loan		1,494,274,691.00
Commercial acceptance bill	370,000,000.00	370,000,000.00
Bank acceptance bill	50,000,000.00	50,000,000.00
Total	4,889,098,831.54	2,274,774,691.00

6.19 Notes payable

Category	30/06/2020	01/01/2020
Bank acceptance bill	628,000,000.00	786,500,000.00
Commercial acceptance bill	540,000,000.00	
Letter of credit	5,249,952.50	
Payment guarantee	400,000,000.00	400,000,000.00
Total	1,573,249,952.50	1,186,500,000.00

6.20 Accounts payable

Item	30/06/2020	01/01/2020
Materials payable	161,839,546.18	134,767,757.93
Project payable	773,645,578.37	1,374,816,021.70
Others	787,736.71	37,386.71
Total	936,272,861.26	1,509,621,166.34

6.21 Accounts received in advance

Item	30/06/2020	01/01/2020
------	------------	------------

Item	30/06/2020	01/01/2020
Advance receipts – rental income	13,200,859.28	17,077,361.94
Advance receipts - sale of real estate	270,877,282.00	56,534,150.00
Advance receipts- sale of goods	13,174,828.59	23,819,988.47
Advance receipts – Energy project	86,815,630.00	86,815,630.00
Advance receipts - engineering project	1,616,408.36	1,616,408.36
Total	385,685,008.23	185,863,538.77

6.22 Accrued payroll

6.22.1 Classifications

Item	01/01/2020	Additions	Reductions	30/06/2020
Short-term remunerations	320,000.00	19,430,289.85	19,320,203.46	430,086.39
Post-employment benefits		424,684.64	424,684.64	-
Dismissal benefits		33,900.00	33,900.00	
Total	320,000.00	19,888,874.49	19,778,788.10	430,086.39

6.22.2 Details of short-term remunerations

Item	01/01/2020	Additions	Reductions	30/06/2020
Salaries, bonuses, allowances and subsidies	320,000.00	17,244,818.90	17,135,161.51	429,657.39
Employee benefits		170,893.59	170,893.59	-
Social security fee		573,247.91	573,247.91	-
Incl. Basic medical insurance		434,573.57	434,573.57	-
Supplementary medical insurance		136,498.16	136,498.16	-
Work injury insurance		2,176.18	2,176.18	-
Housing fund		962,269.12	962,269.12	-
Trade union funds and staff education funding		479,060.33	478,631.33	429.00
Total	320,000.00	19,430,289.85	19,320,203.46	430,086.39

6.22.3 Details of post-employment benefits

Item	01/01/2020	Additions	Reductions	30/06/2020
Basic retirement insurance		416,088.75	416,088.75	
Unemployment insurance		8,595.89	8,595.89	
Total		424,684.64	424,684.64	

6.23 Taxes payable

Tax item	30/06/2020	01/01/2020
VAT	767,280.70	186,444.67
Enterprise income tax	110,233,006.96	157,515,302.02
Individual income Tax	1,416.20	735.57
Urban maintenance and construction tax	70,105.83	17,347.33
Education surtax	50,132.96	14,356.95
Property tax	13,632,761.14	29,357,052.12
Land holding tax	4,293,751.80	4,312,640.61
Stamp tax	111,017.48	
Others		1,409,297.10
Total	129,159,473.07	192,813,176.37

6.24 Other payables

Item	30/06/2020	01/01/2020
Interests payable	34,207,440.92	76,185,504.56
Other payables	4,443,771,508.02	4,314,496,428.74
Total	4,477,978,948.94	4,390,681,933.30

Note: Other payables in the above table refer to other payables after deducting interests payable and dividends payable.

6.24.1 Interest payables

Item	30/06/2020	01/01/2020
Term interest on long-term borrowings due in installments	6,367,970.11	2,290,125.26
Term interest on long-short borrowings due in installments		
Bond interests	27,839,470.81	73,895,379.30
Total	34,207,440.92	76,185,504.56

6.24.2 Other payables

Nature of payment	30/06/2020	01/01/2020
Open credit	257,614,061.76	392,687,964.23
Deposit	243,499,670.64	144,507,434.07
Borrowings	3,873,630,925.98	3,718,328,156.69
Others (Spare money ,social security etc.)	69,026,849.64	58,972,873.75
Total	4,443,771,508.02	4,314,496,428.74

6.25 Non-current liabilities due within one year

Item	30/06/2020	01/01/2020
Long-term borrowings due within one year	4,561,490,000.00	8,494,090,000.00
Bonds payable due within one year	4,757,924,533.06	3,932,556,667.89
Total	9,319,414,533.06	12,426,646,667.89

6.26 Other current liabilities

Item	30/06/2020	01/01/2020
Short-term bonds payable	3,358,906,960.94	500,000,000.00
Accrued interest	22,020,776.20	34,218,750.00
Total	3,380,927,737.14	534,218,750.00

6.26.1 Changes in short-term bonds payable

Name of bond	Face value	Date of issue	Bond term	Issue amount	01/01/2020
CP (Bank of Communications\ China Development Bank) 短融 (交行、国开行)	750,000,000.00	2020/3/26	1 year		
CP (Bank of Communications\ China Development Bank) 短融 (交行、国开行)	750,000,000.00	2020/6/17	1 year		
SCP (China CITIC Bank) 超短融 (中信银行)	500,000,000.00	2020/4/10	270 days		
SCP (China CITIC Bank) 超短融 (中信银行)	500,000,000.00	2020/4/24	270 days		
Linklogis (ABS) 联易融 (ABS)	358,906,960.94	2020/4/30	1 year		
PPN (Industrial Bank Co., Ltd.) PPN (兴业银行)	500,000,000.00	2020/6/19	1 year		
19 Tai Huaxin PPN001 (Industrial Bank Co., Ltd.) 19 泰华信 PPN001 (兴业银行)	500,000,000.00	2019/1/22	1 year	500,000,000.00	534,218,750.00
Total	3,858,906,960.94			500,000,000.00	534,218,750.00

Continued.

Name of bond	Issued during the current period	Calculate interest at face value	Premium/discount amortization	Repayment in the current period	30/06/2020
CP (Bank of Communications\ China Development Bank) 短融 (交行、国开行)	750,000,000.00	8,083,333.33			758,083,333.33
CP (Bank of Communications\	750,000,000.00	1,274,583.33			751,274,583.33

Name of bond	Issued during the current period	Calculate interest at face value	Premium/discount amortization	Repayment in the current period	30/06/2020
China Development Bank) 短融(交行、国开行)					
SCP (China CITIC Bank) 超短融(中信银行)	500,000,000.00	4,532,777.78			504,532,777.78
SCP (China CITIC Bank) 超短融(中信银行)	500,000,000.00	3,711,666.67			503,711,666.67
Linklogis (ABS) 联易融 (ABS)	358,906,960.94	3,585,081.75			362,492,042.69
PPN (Industrial Bank Co., Ltd.) PPN (兴业银行)	500,000,000.00	833,333.33			500,833,333.33
19 Tai Huaxin PPN001 (Industrial Bank Co., Ltd.) 19 泰华信 PPN001 (兴业银行)				534,218,750.00	
Total	3,358,906,960.94	22,020,776.20		534,218,750.00	3,380,927,737.14

6.27 Long-term borrowings

Category	30/06/2020	01/01/2020
Pledged loan	464,000,000.00	470,000,000.00
Mortgage loan	1,481,000,000.00	1,998,450,000.00
Guaranteed loan	7,476,724,108.12	3,616,725,142.70
Credit loan	6,104,500,000.00	2,564,000,000.00
Mortgage + Guarantee	972,187,500.00	1,049,062,500.00
Pledge + guarantee	1,518,000,000.00	1,520,000,000.00
Total	18,016,411,608.12	11,218,237,642.70

6.28 Bonds payable

Category	30/06/2020	01/01/2020
Other bonds payable	10,337,022,557.55	10,937,686,169.79
Less: Bond payable due within 1 year	3,299,547,533.06	3,932,556,667.89
Total	7,037,475,024.49	7,005,129,501.90

6.29 Long-term accounts payable

Item	30/06/2020	01/01/2020
Special accounts payable	203,290,000.00	3,290,000.00
Total	203,290,000.00	3,290,000.00

6.29.1 Special accounts payable

Item	01/01/2020	Additions	Transfer through business combination	Reductions	30/06/2020	Cause of formation
Central government grants for the transformation of urban shantytowns 城市棚户区改造中央补助资金	2,250,000.00				2,250,000.00	Tai Gaoxin Jianfa (2014) No. 5
Central government grants for the transformation of urban shantytowns 城市棚户区改造中央补助资金	1,040,000.00				1,040,000.00	Tai Gaoxin Caifa 【2014】 No.59
Comprehensive improvement project of water environment 水环境综合提升工程		200,000,000.00			200,000,000.00	
Total	3,290,000.00	200,000,000.00			203,290,000.00	

6.30 Deferred income

Item	01/01/2020	Additions	Reductions	30/06/2020	Cause of formation
Assets-related government subsidies	41,136,585.21	-	1,718,046.67	39,418,538.54	Please refer to 6.30.1
Total	41,136,585.21	-	1,718,046.67	39,418,538.54	

6.30.1 Deferred income related to government grants

Item	01/01/2020	Additions	Transferred to non-operating income	Transferred to Other income	30/06/2020	Related to assets/income
Lighting project subsidy 亮化工程补助	26,901,500.00		1,345,075.00		25,556,425.00	Asset related
China Medical City GSP Phase II warehousing platform subsidy income 中国医药城 GSP 二期仓储平台补助收入	14,235,085.21	-	372,971.67		13,862,113.54	Asset related
Total	41,136,585.21	-	1,718,046.67	-	39,418,538.54	

6.31 Paid-in capital

Item	01/01/2020	Changes in this period Add (+) Less (-)		30/06/2020
		Other	Subtotal	
Taizhou Municipal People's Government 泰州市人民政府	4,088,511,554.00	1,300,000,000.00	1,300,000,000.00	5,388,511,554.00
CDB Development Fund 国开发展基金有限公司	40,000,000.00			40,000,000.00

Item	01/01/2020	Changes in this period Add (+) Less (-)		30/06/2020
		Other	Subtotal	
Fuanda Asset Management (Shanghai) Co., Ltd. 富安达资产管理(上海)有限公司	1,200,000,000.00	-300,000,000.00	-300,000,000.00	900,000,000.00
Total	5,328,511,554.00	1,000,000,000.00	1,000,000,000.00	6,328,511,554.00

6.32 Other equity instruments

6.32.1 Details of changes in preferred stock, permanent debts and other financial instruments outstanding at the end of the period.

Issued financial instruments	01/01/2020		Additions		Reductions		30/06/2020	
	Qty	Book value	Qty	Book value	Qty	Book value	Qty	Book value
Permanent debts		1,500,000,000.00						1,500,000,000.00
Total		1,500,000,000.00						1,500,000,000.00

6.32.2 Description of other equity instruments

Other equity instruments include the Company's permanent deposit of RMB ¥ 500 million issued on October 22, 2015 and the Company's renewable debt of RMB ¥ 1 billion issued on February 22, 2017.

6.32.3 Basis for division of equity instruments

According to the "Distinctions between financial liabilities and equity instruments and relevant accounting treatment requirements" issued by the Ministry of Finance, as there are no fixed deadlines due to the perpetual vote, the issuer may choose whether to redeem. For interest payments, it is the issuer itself to choose whether to dividend or capital reduction, to trigger the obligation to defer interest payment. In the absence of dividends or capital reduction, interest payments can be deferred. Therefore, we consider that the issuance of a perpetual vote does not constitute an obligation to deliver cash or other financial assets, and the obligation to exchange financial assets or liabilities under potential adverse conditions, as a result, the perpetual vote can be divided into equity instruments.

6.33 Capital reserve

Item	01/01/2020	Additions	Reductions	30/06/2020
Capital premium (Share premium)	2,311,300,224.74			2,311,300,224.74
Other capital reserve	11,266,152,729.38			11,266,152,729.38
Total	13,577,452,954.12			13,577,452,954.12

6.34 Surplus reserve

Item	01/01/2020	Additions	Reductions	30/06/2020
Statutory surplus reserve	199,998,170.20			199,998,170.20
Total	199,998,170.20			199,998,170.20

6.35 General risk reserves

Item	01/01/2020	Additions	Reductions	30/06/2020
Withdraw general risk reserve	2,660,000.00		2,660,000.00	
Total	2,660,000.00		2,660,000.00	

6.36 Undistributed profit/ retained earnings

Item	Amount	Extract or allocate proportions (%)
Before adjustment the undistributed profits at the end of the last period	2,594,054,673.08	—
Adjust the total amount of undistributed profits at the beginning of the period (Add+, Less-)		—
Adjusted the undistributed profit at the beginning of the period	2,594,054,673.08	—
Add: The net profit attributable to the parent company in the current period	64,342,631.77	—
Less: To extract statutory surplus reserve		
To extract discretionary surplus reserve		
Other distributions to shareholders	4,305,000.00	
Profit return for investment		
Other profit distribution	-2,660,000.00	
Add: Surplus reserve to make up for losses		
Undistributed profit at the period end	2,656,752,304.85	

6.37 Operating income and operating cost

Item	Six-month period ended 30/06/2020		Six-month period ended 30/06/2019	
	Revenue	Cost	Revenue	Cost
Subtotal of main business income	1,510,502,036.49	1,477,348,896.79	855,390,621.28	756,347,295.62
Land transfer			129,934,281.40	129,934,281.40

Item	Six-month period ended 30/06/2020		Six-month period ended 30/06/2019	
	Merchandising	1,369,426,958.44	1,306,263,403.53	324,064,748.48
Real estate sales	7,387,785.09	6,226,696.72	251,077,723.76	237,832,032.49
Leasing	124,853,894.94	157,922,835.04	123,317,857.87	116,434,661.10
Others	8,833,398.02	6,935,961.50	26,996,009.77	9,349,521.91
Subtotal of other business income	14,243,372.32	5,996,395.35	44,420,236.93	5,527,040.82
Transportation fee, and service fee	6,255,140.25		35,422,048.74	66,270.39
Others	7,988,232.07	5,996,395.35	8,998,188.19	5,460,770.43
Total	1,524,745,408.81	1,483,345,292.14	899,810,858.21	761,874,336.44

6.38 Taxes and surcharges

Item	Six-month period ended 30/06/2020	Six-month period ended 30/06/2019
Urban maintenance and construction tax	669,866.33	1,401,172.53
Education surtax	476,955.65	1,000,837.52
Property tax	26,033,934.29	17,738,002.56
Land holding tax	8,387,995.62	8,548,149.60
Land value-add tax		
Stamp tax	1,357,836.58	2,000,750.75
Vehicle and vessel tax	886.45	
Total	36,927,474.92	30,688,912.96

6.39 Marketing costs

Item	Six-month period ended 30/06/2020	Six-month period ended 30/06/2019
Office expenses	94,521.80	11,413.18
Business hospitality	158,358.60	32,312.38
Employee's salary and benefits	2,655,217.99	3,261,694.96
Consulting fees	36,052,916.23	63,521,005.28
Transportation and travel expenses	129,536.66	384,630.48
Freight costs	51,950.38	
Business promotion fee	1,889.68	312,415.26
Depreciation	7,489.03	10,084.04
Others	26,411,492.84	17,749,695.85
Total	65,563,373.21	85,283,251.43

6.40 General and administrative expenses

Item	Six-month period ended 30/06/2020	Six-month period ended 30/06/2019
Office expenses	2,288,526.64	910,384.06
Business hospitality	181,498.15	100,616.71
Employee's salary and benefits	18,370,117.35	15,467,168.55
Intermediary service fee(audit fee, legal advice etc)	7,851,312.28	13,268,768.38
Advertising fee	130,292.98	107,493.51
Tax fees	1,419.14	158,956.67
Transportation and travel expenses	430,391.71	708,867.24
Depreciation and amortization	8,215,142.47	3,229,181.88
Others	6,004,074.34	1,790,492.31
Total	43,472,775.06	35,741,929.31

6.41 Financial costs

Category	Six-month period ended 30/06/2020	Six-month period ended 30/06/2019
Interest expense	74,911,652.66	106,542,252.12
Less: Interest income	72,174,447.99	96,791,293.65
Exchange gains and losses	155,286.66	-56,156.98
Bank charges	11,584,316.28	1,559,258.53
Others	18,725.00	5,482,174.15
Total	14,495,532.61	16,736,234.17

6.42 Other income

6.42.1 Classifications

Sources that generate other income	Six-month period ended 30/06/2020	Six-month period ended 30/06/2019
Government subsidies related to the daily activities of the company	195,918,850.66	58,376,295.56
Total	195,918,850.66	58,376,295.56

6.42.2 Government subsidies included in other income

Item	Appropriation Department	Six-month period ended 30/06/2020	Assets-related/ Income-related
Tax return	National Treasury of the People's Republic of China Taizhou Central Branch 中华人民共和国国家金库泰州市中心支库	17,455.75	Income-related
Municipal subsidy for the 2016 rural road upgrade project 2016年农村公路提档升级项	Finance Bureau of Taizhou Pharmaceutical Hi-tech Industrial Development Zone	700,000.00	Income-related

目市级补助	泰州医药高新技术产业开发区财政局		
Lighting project 亮化工程	Finance Bureau of Taizhou Pharmaceutical Hi-tech Industrial Development Zone 泰州医药高新技术产业开发区财政局	1,345,075.00	与资产相关
Subsidy income from the Finance Bureau of Taizhou Pharmaceutical High-tech Industrial Development Zone 泰州医药高新技术产业开发 区财政局补助收入	Finance Bureau of Taizhou Pharmaceutical Hi-tech Industrial Development Zone 泰州医药高新技术产业开发区财政局	192,894,160.45	Income-related
Taizhou emergency return to work subsidy 泰州应急返岗补贴	Finance Bureau of Taizhou Pharmaceutical Hi-tech Industrial Development Zone 泰州医药高新技术产业开发区财政局	587,322.00	Income-related
China Medical City GSP Phase II Storage Platform 中国医药城 GSP 二期仓储平 台	Taizhou Pharmaceutical Hi-tech Industrial Park Management Committee 泰州医药高新技术产业园区管理委员 会	372,971.67	Assets-related
VAT exemption		1,865.79	Income-related
Total		195,918,850.66	

6.43 Investment income

Item	Six-month period ended 30/06/2020	Six-month period ended 30/06/2019
Investment income recognised by disposal of long-term equity investment	-4,070,955.11	
Long-term equity investment income recognised by equity method accounting	-2,690,395.76	-3,112,439.75
Investment income of available-for-sale financial assets during the holding period	8,113,960.00	4,000,000.00
Investment income from disposal of available-for-sale financial assets		116,767,898.72
Total	1,352,609.13	117,655,458.97

6.44 Asset impairment loss

Item	Six-month period ended 30/06/2020	Six-month period ended 30/06/2019
Bad debt loss	-4,329,155.44	-3,593,535.61
Total	-4,329,155.44	-3,593,535.61

6.45 Asset disposal income

Item	Six-month period ended 30/06/2020	Six-month period ended 30/06/2019
Gains or losses from the disposal of fixed assets	-29,976.76	55,579.22
Total	-29,976.76	55,579.22

6.46 Non-operating income

Item	Six-month period ended 30/06/2020	Six-month period ended 30/06/2019
Income for breach of contract	833,566.74	
Others	564,102.23	149,707.04
Total	1,397,668.97	149,707.04

6.47 Non-operating expenses

Item	Six-month period ended 30/06/2020	Six-month period ended 30/06/2019
External donation	508,290.59	120,181.60
Others	8,760.38	
Total	517,050.97	120,181.60

6.48 Income tax expenses

Item	Six-month period ended 30/06/2020	Six-month period ended 30/06/2019
Current income tax expense	26,463,254.21	35,699,238.03
Deferred income tax expense	-12,332,528.67	-6,208,496.06
Total	14,130,725.54	29,490,741.97

6.49 Assets with restricted ownership or use rights

Item	Balance as at 30/06/2020	Restricted reasons
Cash and bank balance	2,203,766,199.51	Guarantee deposits for bank acceptance bills; Fixed deposits for pledge loans; Provident Fund Guarantee.
Inventories	2,755,967,212.40	Loan by mortgaged property
Investment properties	6,771,450,250.64	Loan by mortgaged property
Intangible assets	447,310,772.92	Loan by mortgaged property
Total	12,178,494,435.47	

6.50 Foreign currency monetary items

Item	30/06/2020 Foreign Currency	Exchange rate	30/06/2020 RMB Equivalents
Cash and bank balance			451,047,667.71
Among: US dollar	63,679,575.32	7.0795	450,819,553.48
Among: HK dollar	246,086.69	0.9134	224,775.58
Among: JPY	1.00	6.5808	0.07
Among: GBP	383.11	8.7144	3,338.58

7. INTEREST IN OTHER ACCOUNTING ENTITIES

7.1 Interest in subsidiaries

7.1.1 Composition of enterprise groups

Subsidiary name	Main business place	Place of Registration	Shareholding ratio (%)		Method of acquisition
			Direct	Indirect	
Taizhou Huasheng Investment Development Co., Ltd 泰州华盛投资开发有限公司	Taizhou Medical City	Taizhou	51.28		Established by investment
Taizhou China Medical City Asset Management Co., Ltd 泰州中国医药城资产管理有限公司	Taizhou Medical City	Taizhou	100.00		Established by investment
Taizhou Huakang Investment Co., Ltd 泰州华康投资有限公司	Taizhou Medical City	Taizhou	100.00		Established by investment
Taizhou Pharmaceutical High-tech Co., Ltd 泰州医药高新股份有限公司	Taizhou Medical City	Taizhou	86.36		Established by investment
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	Taizhou Medical City	Taizhou		86.36	Equity transfer
Jiangsu Huaye Medical Instruments Co., Ltd 江苏华晔医疗器械有限公司	Taizhou Medical City	Taizhou		86.36	Established by investment
Huaxin Pharmaceutical (Hong Kong) Co., Limited. 华信药业(香港)有限公司	Taizhou Medical City	Hongkong	100.00		Established by investment
Taizhou Xinkang Construction Co., Ltd. 泰州信康建设有限公司	Taizhou Medical City	Taizhou		100.00	Established by investment
Taizhou Huajiang Pharmaceutical Investment Development Co., Ltd. 泰州华江医药投资发展有限公司	Taizhou Medical City	Taizhou		60.00	Established by investment
Taizhou China Medical City New Drug Fund Management Co., Ltd. 泰州中国医药城新药基金管理有限公司	Taizhou Medical City	Taizhou		86.36	Established by investment
Taizhou Xinhong Assembly Building Co., Ltd. 泰州信鸿装配式建筑有限公司	Taizhou Medical City	Taizhou	100.00		Established by investment
Taizhou High-tech Zone Kangju Construction Development Co., Ltd. 泰州高新区康居建设开发有限公司	Taizhou Medical City	Taizhou	100.00		Equity transfer
Taizhou Wanhao Greening Engineering Co., Ltd. 泰州万豪绿化工程有限公司	Taizhou Medical City	Taizhou	100.00		Equity transfer

Subsidiary name	Main business place	Place of Registration	Shareholding ratio (%)	Method of acquisition
Taizhou Xincheng New Building Materials Co., Ltd. 泰州信诚新型建材有限公司	Taizhou Medical City	Taizhou	51.00	Established by investment
Jiangsu Huateng Medical Equipment Co., Ltd. 江苏华腾医疗器械有限公司	Taizhou Medical City	Taizhou	51.00	Established by investment

7.1.2 Important non-wholly owned subsidiaries

Subsidiary name	Minority shareholding ratio (%)	Profit or loss attributable to minority shareholders in the current period	Dividends allocated to minority shareholders in the current period	Ending balance of minority shareholders' equity	Remarks
Taizhou Huasheng Investment Development Co., Ltd 泰州华盛投资开发有限公司	48.72			3,000,000,000.00	
Taizhou Pharmaceutical High-tech Co., Ltd 泰州医药高新股份有限公司	13.64	-1,833,520.30		668,515,723.47	
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	13.64	-1,081,082.32		2,099,979.07	

8. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS

The Company's operating activities will face a variety of financial risks: credit risk, liquidity risk and market risk. The Company's overall risk management plan is aimed at reducing the potential adverse impact on the financial performance of the Company against the unpredictability of financial markets.

8.1 Credit risk

The company's credit risk mainly comes from cash and bank balance, notes receivable, accounts receivable, other receivables and available-for-sale financial assets. Management has established appropriate credit policies and continuously monitors exposure to these credit risks.

Cash and bank balance held by the Company are mainly deposited in state-owned holding banks and other large and medium-sized commercial banks and other financial institutions. The management believes that these commercial banks have high credit and asset status and there is no significant credit risk. There will be no significant loss due to breach of contract by the other party.

For accounts receivable, other receivables and notes receivable, the Company has set policies to control credit risk exposure. The Company evaluates the customer's credit qualifications and sets the corresponding credit period based on the financial status of the customer, the possibility of obtaining guarantees from third parties, credit history and other factors such as

current market conditions. The Company will regularly monitor the customer's credit history. For customers with poor credit history, the company will use written reminders, shorten the credit period or cancel the credit period to ensure that the company's overall credit risk is within the controllable range.

As at June 30, 2020, the accounts receivable of the top five customers of the Company accounted for 86.89% of the total accounts receivable of the Company.

The maximum exposure to credit risk of the Company is the carrying amount of each financial asset (including derivative financial instruments) on the balance sheet. Except for the financial guarantees provided by the Company as set out in Note 9 and Note 10, the Company has not provided any other guarantees that may expose the Company to credit risk.

8.2 Liquidity risk

Liquidity risk refers to the risk that the Company cannot obtain sufficient funds in a timely manner to meet the needs of business development or repay due debts and other payment obligations.

The Company continues to monitor the Company's short-term and long-term funding needs to ensure that it maintains sufficient cash reserves; at the same time, it will continue to monitor whether it complies with the provisions of the loan agreement, and obtain commitments from major financial institutions to provide sufficient reserve funds to meet short-term and long-term funding needs.

8.3 Market risk

8.3.1 Exchange rate risk

The company's main operations are located in China, and its main business is settled in RMB. However, the Company's confirmed foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US dollars) still have exchange rate risk. The Company's risk control department is responsible for monitoring the Company's foreign currency transactions and the scale of foreign currency assets and liabilities to minimize exchange rate risks; to this end, the Company may sign forward foreign exchange contracts or currency swap contracts to achieve the purpose of avoiding exchange rate risks.

- (1) The company did not sign any forward foreign exchange contracts or currency swap contracts this year.
- (2) As of June 30, 2020, the amount of foreign currency financial assets and foreign currency financial liabilities held by the Company converted into RMB is listed below:

Item	30/06/2020				
	US Dollar	HK Dollar	JPY	GBP	Total
Foreign currency financial assets:					
Cash and bank balance	450,819,553.48	224,775.58	0.07	3,338.58	451,047,667.71
Subtotal	450,819,553.48	224,775.58	0.07	3,338.58	451,047,667.71
Foreign currency financial liabilities:					
Bonds payable due within 1 year	1,458,377,000.00				1,458,377,000.00
Subtotal	1,458,377,000.00				1,458,377,000.00

Continued.

Item	31/12/2019				
	US Dollar	HK Dollar	JPY	GBP	Total
Foreign currency financial assets:					
Cash and bank balance	798,070,365.06	19,649.24	0.06	0.46	798,090,014.82
Subtotal	798,070,365.06	19,649.24	0.06	0.46	798,090,014.82
Foreign currency financial liabilities:					
Bonds payable	1,437,097,200.00				1,437,097,200.00
Subtotal	1,437,097,200.00				1,437,097,200.00

8.3.2 Interest rate risk

The Company's interest rate risk mainly arises from bank loans. Floating interest rate financial liabilities expose the company to cash flow interest rate risk, while fixed interest rate financial liabilities expose the company to fair value interest rate risk. The company determines the relative proportion of fixed-rate and floating-rate contracts based on the market environment at the time.

The company's finance department continuously monitors the company's interest rate. The rise in interest rates will increase the cost of newly added interest-bearing debts and the interest payments of interest-bearing debts with floating interest rates that have not yet been paid by the company, and have a significant adverse impact on the company's financial performance. Management will make timely adjustments based on the latest market conditions.

9. RELATED PARTIES AND RELATED TRANSACTIONS

9.1 Details of parent company

Parent company name	Place of Registration	Nature of Business	Proportion of shareholding (%)	Percentage of voting rights (%)
Taizhou Municipal People's Government	Taizhou	Management of State-owned Assets in	85.15	85.15

Parent company name	Place of Registration	Nature of Business	Proportion of shareholding (%)	Percentage of voting rights (%)
泰州市人民政府		Taizhou City		

9.2 Details of the subsidiaries of the Company are set out in Note 7.1 Interests in subsidiaries.

9.3 Other related parties

Name of other related party	Relationship with other related party
Taizhou Lianxin Construction Co. Ltd. 泰州联信建设有限公司	Investment related
Taizhou Shuangxing Construction Co., Ltd 泰州双兴建设有限公司	Investment related

9.4 Related party transactions

9.4.1 Details of related guarantee

(1) The Company as a guarantor

Name of the guaranteed company	Amount	Start date of Guarantee	Due date of Guarantee	Whether the guarantee has been fulfilled
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	2,000.00	2019/8/31	2020/8/29	No
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	4,909.24	2019/5/10	2020/11/19	No
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	5,000.00	2019/8/12	2020/8/11	No
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	10,000.00	2019/9/27	2020/9/26	No
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	980.00	2019/9/27	2020/9/27	No
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	955.00	2019/9/24	2020/11/19	No
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	39,990.00	2020/1/10	2022/1/10	No
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	3,000.00	2020/2/26	2020/11/26	No
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	17,000.00	2020/2/3	2021/2/2	No
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	5,000.00	2020/2/28	2021/2/28	No
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	4,900.00	2020/3/31	2022/3/27	No
Taizhou Pharmaceutical High-tech Co., Ltd 泰州医药高新股份有限公司	9,840.00	2019/9/27	2020/12/25	No
Huasheng Investment Development Co., Ltd 华盛投资开发有限公司	6,000.00	2019/10/31	2020/10/20	No
Huasheng Investment Development Co., Ltd 华盛投资开发有限公司	9,000.00	2020/1/22	2021/1/21	No
Taizhou China Medical City Asset Management Co., Ltd	13,000.00	2020/1/16	2022/1/16	No

Name of the guaranteed company	Amount	Start date of Guarantee	Due date of Guarantee	Whether the guarantee has been fulfilled
泰州中国医药城资产管理有限公司				
Total	131,574.24			

9.4.2 Details of accounts receivable from and accounts payable to related party

(1) The company's receivables from related parties

Account name	Name of related party	30/06/2020		01/01/2020	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables					
	Taizhou Lianxin Construction Co. Ltd. 泰州联信建设有限公司	287,074,337.1 8		422,172,718.9 0	

(2) 本公司应付关联方款项

Account name	Name of related party	30/06/2020	01/01/2020
Other payables			
	Taizhou Lianxin Construction Co. Ltd. 泰州联信建设有限公司		

10. COMMITMENT AND CONTINGENCIES

10.1 Significant commitments

The Company does not have any important commitments that need to be disclosed.

10.2 Significant contingencies that exist on the balance sheet date

10.2.1 Contingencies arising from the provision of external debt guarantees and their financial impact

For details of providing guarantees to related parties, please refer to "Note.9 Related Parties and Related Party Transactions"- Note 9.4.1.

As of June 30, 2020, the Company provides guarantees for non-related party units as follows:

Name of the guaranteed unit	Type of guarantee	Amount 10 thousand yuan	The term	Remarks
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	28,500.00	2016.12.30-2022.6.30	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	19,000.00	2016/7/29-2021/7/28	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	18,000.00	2019/2/28-2021/2/28	

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the six-month period ended June 30, 2020

Name of the guaranteed unit	Type of guarantee	Amount 10 thousand yuan	The term	Remarks
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	35,120.00	2018/9/11-2021/4/11	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	65,000.00	2019/1/24-2021/1/23	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	50,000.00	2019/8/14-2021/8/14	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	10,000.00	2019/8/29-2022/8/29	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	19,500.00	2019/9/24-2021/9/24	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	26,154.98	2019/9/29-2024/9/20	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	12,000.00	2019/11/1-2020/10/23	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	24,750.00	2019/12/19 -2024/12/12	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	35,480.00	2020/1/22-2022/1/21	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	29,910.00	2020/2/26-2022/2/28	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	8,000.00	2020/2/24-2021/2/23	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	75,000.00	2020/3/31-2022/11/21	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	50,000.00	2020/3/31-2022/4/16	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	35,000.00	2020/5/28-2027/5/25	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	40,327.00	2019/10/18- 2021/10/18	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Guarantee	100,000.00	2020/4/29-2022/4/29	
Taizhou Xintai Construction Development Co., Ltd. 泰州市新泰建设发展有限公司	Guarantee	7,000.00	2015/1/7-2021/5/26	
Taizhou Automobile City Co., Ltd. 泰州汽车城有限公司	Guarantee	87,895.00	2018/8/31-2021/9/24	
Taizhou Xin bin'jiang Development Co., Ltd. 泰州市新滨江开发有限责任公司	Guarantee	26,800.00	2016/4/6-2022/12/31	
Taizhou Xin bin'jiang Development Co., Ltd. 泰州市新滨江开发有限责任公司	Guarantee	13,250.00	2016/1/4-2024/1/4	
Taizhou Xin bin'jiang Development Co., Ltd. 泰州市新滨江开发有限责任公司	Guarantee	20,000.00	2019/8/22-2020/8/22	
Taizhou Xin bin'jiang Development Co., Ltd. 泰州市新滨江开发有限责任公司	Guarantee	10,000.00	2019/8/26-2020/8/26	
Taizhou Xin bin'jiang Development Co., Ltd. 泰州市新滨江开发有限责任公司	Guarantee	20,000.00	2020/1/1-2025/12/31	

Name of the guaranteed unit	Type of guarantee	Amount 10 thousand yuan	The term	Remarks
Taizhou Higher Education Investment Development Co., Ltd 泰州高教投资发展有限公司	Guarantee	10,000.00	2019/8/19-2020/8/19	
Taizhou Higher Education Investment Development Co., Ltd 泰州高教投资发展有限公司	Guarantee	20,000.00	2019/11/15- 2021/11/15	
Taizhou Higher Education Investment Development Co., Ltd 泰州高教投资发展有限公司	Guarantee	8,438.92	2020/1/20-2023/1/20	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Guarantee	32,000.00	2016/1/21-2020/12/31	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Guarantee	4,500.00	2016/1/4-2020/12/29	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Guarantee	9,800.00	2015/12/29- 2025/12/28	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Guarantee	8,800.00	2015/12/30 -2025/12/29	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Guarantee	9,600.00	2020/2/24-2021/2/23	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Guarantee	18,000.00	2018/1/10-2021/1/10	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Guarantee	4,000.00	2018/1/9-2021/1/5	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Guarantee	15,000.00	2019/6/26-2024/6/26	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Guarantee	15,000.00	2019/8/29-2020/8/29	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Guarantee	6,000.00	2019/10/29 -2020/10/28	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Guarantee	15,000.00	2019/12/6-2020/12/5	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Guarantee	10,000.00	2019/12/20- 2020/12/20	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Guarantee	15,000.00	2019/12/31- 2022/12/30	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Guarantee	46,310.00	2020/3/13-2028/11/30	

Name of the guaranteed unit	Type of guarantee	Amount 10 thousand yuan	The term	Remarks
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Guarantee	10,000.00	2020/5/15-2021/5/14	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Guarantee	46,000.00	2020/1/20-2024/1/20	
Taizhou Huacheng Medical Investment Group Co., Ltd. 泰州华诚医学投资集团有限公司	Guarantee	22,450.00	2019/9/20-2021/9/20	
Taizhou Financial Holding Group Co., Ltd. 泰州市金融控股集团有限公司	Guarantee	10,000.00	2020/6/29-2021/2/25	
Jiangsu Dengke Health Industry Development Co., Ltd. 江苏登科健康产业发展有限公司	Guarantee	3,500.00	2016/4/29-2021/4/28	
Total		1,206,085.90		

Except for the above mentioned contingencies, as of June 30, 2020, the Company has no other important contingencies that should be disclosed.

11. EVENTS AFTER THE BALANCE SHEET DATE

The Company has no events after the balance sheet date that need to be disclosed.

12. OTHER IMPORTANT MATTERS

12.1 Previous accounting errors

12.1.1 Retrospective restatement

During the reporting period, the Company found no previous errors that required retrospective restatement.

12.1.2 Future applicable law

During the reporting period, the Company did not find any previous accounting errors that required future application methods.

12.2 Debt restructuring

There were no debt restructuring events during the reporting period.

12.3 Exchange of non-monetary assets

During the reporting period, the Company had no non-monetary asset exchange events.

12.4 Termination of business

There are no terminations that need to be disclosed.

13. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

13.1 Accounts receivable

13.1.1 Classified by provision method of bad debt

Category	30/06/2020				
	Book balance		Provision for bad debts		NBV
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Individual accounts receivable with significant amount and provision for bad debts separately	2,043,894,015.96	99.88	355,615.20	0.02	2,043,538,400.76
Accounts receivable with provision for bad debts according to the combination of credit risk characteristics	1,985,370.63	0.10	188,869.62	9.51	1,796,501.01
Individual accounts receivable with insignificant but separate provision for bad debts	451,716.81	0.02			451,716.81
Total	2,046,331,103.40	100.00	544,484.82		2,045,786,618.58

Continued.

Category	01/01/2020				
	Book balance		Provision for bad debts		NBV
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Individual accounts receivable with significant amount and provision for bad debts separately	2,940,871,343.12	99.84	177,807.60	0.01	2,940,693,535.52
Accounts receivable with provision for bad debts according to the combination of credit risk characteristics	3,709,988.59	0.13	276,564.99	7.45	3,433,423.60
Individual accounts receivable with insignificant but separate provision for bad debts	892,985.80	0.03			892,985.80
Total	2,945,474,317.51	100.00	454,372.59		2,945,019,944.92

13.1.2 Top five accounts receivable at the end of the period are as follows.

Company name	30/06/2020	Percentage of accounts receivable at the end of the period (%)	Provision for bad debts
Summary of the top five accounts receivable at the end of the period	2,044,511,915.96	99.91	177,807.60

13.2 Other receivables

Item	30/06/2020	01/01/2020
Interests receivable	13,964,600.64	10,256,160.88
Dividends receivable	18,890,554.74	
Other receivables	15,576,629,880.36	11,284,782,468.29
Total	15,609,485,035.74	11,295,038,629.17

13.2.1 Other receivables

13.2.1.1 Classified by provision method of bad debt

Category	30/06/2020				NBV
	Book balance		Provision for bad debts		
	Amount	proportion (%)	Amount	Provision ratio (%)	
Other receivables with significant individual amounts and separate provision for bad debts	15,586,876,242.73	99.99	11,167,499.90	0.07	15,575,708,742.83
Other receivables with provision for bad debts in combination with credit risk characteristics	1,470,453.75	0.01	549,316.22	37.36	921,137.53
Other receivables with no insignificant amounts but with separate provision for bad debts					
Total	15,588,346,696.48	100.00	11,716,816.12		15,576,629,880.36

Continued.

Category	01/01/2020				NBV
	Book balance		Provision for bad debts		
	Amount	proportion (%)	Amount	Provision ratio (%)	
Other receivables with significant individual amounts and separate provision for bad debts	11,294,799,535.07	99.99	11,031,789.10	0.10	11,283,767,745.97
Other receivables with provision for bad debts in combination with credit risk characteristics	1,674,888.81	0.01	660,166.49	39.42	1,014,722.32
Other receivables with no insignificant amounts but with separate provision for bad debts					
Total	11,296,474,423.88	100.00	11,691,955.59		11,284,782,468.29

Description of other receivable categories:

(1) In the combination, other receivables for bad debt provision by aging analysis

Aging	30/06/2020

	Other receivables	Provision for bad debts	Provision ratio (%)
Within 1 year	755,665.67	-	0.00
1-2 years	34,387.08	3,438.71	10.00
2-3 years	18,180.09	3,636.02	20.00
3-4 years	6,897.00	2,069.10	30.00
4-5 years	230,303.04	115,151.52	50.00
More than 5 years	425,020.87	425,020.87	100.00
Total	1,470,453.75	549,316.22	

13.2.1.2 Provision for bad debts, withdrawn or transferred back during the period

Provision for bad debts in the current period amounted to RMB ¥ 24,860.53.

13.2.1.3 Top five balances of the other receivables at the end of the period.

Company name	30/06/2020	Percentage of other receivable at the end of the period (%)	Provision for bad debts
Summary of the top five other receivables at the end of the period	13,579,056,518.30	87.11	

13.3 Long-term equity investment

Nature of payment	30/06/2020			01/01/2020		
	Book balance	Provision	NBV	Book balance	Provision	NBV
Investments in subsidiaries	6,005,531,069.00		6,005,531,069.00	6,260,531,069.00		6,260,531,069.00
Investments in associates	556,098,181.98		556,098,181.98	58,788,577.74		58,788,577.74
Total	6,561,629,250.98		6,561,629,250.98	6,319,319,646.74		6,319,319,646.74

13.3.1 Investments in subsidiaries

Invested company	01/01/2020	Additions	Reductions	30/06/2020
Taizhou China Medical City Asset Management Co., Ltd 泰州中国医药城资产管理有限公司	300,000,000.00			300,000,000.00
Taizhou Pharmaceutical High-tech Co., Ltd 泰州医药高新股份有限公司	3,485,465,000.00			3,485,465,000.00
Taizhou Huasheng Investment Development Co., Ltd 泰州华盛投资开发有限公司	200,000,000.00			200,000,000.00
Taizhou Huakang Investment Co., Ltd 泰州华康投资有限公司	2,000,000,000.00			2,000,000,000.00
Taizhou China Medical City high-tech commercial	255,000,000.00		255,000,000.00	0.00

Invested company	01/01/2020	Additions	Reductions	30/06/2020
factoring Limited. 泰州中国医药城高新商业保理有限公司				
Huaxin Pharmaceutical (Hong Kong) Co., Limited. 華信藥業(香港)有限公司	66,069.00			66,069.00
Taizhou High-tech Zone Kangju Construction Development Co., Ltd. 泰州高新区康居建设开发有限公司	20,000,000.00			20,000,000.00
Total	6,260,531,069.00		255,000,000.00	6,005,531,069.00

13.3.2 Investments in associates

Invested company	01/01/2020	Changes in the reporting period			
		Additional investment	Reduce investment	Gains and losses recognized under the equity method	Other comprehensive income adjustment
1.Name of associates					
Taizhou Medical City State Branch Chemical Biological Technology Co., Ltd. 泰州医药城国科化物生物医药科技有限公司	1,740,992.62			-1,740,992.62	
Taizhou Wan Tuo Town Reconstruction Development Co., Ltd 泰州万拓城镇改造开发有限公司	30,061,724.14			-949,343.01	
Taizhou Shuangxing Construction Co., Ltd 泰州双兴建设有限公司	21,987,970.62				
Taizhou Lianxin Construction Co., Ltd 泰州联信建设有限公司	4,997,890.36			-60.13	
Taizhou Pharmaceutical High-tech Zone Huayin Financial Investment Co., Ltd. 泰州医药高新区华银金融投资有限公司		500,000,000.00			
Total	58,788,577.74	500,000,000.00		-2,690,395.76	

Continued.

Invested company	Changes in the reporting period				30/06/2020	Ending balance of impairment provision
	Other changes in equity	Declare a cash dividend or profit	Provision for impairment	Others		

Invested company	Changes in the reporting period				30/06/2020	Ending balance of impairment provision
	Other changes in equity	Declare a cash dividend or profit	Provision for impairment	Others		
1.Name of associates						
Taizhou Medical City State Branch Chemical Biological Technology Co., Ltd. 泰州医药城国科化物生物医药科技有限公司					0.00	
Taizhou Wan Tuo Town Reconstruction Development Co., Ltd 泰州万拓城镇改造开发有限公司					29,112,381.13	
Taizhou Shuangxing Construction Co., Ltd 泰州双兴建设有限公司					21,987,970.62	
Taizhou Lianxin Construction Co., Ltd 泰州联信建设有限公司					4,997,830.23	
Taizhou Pharmaceutical High-tech Zone Huayin Financial Investment Co., Ltd. 泰州医药高新区华银金融投资有限公司					500,000,000.00	
Total					556,098,181.98	

13.4 Operating income and operating cost

Item	Six-month period ended 30/06/2020		Six-month period ended 30/06/2019	
	Revenue	Cost	Revenue	Cost
Main business income	89,064,120.34	126,437,020.33	245,312,964.25	220,536,623.20
Other business income	2,803,925.08	2,154,299.18	5,898,633.49	3,534,259.59

TAIAHOU HUAXIN PHARMACEUTICAL INVESTMENT CO., LTD

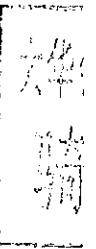
(Seal)

August 30, 2020

TAIZHOU HUAXIN
PHARMACEUTICAL INVESTMENT CO., LTD

AUDITOR'S REPORT

DHSZ.[2020] No.008475



大华会计师事务所(特殊普通合伙)

Da Hua Certified Public Accountants (Special General Partnership)

TAIZHOU HUAXIN
PHARMACEUTICAL INVESTMENT CO., LTD
Auditor's Report and Financial Statements
(From 1 January 2019 to 31 December 2019)

	Contents	Page
Part 1	Auditor's report	1-4
Part 2	List of audited financial statements	
	Consolidated statement of financial position	1-2
	Consolidated statement of profit or loss	3
	Consolidated statement of cash flows	4
	Consolidated statement of changes in equity	5-6
	Statement of financial position	7-8
	Statement of profit or loss	9
	Statement of cash flows	10
	Statement of changes in equity	11-12
	Notes to the financial statements	1-112

Auditor's Report

DHSZ [2020] No.008475

To the Shareholders of Taizhou Huaxin Pharmaceutical Investment Co., Ltd:

1. *OPINION*

We have audited the accompanying financial statements of Taizhou Huaxin Pharmaceutical Investment Co., Ltd (“the Company”), which comprise the consolidated and individual statement of financial position as at 31 December, 2019, and the consolidated and individual statement of profit or loss, consolidated and individual statement of changes in equity and consolidated and individual statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the consolidated and individual financial position of the Company as at 31 December 2019, and of its consolidated and individual financial performance and consolidated and individual cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. *BASIS FOR OPINION*

We conducted our audit in accordance with the Chinese Certified Public Accountant Auditing Standards. The “*Auditor's Responsibility for the Audit of the Financial Statements*” section of the audit report further elaborated our responsibilities under these guidelines. In accordance with the Code of Ethics for Chinese Certified Public Accountants, we are independent of the Company and perform other professional ethics duties. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

4. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is

sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

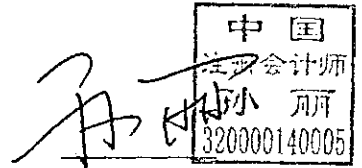
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (4) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Da Hua Certified Public Accountants



Chinese CPA:



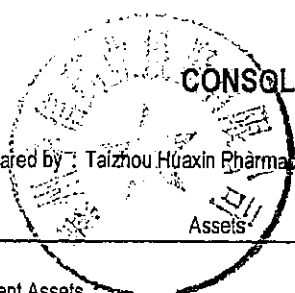
孙丽

Chinese CPA:



孙蕾

28 April 2020



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

Prepared by : Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

Assets	Note 6	31/12/2019	01/01/2019
Current Assets :			
Cash and bank balance	6.1	5,359,831,274.17	8,163,956,263.68
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	6.2	76,193,389.72	3,266,425.73
Accounts receivable	6.3	3,603,228,300.48	3,522,574,077.48
Accounts prepayment	6.4	617,208,913.37	161,594,406.29
Other receivables	6.5	9,619,245,786.77	8,033,760,924.71
Inventories	6.6	30,749,902,313.39	27,781,100,196.73
Classified as available for sale assets			
Non-current assets due within one year			
Other current assets	6.7	504,773,428.02	562,221,415.25
Subtotal of Current Assets		50,530,383,405.92	48,228,473,709.87
Non-current Assets :			
Financial assets available for sale	6.8	2,126,880,000.00	1,788,112,101.28
Hold-to-maturity investments			
Long-term accounts receivable			
Long-term equity investments	6.9	58,788,577.74	60,190,283.43
Investment property	6.10	9,193,370,701.17	6,565,176,535.83
Fixed assets	6.11	17,421,936.26	18,578,620.18
Construction in progress	6.12	2,228,808,322.27	3,303,478,818.42
Biological assets			
Oil and gas assets			
Intangible assets	6.13	2,216,863,456.29	3,704,389,319.30
Development expenditure			
Goodwill	6.14	4,169,802.20	
Long-term deferred expenses	6.15	22,108,792.28	4,459,821.37
Deferred income tax assets	6.16	37,472,262.06	53,287,776.10
Other non-current assets	6.17	1,607,625,295.68	2,473,525,310.61
Subtotal of Non-current Assets		17,513,509,145.95	17,971,198,586.52
Total Assets		68,043,892,551.87	66,199,672,296.39

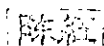
(Notes are considered to be an irreducible constituent of the financial statements.)

Person in Charge :



Accounting Supervisor :

Fiscal Principal :



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2019

Prepared by: Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

Equity and liabilities	Note 6	31/12/2019	01/01/2019
Current Liabilities :			
Short-term borrowings	6.18	2,274,774,691.00	2,094,112,123.77
Financial liabilities at fair value through profit or loss			
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	6.19	1,186,500,000.00	307,646,000.00
Accounts payable	6.20	1,509,621,166.34	1,787,291,274.83
Accounts received in advance	6.21	185,863,538.77	434,970,698.97
Accrued payroll	6.22	320,000.00	116,000.00
Taxes payable	6.23	192,813,176.37	172,538,390.15
Other payables	6.24	4,390,681,933.30	5,980,821,454.05
Classified as available for sale liabilities			
Non-current liabilities due within one year	6.25	12,426,646,667.89	6,576,199,487.51
Other current liabilities	6.26	534,218,750.00	1,561,830,000.00
Subtotal of Current Liabilities		<u>22,701,439,923.67</u>	<u>18,915,525,429.28</u>
Non-current Liabilities :			
Long-term borrowings	6.27	11,218,237,642.70	12,963,677,023.29
Bonds payable	6.28	7,005,129,501.90	7,417,787,919.27
Including: Preferred stocks			
Including : Perpetual bonds			
Long-term accounts payable	6.29	3,290,000.00	17,500,000.00
Long-term accrued payroll			
Estimated liabilities			
Deferred income	6.30	41,136,585.21	41,820,366.60
Deferred income tax liabilities			
Other non-current liabilities			
Subtotal of Non-current Liabilities		<u>18,267,793,729.81</u>	<u>20,440,785,309.16</u>
Total Liabilities		<u>40,969,233,653.48</u>	<u>39,356,310,738.44</u>
Owners' Equity (or Shareholders' Equity) :			
Paid-in capital	6.31	5,328,511,554.00	5,328,511,554.00
Other equity instruments	6.32	1,500,000,000.00	1,500,000,000.00
Including: Preferred stocks			
Including : Perpetual bonds			
Capital reserves	6.33	13,577,452,954.12	13,277,452,954.12
Less : Treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserves	6.34	199,998,170.20	170,372,895.44
General risk reserves	6.35	2,660,000.00	
Retained earnings	6.36	2,594,054,673.08	2,343,713,737.36
Total equity attributable to parent company		<u>23,202,677,351.40</u>	<u>22,620,051,140.92</u>
Minority stockholder's interest		3,871,981,546.99	4,223,310,417.03
Subtotal of Owners' Equity		<u>27,074,658,898.39</u>	<u>26,843,361,557.95</u>
Total Equity and Liabilities		<u>68,043,892,551.87</u>	<u>66,199,672,296.39</u>

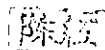
(Notes are considered to be an irreducible constituent of the financial statements.)

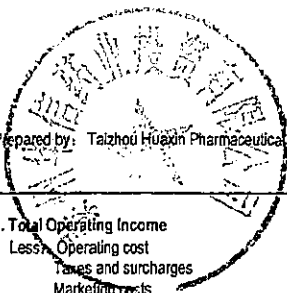
Person in Charge:



Accounting Supervisor:

Fiscal Principal:





CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

Prepared by: Taizhou Huanin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

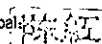
Item	Note 6	Year ended 31-Dec-2019	Year ended 31-Dec-2018
1. Total Operating Income	6.37	1,672,363,176.32	1,946,089,710.17
Less: Operating cost	6.37	1,356,093,037.27	1,322,583,595.10
Taxes and surcharges	6.38	87,447,594.52	107,320,689.33
Marketing costs	6.39	160,297,583.17	320,205,096.98
General and administrative costs	6.40	85,672,086.10	71,931,785.40
Research and development expenses			
Financial costs	6.41	62,331,148.35	33,218,461.91
Including: Interest expenses		213,424,342.01	274,215,044.00
Interest income		161,744,055.33	252,049,980.31
Add: Other income	6.42	416,607,004.39	418,242,935.33
Investment income (loss is marked with "-")	6.43	135,594,113.03	239,405.75
Including: Investment income from affiliated enterprise and joint venture			
Gains from changes in fair value (losses are marked with "-")			
Losses of asset impairments	6.44	-34,297,159.99	538,261.71
Asset disposal income (loss is marked with "-")	6.45	107,579.22	-372,090.89
2. Operating profit (loss is marked with "-")		<u>438,533,263.56</u>	<u>509,488,593.35</u>
Add: Non-operating income	6.46	2,336,649.97	1,122,536.35
Less: Non-operating expenses	6.47	248,806.95	82,202.89
3. Total profit (total loss is marked with "-")		<u>440,621,106.58</u>	<u>510,528,926.81</u>
Less: Income tax expenses	6.48	150,773,766.14	152,735,471.42
4. Net profit (net loss is marked with "-")		<u>289,847,340.44</u>	<u>357,793,455.39</u>
4.1 Classified by business continuity			
4.1.1 Net profit from continuing operations (net loss is marked with "-")		289,847,340.44	357,793,455.39
4.1.2 Termination of operating net profit (net loss is marked with "-")			
4.2 Classified by ownership			
4.2.1 Net profit attributable to shareholders of the parent company (net loss is marked with "-")		291,176,210.48	358,933,657.65
4.2.2 Minority shareholders' profit and loss (net loss is marked with "-")		-1,328,870.04	-1,140,202.26
5. Other comprehensive Income, net of tax			
Other comprehensive Income attributable to parent company, net of tax			
5.1 Other comprehensive income that cannot be reclassified later into profit or loss			
5.1.1 Recalculate changes in net liabilities or net assets of the beneficiary plan			
5.1.2 Other comprehensive income that cannot be transferred to profit or loss under the equity method			
5.1.3 Others			
5.2 Other comprehensive income that can be reclassified later into profit or loss			
5.2.1 Other comprehensive income convertible to profit or loss under the equity method			
5.2.2 Gains and losses from changes in fair value of available-for-sale financial assets			
5.2.3 Held-to-maturity investments are reclassified as available-for-sale financial assets			
5.2.4 Effective portion of cash flow hedge gains and losses			
5.2.5 Foreign currency translation of financial statements			
5.2.6 Disposal of subsidiaries in a package, investment income generated before loss of control			
5.2.7 Conversion of other assets to investment properties measured by fair value model			
5.2.8 Others			
Other comprehensive income attributable to minority shareholders, net of tax			
6. Total comprehensive income		<u>289,847,340.44</u>	<u>357,793,455.39</u>
6.1 Total comprehensive income attributable to owners of the parent company		291,176,210.48	358,933,657.65
6.2 Total comprehensive income attributable to minority shareholders		-1,328,870.04	-1,140,202.26
7. Earning Per Share:			
7.1 Basic EPS			
7.2 Diluted EPS			

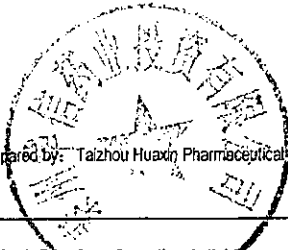
(Notes are considered to be an irreducible constituent of the financial statements.)

Person in Charge:

Accounting Supervisor:

Fiscal Principal:





CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

Prepared by: Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

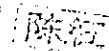
Item	Note 6	Year ended 31-Dec-2019	Year ended 31-Dec-2018
1. Cash Flow from Operating Activities:			
Cash received from sales of goods or rendering services		1,140,436,091.83	2,984,615,071.94
Refunds of taxes		-	-
Cash received relating to other operating activities		3,823,320,433.48	2,014,597,930.82
Subtotal of cash inflows from operating activities		<u>4,963,756,525.31</u>	<u>4,999,213,002.76</u>
Cash paid for goods or receiving services		4,188,704,447.70	3,519,938,206.18
Cash paid to and on behalf of employees		41,086,162.63	36,249,220.48
Tax payments		250,451,551.85	353,264,996.76
Cash paid relating to other operating activities		428,388,961.95	993,073,303.34
Subtotal of cash outflows from operating activities		<u>4,908,631,124.13</u>	<u>4,902,526,726.76</u>
Net Cash Flow from Operating Activities		<u>55,125,401.18</u>	<u>96,687,276.00</u>
2. Cash Flow from Investing Activities:			
Cash received from disposal of investments		-	6,500,000.00
Cash received from investment income		13,199,016.06	115.08
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		178,141,400.00	4,500.00
Cash received of disposal subsidiaries and other operating units		-	-10,677,456.92
Cash received relating to other investing activities		1,439,711,986.50	205,000,000.00
Subtotal of cash inflows from investing activities		<u>1,631,052,402.56</u>	<u>200,827,158.16</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		614,650,625.50	877,153,298.38
Cash paid to acquire investments		750,000,000.00	300,000,000.00
Cash payments relating to purchasing of subsidiaries or other enterprises		-9,084,646.63	-
Cash payments relating to other investing activities		1,017,732,249.28	480,000,000.00
Subtotal of cash outflows from investing activities		<u>2,373,298,228.15</u>	<u>1,657,153,298.38</u>
Net Cash Flow from Investing Activities		<u>-742,245,825.59</u>	<u>-1,456,326,140.22</u>
3. Cash Flow from Financing Activities:			
Cash received by investors		300,000,000.00	500,000,000.00
Including: Cash received from minority shareholders by subsidiaries		-	-
Cash received from borrowings		14,621,046,291.00	13,822,861,470.75
Cash received relating to other financing activities		327,233,286.10	1,841,408,449.66
Subtotal of cash inflows from financing activities		<u>15,248,279,577.10</u>	<u>16,164,269,920.41</u>
Repayments of borrowings		12,050,335,545.55	14,245,566,503.64
Dividends paid, profit distributed or interest paid		2,947,152,149.53	2,405,226,164.14
Including: Dividends, profits paid to minority stockholders by subsidiaries		-	-
Cash paid relating to other financing activities		2,814,511,871.68	147,464,925.51
Subtotal of cash outflows from financing activities		<u>17,811,999,566.76</u>	<u>16,798,257,593.29</u>
Net Cash Flow from Financing Activities		<u>-2,563,719,989.66</u>	<u>-633,987,672.88</u>
4. Effect of Foreign Currency Translation		18,151,662.89	53,483,989.51
5. Net Increase (Decrease) in Cash and Cash Equivalents		<u>-3,232,688,751.18</u>	<u>-1,940,142,547.59</u>
Add: Cash and cash equivalents at the beginning of the year		7,281,203,308.54	9,221,345,856.13
6. Cash and cash equivalents at the end of the year		<u>4,048,514,557.36</u>	<u>7,281,203,308.54</u>

(Notes are considered to be an irreducible constituent of the financial statements.)

Person in Charge:

Accounting Supervisor:

Fiscal Principal:



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

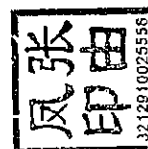
For the year ended 31 December 2019

(Unless otherwise stated, the amount of Unit for RMB)

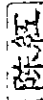
	Year ended 31-Dec-2019									
	Paid-in Capital	Other equity instruments	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Minority stockholder's interest	Total owners' equity
1. Balance at the end of last year	5,328,511,554.00	1,500,000,000.00	13,277,452,854.12	170,372,895.44	2,343,713,737.38	4,223,310,417.03	26,843,361,557.95	2,343,713,737.38	4,223,310,417.03	26,843,361,557.95
Add: Increase/(decrease) in profit due to changes in accounting policy										
Accounting Error Correction (last year)										
Business combination under the common control										
Others										
2. Balance at the beginning of current year	5,328,511,554.00	1,500,000,000.00	13,277,452,854.12	170,372,895.44	2,343,713,737.38	4,223,310,417.03	26,843,361,557.95	2,343,713,737.38	4,223,310,417.03	26,843,361,557.95
3. Increase/(decrease) in profit during the year			300,000,000.00	-351,328,870.04	2,650,000.00	-351,328,870.04	231,237,340.44	-351,328,870.04	-351,328,870.04	231,237,340.44
3.1 Total comprehensive income			300,000,000.00	-351,328,870.04	2,650,000.00	-351,328,870.04	231,237,340.44	-351,328,870.04	-351,328,870.04	231,237,340.44
3.2 Capital increased or decreased by the investor			300,000,000.00				231,237,340.44			231,237,340.44
3.2.1 Capital increased by the investor			300,000,000.00				231,237,340.44			231,237,340.44
3.2.2 Capital increased by other equity instruments holders										
3.2.3 Owners' equity increased by share-based payments										
3.2.4 Others										
3.3 Profit appropriation							-8,550,000.00			-8,550,000.00
3.3.1 Appropriation of surplus reserves							-8,550,000.00			-8,550,000.00
3.3.2 Profit available for owners' distribution										
3.3.3 Others										
3.4 Internal transferring of owners' equity							-8,550,000.00			-8,550,000.00
3.4.1 Capitalizing of capital reserves							-8,550,000.00			-8,550,000.00
3.4.2 Capitalizing of surplus reserves										
3.4.3 Covering the deficit by using of surplus reserves										
3.4.4 Carry forward the changes in the net liabilities or net assets of the beneficiary plan										
3.4.5 Other comprehensive income carried forward retained income										
3.4.6 Others										
3.5 Special reserves										
3.5.1 Current extraction										
3.5.2 Current use										
3.6 Others										
4. Balance at the end of current period	5,328,511,554.00	1,500,000,000.00	13,577,452,854.12	199,044,025.40	2,650,000.00	2,594,054,674.08	27,074,593,898.39	2,594,054,674.08	2,594,054,674.08	27,074,593,898.39

(Notes are considered to be an inalienable constituent of the financial statements.)

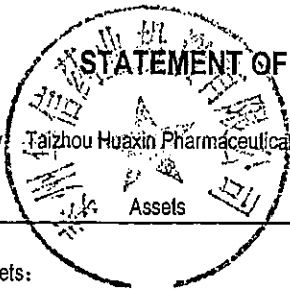
Person in Charge:



Accounting Supervisor:



Fiscal Principal:



STATEMENT OF FINANCIAL POSITION OF PARENT COMPANY

As at 31 December 2019

Prepared by: Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

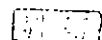
Assets	Note 14	31/12/2019	01/01/2019
Current Assets:			
Cash and bank balance		3,035,767,535.36	3,557,111,414.44
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	14.1	2,945,019,944.92	2,619,050,323.41
Accounts prepayment		528,054,386.89	138,567,137.33
Other receivables	14.2	11,295,038,629.17	9,395,348,961.97
Inventories		27,547,606,355.21	25,222,343,751.62
Classified as available for sale assets			
Non-current assets due within one year			
Other current assets		329,102,232.58	390,071,789.43
Subtotal of Current Assets		45,680,589,084.13	41,322,493,378.20
Non-current Assets :			
Financial assets available for sale		2,123,880,000.00	1,760,112,101.28
Hold-to-maturity investments			
Long-term accounts receivable			
Long-term equity investments	14.3	6,319,319,646.74	6,300,721,352.43
Investment property		6,858,899,972.51	4,014,821,795.10
Fixed assets		8,971,053.35	7,738,720.98
Construction in progress		2,219,765,452.58	3,300,150,995.97
Biological assets			
Oil and gas assets			
Intangible assets		2,202,915,328.01	3,689,786,397.57
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		3,036,582.05	175,303.30
Other non-current assets		1,603,132,693.86	2,469,032,708.79
Subtotal of Non-current Assets		21,339,920,729.10	21,542,539,375.42
Total Assets		67,020,509,813.23	62,865,032,753.62

(Notes are considered to be an irreducible constituent of the financial statements.)

Person in Charge:

Accounting Supervisor:

Fiscal Principal:



STATEMENT OF FINANCIAL POSITION OF PARENT COMPANY (Continued)

As at 31 December 2019

Prepared by: Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

Equity and liabilities	Note 14	31/12/2019	01/01/2019
Current Liabilities:			
Short-term borrowings		1,040,500,000.00	886,000,000.00
Financial liabilities at fair value through profit or loss			
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		936,500,000.00	105,000,000.00
Accounts payable		1,065,504,772.87	1,158,554,479.66
Accounts received in advance		17,394,261.97	14,836,873.06
Accrued payroll			
Taxes payable		140,571,741.17	116,124,596.03
Other payables		14,126,396,375.13	11,969,882,389.49
Classified as available for sale liabilities			
Non-current liabilities due within one year		11,760,013,657.05	6,492,199,487.51
Other current liabilities		534,218,750.00	1,561,830,000.00
Subtotal of Current Liabilities		<u>29,621,099,558.19</u>	<u>22,304,427,825.75</u>
Non-current Liabilities:			
Long-term borrowings		9,004,237,642.70	12,811,677,023.29
Bonds payable		5,269,173,801.90	5,193,131,841.76
Including: Preferred stocks			
Including: Perpetual bonds			
Long-term accounts payable			17,500,000.00
Long-term accrued payroll			
Estimated liabilities			
Deferred income		22,381,000.00	22,381,000.00
Deferred income tax liabilities			
Other non-current liabilities			
Subtotal of Non-current Liabilities		<u>14,295,792,444.60</u>	<u>18,044,689,865.05</u>
Total Liabilities		<u>43,916,892,002.79</u>	<u>40,349,117,690.80</u>
Owners' Equity (or Shareholders' Equity) :			
Paid-in capital		5,328,511,554.00	5,328,511,554.00
Other equity instruments		1,500,000,000.00	1,500,000,000.00
Including: Preferred stocks			
Including: Perpetual bonds			
Capital reserves		13,591,818,876.51	13,291,818,876.51
Less: Treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserves		199,998,170.20	170,372,895.44
Retained earnings		2,483,289,209.73	2,225,211,736.87
Subtotal of Owners' Equity		<u>23,103,617,810.44</u>	<u>22,515,915,062.82</u>
Total Equity and Liabilities		<u>67,020,509,813.23</u>	<u>62,865,032,753.62</u>

(Notes are considered to be an irreducible constituent of the financial statements.)

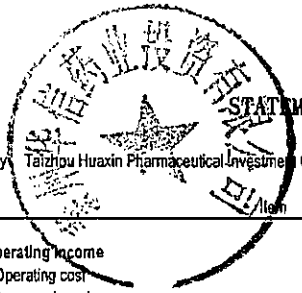
Person in Charge:



Accounting Supervisor:

Fiscal Principal:





STATEMENT OF PROFIT OR LOSS OF PARENT COMPANY

For the year ended 31 December 2019

Prepared by Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

	Note 14	Year ended 31-Dec-2019	Year ended 31-Dec-2018
1. Total Operating Income	14.4	414,152,296.74	339,071,458.71
Less: Operating cost	14.4	329,153,596.46	128,237,333.75
Taxes and surcharges		58,117,772.80	75,241,504.50
Marketing costs			
General and administrative costs		45,141,892.69	31,971,388.00
Research and development expenses			
Financial costs		27,671,450.49	47,112,084.17
Including: Interest expenses		117,317,090.47	200,240,350.15
Interest income		92,705,149.81	153,632,336.78
Add: Other income		325,923,223.00	327,247,800.00
Investment income (loss is marked with "-")	14.5	126,383,726.03	202,489.38
Including: Investment income from affiliated enterprise and joint venture			
Gains from changes in fair value (losses are marked with "-")			
Losses of asset impairments		-11,445,115.00	-15,977.89
Asset disposal income (loss is marked with "-")		52,000.00	-357,435.78
2. Operating profit (loss is marked with "-")		394,981,418.33	383,576,024.00
Add: Non-operating income		51,201.00	1,496.45
Less: Non-operating expenses		16,648.00	53,651.59
3. Total profit (total loss is marked with "-")		395,015,971.33	383,523,668.86
Less: Income tax expenses		98,763,223.71	101,856,728.05
4. Net profit (net loss is marked with "-")		296,252,747.62	281,667,140.81
Net profit from continuing operations (net loss is marked with "-")		296,252,747.62	281,667,140.81
Termination of operating net profit (net loss is marked with "-")			
5. Other comprehensive income, net of tax			
5.1 Other comprehensive income that cannot be reclassified later into profit or loss			
5.1.1 Recalculate changes in net liabilities or net assets of the beneficiary plan			
5.1.2 Other comprehensive income that cannot be transferred to profit or loss under the equity method			
5.1.3 Others			
5.2 Other comprehensive income that can be reclassified later into profit or loss			
5.2.1 Other comprehensive income convertible to profit or loss under the equity method			
5.2.2 Gains and losses from changes in fair value of available-for-sale financial assets			
5.2.3 Held-to-maturity investments are reclassified as available-for-sale financial assets			
5.2.4 Effective portion of cash flow hedge gains and losses			
5.2.5 Foreign currency translation of financial statements			
5.2.6 Disposal of subsidiaries in a package, investment income generated before loss of control			
5.2.7 Conversion of other assets to investment properties measured by fair value model			
5.2.8 Others			
6. Total comprehensive income		296,252,747.62	281,667,140.81
7. Earning Per Share:			
7.1 Basic EPS			
7.2 Diluted EPS			

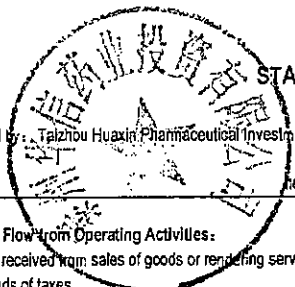
(Notes are considered to be an irrevocable constituent of the financial statements.)

Person in Charge:

Accounting Supervisor:

Fiscal Principal:





STATEMENT OF CASH FLOWS OF PARENT COMPANY

For the year ended 31 December 2019

Prepared by: Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

Item	Note 14	Year ended 31-Dec-2019	Year ended 31-Dec-2018
1. Cash Flow from Operating Activities:			
Cash received from sales of goods or rendering services		108,490,811.16	883,088,402.91
Refunds of taxes		-	-
Cash received relating to other operating activities		6,612,962,953.54	1,613,248,276.77
Subtotal of cash inflows from operating activities		6,721,453,764.70	2,496,336,679.68
Cash paid for goods or receiving services		2,383,228,245.80	2,237,636,292.62
Cash paid to and on behalf of employees		8,979,456.90	6,868,230.45
Tax payments		151,256,002.85	224,203,993.63
Cash paid relating to other operating activities		453,460,442.06	1,046,791,255.59
Subtotal of cash outflows from operating activities		2,996,924,147.61	3,515,499,772.29
Net Cash Flow from Operating Activities		3,724,529,617.09	-1,019,163,092.61
2. Cash Flow from Investing Activities:			
Cash received from disposal of investments		-	-
Cash received from investment income		13,199,016.06	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		143,789,613.00	-
Cash received of disposal subsidiaries and other operating units		-	-
Cash received relating to other investing activities		1,554,011,985.50	5,000,000.00
Subtotal of cash inflows from investing activities		1,711,000,615.56	5,000,000.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		605,991,969.12	872,940,895.05
Cash paid to acquire investments		750,000,000.00	300,000,000.00
Cash payments relating to purchasing of subsidies or other enterprises		-	-
Cash payments relating to other investing activities		867,732,249.28	-
Subtotal of cash outflows from investing activities		2,223,724,218.40	1,172,940,895.05
Net Cash Flow from Investing Activities		-512,723,602.84	-1,167,940,895.05
3. Cash Flow from Financing Activities:			
Cash received by investors		300,000,000.00	500,000,000.00
Including: Cash received from minority shareholders by subsidiaries		11,123,160,000.00	11,133,176,870.75
Cash received from borrowings		27,233,286.10	4,201,502,171.07
Subtotal of cash inflows from financing activities		11,450,393,286.10	15,834,679,041.82
Repayments of borrowings		10,421,733,945.55	12,375,587,103.64
Dividends paid, profit distributed or interest paid		2,588,585,254.92	2,177,353,795.67
Cash paid relating to other financing activities		2,769,723,978.96	1,174,818,378.01
Subtotal of cash outflows from financing activities		15,780,043,179.43	15,727,759,277.32
Net Cash Flow from Financing Activities		-4,309,649,893.33	106,919,764.50
4. Effect of Foreign Currency Translation		-	-
5. Net Increase (Decrease) in Cash and Cash Equivalents		-1,097,843,879.08	-2,080,184,223.16
Add: Cash and cash equivalents at the beginning of the year		3,457,111,414.44	5,537,295,637.60
6. Cash and cash equivalents at the end of the year		2,359,267,535.36	3,457,111,414.44

(Notes are considered to be an irreducible constituent of the financial statements.)

Person in Charge: _____ Accounting Supervisor:



Fiscal Principal: _____

STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY

For the year ended 31 December 2019

(Unless otherwise stated, the amount of Unit for RMB)

	Year ended 31-Dec-2019								
	Paid-in Capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
1. Balance at the end of last year	5,328,511,554.00	1,500,000,000.00	13,291,818,376.51				170,372,815.44	2,225,211,736.87	22,515,915,062.82
2. Increase/(decrease) in profit during the year									
3.1 Total comprehensive income									
3.2 Capital increased or decreased by the investor									
3.2.1 Capital increased by the investor									
3.2.2 Capital increased by other equity instruments holders									
3.2.3 Owners' equity increased by share-based payments									
3.2.4 Others									
3.3 Profit appropriation									
3.3.1 Appropriation of surplus reserves									
3.3.2 Profit available for owners' distribution									
3.3.3 Others									
3.4 Internal transferring of owners' equity									
3.4.1 Capitalising of capital reserves									
3.4.2 Capitalising of surplus reserves									
3.4.3 Covering the deficit by using of surplus reserves									
3.4.4 Carry forward the changes in the net liabilities or net assets of the beneficiary plan									
3.4.5 Other comprehensive income carried forward retained income									
3.4.6 Others									
3.5 Special reserves									
3.5.1 Current extraction									
3.5.2 Current use									
3.6 Others									
4. Balance at the end of current period	5,328,511,554.00	1,500,000,000.00	13,291,818,376.51				199,258,170.20	2,483,289,292.73	23,103,617,610.44

(Notes are considered to be an inalienable constituent of the financial statements.)

Person in Charge:



Accounting Supervisor:

Fiscal Principal:



STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY

For the year ended 31 December 2018

(Unless otherwise stated, the amount of Unit is RMB)

	Year ended 31-Dec-2018								
	Paid-in Capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
1. Balance at the end of last year	5,329,511,554.00	1,500,000,000.00	9,530,218,976.51				142,205,184.35	1,880,301,310.14	18,481,237,822.01
Add: increases (decrease) in profit due to changes in accounting policy									
Accounting Error Correction See "Notes" 1									
Others									
2. Balance at the beginning of current year	5,329,511,554.00	1,500,000,000.00	9,530,218,976.51				142,205,184.35	1,880,301,310.14	18,481,237,822.01
3. Increase (decrease) in profit during the year									
3.1 Total comprehensive income					3,761,600,000.00			244,910,425.73	4,034,677,140.81
3.2 Capital increased or decreased by the investor									
3.2.1 Capital increased by the investor					3,761,600,000.00				3,761,600,000.00
3.2.2 Capital increased by other equity instruments holders									
3.2.3 Owners' equity increased by share-based payments									
3.2.4 Others									
3.3 Profit appropriation									
3.3.1 Appropriation of surplus reserves							28,166,714.08	-8,758,714.08	-8,590,000.00
3.3.2 Profit available for owners' distribution							28,166,714.08	-28,166,714.08	-8,590,000.00
3.3.3 Others									
3.4 Internal transferring of owners' equity									
3.4.1 Capitalizing of capital reserves									
3.4.2 Capitalizing of surplus reserves									
3.4.3 Converting the deficit by using of surplus reserves									
3.4.4 Carry forward the changes in the net facilities or net assets of the beneficiary plan									
3.4.5 Other comprehensive income carried forward retained income									
3.4.6 Others									
3.5 Special reserves									
3.5.1 Current extraction									
3.5.2 Current use									
3.6 Others									
4. Balance at the end of current period	5,329,511,554.00	1,500,000,000.00	13,291,818,976.51				170,072,865.44	2,275,211,736.87	22,515,915,062.82

(Notes are considered to be an intractable constituent of the financial statements.)

Person in Charge:



 张风印

Accounting Supervisor:

Fiscal Principal:



Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

Notes to the financial statements

For the year ended 31 December, 2019

1.GENERAL INFORMATION

1.1 Company history, registered address and headquarters address

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.(hereinafter “ the Company”) was established on 28 December 2005 which approved by Taizhou Administration for Industry&Commerce. The Company obtained the Business License for Enterprise as a Legal Person with the registration number 321200000002790. And now the Company holds a Certificate of uniform social credit code of 91321291782712917Y.

(1) The original registered capital of the Company is RMB ¥100,000,000.00. Among them, Taizhou Huatai Industrial Holdings Limited (泰州市华泰工业控股经营有限公司) invested RMB ¥92,677,300.00, using land use right and monetary funds as the amount of capital contribution, accounted for 92.7% of the original registered capital; and Taizhou Haihua Industrial Construction and Development Co., Ltd.(泰州海华工业建设发展有限公司) invested RMB ¥7,322,700.00, using road and bridge as a physical capital contribution, accounted for 7.3% of the original registered capital.

The original registered capital was paid in three phases as follows. The first phase of investment of RMB ¥52,000,000.00, including: Taizhou Huatai Industrial Holdings Limited (泰州市华泰工业控股经营有限公司) invested RMB ¥44,677,300.00, using land use right and monetary funds as the amount of capital contribution whereas Taizhou Haihua Industrial Construction and Development Co., Ltd.(泰州海华工业建设发展有限公司) invested RMB ¥7,322,700.00, using road and bridge as a physical capital contribution, Jiangsu Zhongxinhua Certified Public Accountants has published its report on verification of capital on SZXYZ(2005) No.D070. The Second phase of investment of RMB ¥35,000,000.00, which was contributed by monetary funds and Jiangsu Zhongxinhua Certified Public Accountants has published its report on verification of capital on SZXYZ(2006) No.D041. And the last phase of investment of RMB ¥13,000,000.00, which was contributed by monetary funds and Jiangsu Zhongxinhua Certified Public Accountants has published its report on verification of capital on SZXYZ(2006) No.D047.

- (2) The Company increased its registered capital of RMB ¥17,000,000.00 on 14th June 2006 by its original shareholders with monetary funds and Jiangsu Zhongxinhua Certified Public Accountants Taizhou Development Zone Branch has published its report on verification of capital on ZXFYZ(2006) No.D047-1. The registered capital after modification is RMB ¥117,000,000.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
Taizhou Huatai Industrial Holdings Limited 泰州市华泰工业控股经营有限公司	10,967.73	93.7%
Taizhou Haihua Industrial Construction and Development Co., Ltd. 泰州海华工业建设发展有限公司	732.27	6.3%
Total	11,700.00	100.00%

- (3) The Company increased its registered capital of RMB ¥50,000,000.00 on 4th June 2007 by its original shareholders with monetary funds and Jiangsu Zhongxinhua Certified Public Accountants Taizhou Branch has published its report on verification of capital on SZXFYZ(2007) No.D015. The registered capital after modification is RMB ¥167,000,000.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
Taizhou Huatai Industrial Holdings Limited 泰州市华泰工业控股经营有限公司	15,967.73	95.6%
Taizhou Haihua Industrial Construction and Development Co., Ltd. 泰州海华工业建设发展有限公司	732.27	4.4%
Total	16,700.00	100.00%

- (4) The Company increased its registered capital of RMB ¥50,000,000.00 on 13th June 2007 by its original shareholders with monetary funds and Jiangsu Zhongxinhua Certified Public Accountants Taizhou Branch has published its report on verification of capital on SZXFYZ(2007)No.D018. The registered capital after modification is RMB ¥217,000,000.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
Taizhou Huatai Industrial Holdings Limited 泰州市华泰工业控股经营有限公司	20,967.73	96.6%

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
Taizhou Haihua Industrial Construction and Development Co., Ltd. 泰州海华工业建设发展有限公司	732.27	3.4%
Total	21,700.00	100.00%

(5) On 6th September 2007, approved by State-owned Assets Supervision and Administration Commission(SASAC) of Taizhou, Taizhou Haihua Industrial Construction and Development Co., Ltd. (泰州海华工业建设发展有限公司) transferred all its shares of the Company to Taizhou Huatai Industrial Holdings Limited (泰州市华泰工业控股经营有限公司). The Company changed to sole proprietorship after the equity transfer is completed. On 23 November 2007, pursuant to <Notice on the recovery of entire share capital of Huaxin Company held by Huatai Company> released by Taizhou Municipal People's Government (TZF[2007] No. 229), the Company's investor changed from Taizhou Huatai Industrial Holdings Limited to Taizhou Municipal People's Government, and Taizhou SASAC was designated to perform the duties of investment as investor.

(6) The Company increased its registered capital of RMB ¥571,511,554.00 on 29 May 2008 by Taizhou Municipal People's Government, using land use right as a physical capital contribution and Jiangsu Zhongxinhua Certified Public Accountants Taizhou Branch has published its report on verification of capital on SZXFYZ(2008) No.D022. The registered capital after modification is RMB ¥788,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	78,851.1554	100.00%
Total	78,851.1554	100.00%

(7) The Company increased its registered capital of RMB ¥100,000,000.00 on 29 December 2008 by Taizhou Municipal People's Government with monetary funds and Jiangsu Zhongxinhua Certified Public Accountants Taizhou Branch has published its report on verification of capital on SZXFYZ(2008) No.D171. The registered capital after modification is RMB ¥888,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	88,851.1554	100.00%
Total	88,851.1554	100.00%

- (8) The Company increased its registered capital of RMB ¥1,000,000,000.00 on 6 August 2014 by Taizhou Municipal People's Government with monetary funds and Jiangsu Zhongxinhua Certified Public Accountants Taizhou Branch has published its report on verification of capital on SZXFYZ(2014) No.005. The registered capital after modification is RMB ¥1,888,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	188,851.1554	100.00%
Total	188,851.1554	100.00%

- (9) The Company increased its registered capital of RMB ¥400,000,000.00 on 18 June 2015 by Taizhou Municipal People's Government with monetary funds and Jiangsu Jingwei Certified Public Accountants has published its report on verification of capital on JWY(2015) No.1005. The registered capital after modification is RMB ¥2,288,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	228,851.1554	100.00%
Total	228,851.1554	100.00%

- (10) The Company increased its registered capital of RMB ¥300,000,000.00 on 6 August 2015 by Taizhou Municipal People's Government with monetary funds and Jiangsu Zhongxin Certified Public Accountants Taizhou Development Zone Branch has published its report on verification of capital on ZXFYZ(2015) No.0027. The registered capital after modification is RMB ¥2,588,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	258,851.1554	100.00%
Total	258,851.1554	100.00%

- (11) The Company increased its registered capital of RMB ¥ 300,000,000.00 on 28 September 2015 by Taizhou Municipal People's Government with monetary funds and Jiangsu Zhongxin Certified Public Accountants Taizhou Development Zone Branch has published its report on verification of capital on ZXFYZ(2015) No.0006. The registered capital after modification is RMB ¥2,888,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	288,851.1554	100.00%
Total	288,851.1554	100.00%

- (12) The Company increased its registered capital of RMB ¥ 900,000,000.00 on 18 December 2015 by Taizhou Municipal People's Government with monetary funds and Jiangsu Jingwei Certified Public Accountants has published its report on verification of capital on JWY(2015) No.1014. The registered capital after modification is RMB ¥3,788,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	378,851.1554	100.00%
Total	378,851.1554	100.00%

- (13) The Company increased its registered capital of RMB ¥40,000,000.00 on 21 January 2016 by CDB (China Development Bank) Development Fund with monetary funds. The registered capital after modification is RMB ¥3,828,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	378,851.1554	98.96%

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
CDB Development Fund 国开发展基金有限公司	4,000.0000	1.04%
Total	382,851.1554	100.00%

- (14) The Company increased its registered capital of RMB ¥1,500,000,000.00 on 30 March 2016 by Fuanda Asset Management (Shanghai) Co., Ltd. with monetary funds and Jiangsu Lixin Certified Public Accountants Co., Ltd. has published its report on verification of capital on SLX(2016) No.T006. The registered capital after modification is RMB ¥5,328,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	378,851.1554	71.10%
CDB Development Fund 国开发展基金有限公司	4,000.0000	0.75%
Fuanda Asset Management (Shanghai) Co., Ltd. 富安达资产管理(上海)有限公司	150,000.0000	28.15%
Total	532,851.1554	100.00%

- (15) On September 20, 2019, Fuanda Asset Management (Shanghai) Co., Ltd. transferred its 5.63% equity of the Company to Taizhou Municipal People's Government for RMB ¥ 300,000,000.00. The registered capital after modification remains RMB ¥5,328,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	408,851.1554	76.73%
CDB Development Fund 国开发展基金有限公司	4,000.0000	0.75%
Fuanda Asset Management (Shanghai) Co., Ltd. 富安达资产管理(上海)有限公司	120,000.0000	22.52%
Total	532,851.1554	100.00%

After the change of equity over the years, as of 31 December 2019, the registered capital of the Company was RMB ¥ 532,851.5554 million yuan.

Registered address of the Company is Hailing South Road West, East side of Room 413, 4th Floor, Planning Road North (Business Building 1) of China Medical City, Taizhou.

Headquarters' address is Hailing South Road West, East side of Room 413, 4th Floor, Planning Road North (Business Building 1) of China Medical City, Taizhou.

The parent company is the Taizhou Municipal People's Government (泰州市人民政府).

1.2 Nature of business and main business activities

The Company is designated to the investment industry controlled and operated by the government itself. And the main function of the Company is to fulfill external financing and investment responsibilities of Taizhou Pharmaceutical High-tech Industry Development Zone, on the other hand, as a major investment projects and loan projects established by High-tech Zone, the Company is responsible for liaising with banks and implementing repayment work. Other main business activities including undertaking infrastructure investment, housing development and construction, rental business for plant and machinery. According to construction project investment plan, the Company is responsible for commissioning the design, tender, and construction of the projects.

The Company's development business is divided into two parts: self-development and entrusted development. Among them, self-development means functional development such as developing non-industrial use of land, real estate development and construction projects; on the other hand, entrusted development is mainly engaged in developing industrial use of land, accepting the commission of the Industrial Park Administrative Committee and developing the land requisitioned and purchased by CMC Land Bureau to achieve "Eight availables and Two Accessibles" level (i.e. water, electricity, heat, gas, sewage, post, telecommunications, and closed circuit TV are available and you are accessible to the paved roads and leveled ground.)

After the completion of entrusted development of the land, CMC repurchased the land and is responsible for the transfer business, and in accordance with the the transfer schedule and the price of the agreement to settle the land development projects.

1.3 Approval of financial statements

The financial statements are approved by all directors of the Company on 28 April, 2020.

2. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

There are 14 entities in the scope of consolidated financial statements in the current period, including:

Name of subsidiaries	Type of subsidiary	Level	Shareholding ratio (%)	Voting ratio (%)
Taizhou Huasheng Investment Development Co., Ltd. 泰州华盛投资开发有限公司	Holding subsidiary	2	51.28	100
Taizhou China Medical City Asset Management Co., Ltd. 泰州中国医药城资产管理有限公司	Wholly-owned	2	100	100
Taizhou Huakang Investment Co., Ltd. 泰州华康投资有限公司	Wholly-owned	2	100	100
Taizhou Pharmaceutical High-tech Co., Ltd. 泰州医药高新股份有限公司	Holding subsidiary	2	86.36	86.36
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd. 江苏华为医药物流有限公司	Holding subsidiary	3	86.36	86.36
Jiangsu Huaye Medical Devices Co., Ltd. 江苏华晔医疗器械有限公司	Holding subsidiary	3	86.36	86.36
Taizhou China Medical City New Drug Fund Management Co., Ltd. 泰州中国医药城新药基金管理有限公司	Holding subsidiary	3	86.36	86.36
Taizhou China Medical City high-tech commercial factoring Limited. 泰州中国医药城高新商业保理有限公司	Wholly-owned	2	100.00	100.00
Huaxin Pharmaceutical (Hong Kong) Co., Limited. 华信药业(香港)有限公司	Wholly-owned	2	100.00	100.00
Taizhou Xinkang Construction Co., Ltd. 泰州信康建设有限公司	Wholly-owned	3	100.00	100.00
Taizhou Huajiang Pharmaceutical Investment Development Co., Ltd. 泰州华江医药投资发展有限公司	Holding subsidiary	3	60.00	60.00
Taizhou Xinhong Assembly Building Co., Ltd. 泰州信鸿装配式建筑有限公司	Wholly-owned	2	100.00	100.00
Taizhou High-tech Zone Kangju Construction Development Co., Ltd. 泰州高新区康居建设开发有限公司	Wholly-owned	2	100.00	100.00
Taizhou Wanhao Greening Engineering Co., Ltd. 泰州万豪绿化工程有限公司	Wholly-owned	2	100.00	100.00

For the reasons why the shareholding ratio of the subsidiary is different from the proportion of voting rights, and the basis for holding the voting rights of half or less but still controlling the invested entity, please refer to "Note 8. INTERESTS IN OTHER ACCOUNTING ENTITIES 8.1 Interests in Subsidiaries".

Compared with the previous period, the number of subsidiaries included in the scope of the consolidated financial statements increased by 3 household, of which:

2.1 subsidiaries, special-purpose entities, and operating entities that form control rights through entrusted operations or leases which newly included in the scope of consolidation during the current period are as follows.

Name	Reason for change
Taizhou Xinhong Assembly Building Co., Ltd. 泰州信鸿装配式建筑有限公司	Established by investment
Taizhou High-tech Zone Kangju Construction Development Co., Ltd. 泰州高新区康居建设开发有限公司	By buying equity
Taizhou Wanhao Greening Engineering Co., Ltd.	By buying equity

Name	Reason for change
泰州万豪绿化工程有限公司	

For details of the change in the scope of consolidation, please refer to “Note 7. CHANGES IN THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS”.

3. BASIS OF PREPARATION

3.1 Preparation basis

The Company is based on the actual transactions and events, in accordance with the "Enterprise Accounting Standards - Basic Standards" promulgated by the Ministry of Finance and specific corporate accounting standards, application guidelines for business accounting standards, corporate accounting standards interpretation and other relevant provisions (collectively known as “the Accounting Standards for Business Enterprise”) for recognition and measurement. On this basis, the financial statements are prepared in conjunction with the provisions of the “Regulations on the Information Disclosure and Compilation of Companies That Offer Securities to the Public No. 15 – General Provisions on Financial Reporting” (2014 Revision) issued by the China Securities Regulatory Commission.

3.2 Going concern basis

The Company has evaluated the continuing operating capacity for the 12 months from the end of the reporting period and has not found any significant suspicions or circumstances regarding the continuing operation capacity. Accordingly, the financial statements are prepared on the going concern basis.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

4.1 Statement of compliance

The financial statements prepared by the company are in compliance with the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the company's financial status, operating results, cash flow and other relevant information during the reporting period.

4.2 Accounting period

The accounting period of the Company is the calendar year.

4.3 Business cycle

The business cycle is 12 months.

4.4 Functional currency

The functional currency of the Company is Renminbi Yuan(RMB).

4.5 Account treatment of business combination under common control and not under common control

4.5.1 When a business combination is achieved in stages, if the terms, conditions and economic effects of the transactions are in compliance with one or more of the following transactions, accounting for a number of transactions as a package transaction.

- (1) These transactions are made at the same time or in consideration of each other's influence;
- (2) these transactions are made at the same time or in consideration of each other's influence, the whole of these transactions can reach a complete business results;
- (3) the occurrence of a transaction depends on the occurrence of at least one other transaction;
- (4) single transaction is uneconomical, but it is economical to consider with other transactions.

4.5.2 Business combination under common control

The assets and liabilities acquired by the Company in the business combination are measured at the carrying amount of the consolidated financial statements in the final controlling party in accordance with the merger date and the liabilities of the merged party's assets and liabilities (including the goodwill acquired by the ultimate controlling party). The difference between the carrying amount of the net assets obtained in the merger and the carrying amount of the consideration paid (or the total nominal value of the issued shares), adjust the capital premium in the capital reserve, capital reserve is insufficient, adjust the retained earnings.

If there is a consideration or need to confirm the estimated liabilities or assets, the difference between the expected liabilities or the amount of assets and the amount of follow-up or consideration, adjust the capital reserve (capital premium or share premium), capital reserve is insufficient, adjust the retained earnings.

For transactions that are finally merged through multiple transactions and belong to a package transaction, the transactions are accounted for as a transaction with control. If the transaction is not included in the package, adjust the capital reserve with the difference between the carrying amount of the long-term equity investment before the merger and the book value of the newly paid consideration for the merger date. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For the equity investment held prior to the merger date, other comprehensive income recognized by the use of the equity method or the recognition and measurement of financial instruments shall not be subject to accounting treatment until the disposal of the investment is carried out with the direct disposal of the investee. Assets or liabilities of the same basis for the accounting treatment; due to the use of equity method to confirm the net assets of the investee net

profit and loss, other comprehensive income and profit distribution other than the owner of the other changes, not for accounting treatment. The investment is transferred to the current profits and losses.

4.5.3 Business combination not under common control

The purchase date refers to the date on which the company actually obtains control of the purchased party, that is, the date on which the purchaser's net assets or control of production and operation decisions are transferred to the company. When the following conditions are met at the same time, the company generally believes that the transfer of control rights is realized:

- ① The business combination contract or agreement has been approved by the internal authority of the company.
- ② The business combination needs to be approved by the relevant competent authorities of the state and has been approved.
- ③ The necessary transfer of property rights has been completed.
- ④ The company has paid most of the combined price and has the ability and plan to pay the remaining amount.
- ⑤ The company has actually controlled the financial and operating policies of the purchased party and has the corresponding benefits and corresponding risks.

The difference between the fair value and its book value is recognized at the fair value at the date of purchase, and the liabilities incurred or incurred as a result of the merger of the enterprise are recognized in profit or loss for the current period.

The positive difference between the fair value of the Company and the fair value of the acquiree's identifiable net assets obtained from the merger is recognized as goodwill. The negative difference between the cost of the merger and the fair value of the acquiree's identifiable net assets obtained from the merger is recognized in the current profit or loss after review.

For transactions that are finally merged through multiple transactions and belong to a package transaction, the transactions are accounted for as a transaction with control. If the transaction is not included in the package, the equity investment held prior to the merger date is calculated using the equity method, the sum of the book value of the equity investment held by the acquiree prior to the acquisition date and the new investment cost of the purchase date as the initial investment cost of the investment; The other consolidated income recognized by the equity method for the equity investment is accounted for using the same basis as the investee's disposal of the relevant assets or liabilities in the disposal of the investment. The equity investment held prior to the merger date shall be calculated using the recognition and measurement standard of the financial

instrument, and the fair value of the equity investment on the date of consolidation plus the sum of the new investment costs shall be taken as the initial investment cost of the merger date. The difference between the fair value and the book value of the original holding equity and the accumulated fair value change originally recorded in the other comprehensive income shall be transferred to the investment income of the current date.

4.5.4 Costs incurred for the business combination

The transaction costs of auditing, legal services, assessment consulting and other directly related expenses incurred in connection with the business combination shall be recorded into the current profits and losses at the time of occurrence. The transaction fee for the issuance of equity securities for the business combination can be directly attributable to the equity transaction interest deduction.

4.6 The preparation of consolidated financial statements

4.6.1 Scope of consolidation

The consolidated scope of the consolidated financial statements of the Company is determined on the basis of control and all subsidiaries (including the individual entities controlled by the Company) are included in the consolidated financial statements.

4.6.2 Process of consolidation

The Company prepares the consolidated financial statements based on the financial statements of the Company and its subsidiaries in accordance with other relevant information. The Company compiles the consolidated financial statements and regards the whole enterprise group as an accounting entity. According to the unified accounting policies, it reflects the overall financial status, operating results and cash flow of the group as a whole.

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidated financial statements are in line with the Company. If it is inconsistent with the Company, when the consolidated financial statements are prepared, accounting policy and the accounting period of the subsidiaries shall make the necessary adjustments.

When the financial statements are consolidated, the impact of the internal transactions between the Company and individual subsidiary, among individual subsidiaries on the consolidated balance sheet, consolidated profit statement, consolidated cash flow statement and consolidated shareholders' equity changes are recorded. If the group merges the financial statements from the perspective of the company or subsidiary for the accounting subject of the same transaction is not the same time, from the perspective of the group as a whole to adjust the transaction.

The equity of the subsidiaries, the net profit or loss of the current period and the share of

the minority shareholders in the current consolidated income are presented separately under the net profit items and the consolidated income items under the consolidated equity items under the owner's equity items in the consolidated balance sheet. The current loss of the minority shareholders of the subsidiary is more than the balance formed by the minority shareholders' share of the owner's equity at the beginning of the subsidiary, and the minority shareholders' equity is reduced.

For the subsidiaries acquired under common control, the financial statements shall be adjusted on the basis of the carrying amount of the assets and liabilities (including the goodwill formed by the ultimate controlling party's acquisition of the subsidiary) in the final controlling party's financial statements.

For subsidiaries acquired by business combination not under common control, the financial statements shall be adjusted on the basis of the fair value of the identifiable net assets at the acquisition date.

(1) Addition of the subsidiary or business

During the reporting period, if the newly increased subsidiary or business is consolidated under the same control, the beginning balance of the consolidated balance sheet shall be adjusted; the income, expenses and profit of the subsidiary or business combination from the beginning of the current period to the end of the reporting period shall be included in the consolidated income statement ; the cash flow of the subsidiaries or business combination from the beginning of the current period to the end of the reporting period is included in the consolidated cash flow statement, and the relevant items of the comparative report are adjusted as the subject of the consolidated report has existed since the time when the final controlling party begins to control.

Due to additional investment and other reasons to be under the same control of the investee to implement control, as the parties involved in the merger in the final control of the beginning of control when the current state of existence to adjust. The equity income held prior to the acquisition of the controlling right of the merged party has confirmed the relevant gains and losses between the date of the same control and the date of merger and the merged party and the merged party to the date of merger, and the other comprehensive income. As well as other changes in net assets, respectively, compared with the beginning of the reporting period retained earnings or current profits and losses.

During the reporting period, if the newly increased subsidiary or business is not included in the merger under the same control, the balance sheet shall not be adjusted at the beginning of the consolidated balance sheet; the income, expenses and profits of the subsidiary or business from the date of purchase to the end of the reporting period and the cash flow of the subsidiary or business from the date of purchase to the end of the

reporting period is included in the consolidated cash flow statement.

The Company shall be subject to the fair value of the equity interest at the date of purchase, and the fair value of the Company shall be re-measured at the fair value of the acquisition date for the equity interest held by the acquirer held prior to the date of purchase if the investment is controlled under the same control due to additional investment. The difference between the book value is included in the current investment income. Other equity income and other comprehensive benefits related to changes in other owners' equity other than net profit or loss, other comprehensive income and profit distribution, other equity interests in the equity interests held by the acquirer prior to the acquisition date, the change of the equity interest to the current investment income of the acquisition date, except for the other comprehensive income arising from the re-measurement of the net profit or net asset change of the beneficiary plan.

(2) Disposition of the subsidiary or business

1) General handling method

During the reporting period, the Company disposed of its subsidiaries or business, the income, expenses and profits of the subsidiary or business period from the beginning date till the date of disposal to be included in the consolidated income statement; the cash flow from the beginning date till the date of disposal of the subsidiary or the business to be included in the consolidated cash flow table.

When the disposal of part of the equity investment or other reasons for the loss of control of the investee, the Company in accordance with its loss of control at the fair value of the re-measurement for the disposal of the remaining equity investment. The difference between the fair value of the disposal price and the fair value of the remaining equity shall be calculated by subtracting the difference between the share of the net assets and the sum of the goodwill that the original subsidiary shall continue to calculate from the original date of purchase or the date of merger into the loss of control of the current investment income. Other changes in owners' equity related to other comprehensive income or net profit or loss, other comprehensive income and profit distribution related to the equity investment of the original subsidiaries shall be converted into current investment income when the control is lost since the investee is re-measured except for other consolidated income arising from changes in net liabilities or net assets of the benefit plan.

2) Step-by-step disposal of subsidiaries

Through a number of transactions step by step disposal of equity investment in subsidiaries until the loss of control, the terms, conditions and economic effects of the transactions dealing with the equity investments of the subsidiaries are one or more of the following situations, it is generally stated that multiple transactions should be accounted

for as a transaction.

- A. These transactions are made at the same time or in consideration of each other's influence;
- B. The whole of these transactions can reach a complete business results;
- C. The occurrence of a transaction depends on the occurrence of at least one other transaction;
- D. A transaction is uneconomical, but it is economical to consider with other transactions.

The disposal of the equity investment of the subsidiary until the loss of control of the transaction is a package of transactions, the company will deal as a disposal of subsidiaries and loss of control transactions for accounting treatment; However, before the loss of control, the difference between the disposal price and the disposal of the corresponding net assets of the subsidiary occurred each time is recognized as other comprehensive income in the consolidated financial statements and transferred to the loss or loss of control in the current period.

The disposal of the equity investment of the subsidiary until the loss of control of the transaction does not belong to a package of transactions, before the loss of control, treating as without loss of control in the case of part of the disposal of the subsidiary's equity investment accounting policy; whereas treating as loss of control according to the disposal of subsidiaries of the general approach to accounting treatment.

(3) Purchasing minority interest in subsidiaries

The difference between the long-term equity investment acquired by the Company for the acquisition of minority interests and the share of the net assets that the subsidiary will continue to calculate from the date of purchase (or the merger date) shall be adjusted in the consolidated balance sheet of the capital reserve in the capital premium, capital surplus in the capital premium is insufficient to offset, adjust the retained earnings.

(4) Partial disposal of the equity investment of the subsidiary without loss of control

The disposal price of the long-term equity investment in the part of the disposal of the long-term equity investment in the case of no loss of control and the difference between the disposal of the long-term equity investment and the share of the net assets of the subsidiary from the date of purchase or the date of consolidation , adjust the equity premium in the capital reserve in the consolidated balance sheet, and if the share premium in the capital reserve is insufficient to offset, adjust the retained earnings.

4.7 Joint arrangement classification and accounting treatments

4.7.1 The classification of joint arrangement

The company divides the joint venture arrangements into joint operations and joint ventures based on factors such as the structure, legal form of the joint venture arrangement, the terms agreed in the joint arrangement, and other relevant facts and

circumstances.

Joint venture arrangements not reached through separate entities are classified as joint operations; joint venture arrangements reached through separate entities are generally classified as joint ventures; However, there is strong evidence that any of the following conditions is met and the joint venture arrangement that complies with the relevant laws and regulations is classified as joint operation:

- (1) The legal form of the joint venture arrangement shows that the joint venture party has rights and obligations for the relevant assets and liabilities in the arrangement.
- (2) The contractual terms of the joint venture arrangement stipulate that the joint venture party shall enjoy the rights and obligations of the relevant assets and liabilities in the arrangement.
- (3) Other relevant facts and circumstances indicate that the joint venture party has rights and obligations for the relevant assets and liabilities in the arrangement. For example, the joint venture party enjoys almost all output related to the joint venture arrangement, and the settlement of liabilities in the arrangement continues to depend on the support of the joint venture party.

4.7.2 The accounting treatment of joint operations

The company confirms the following items related to the company in the profit share of the joint operation, and performs accounting treatment in accordance with the relevant enterprise accounting standards:

- (1) Confirm the assets held separately and the assets held jointly according to their shares;
- (2) Identify the liabilities assumed individually and the liabilities assumed jointly according to their share;
- (3) Recognize the income generated from the sale of the share of joint operating output enjoyed by it;
- (4) Recognize the revenue generated from the sale of joint operations based on their share;
- (5) Confirm the expenses incurred separately and the expenses incurred in the joint operation according to their share.

When the company invests or sells assets to the joint operation (except for the asset constituting the business), before the asset is sold by a joint operation to a third party, only the part of the profit or loss resulting from the transaction that belongs to the other parties to the joint operation is confirmed. If the assets invested or sold produce asset impairment losses that meet the requirements of "Accounting Standards for Business Enterprises No. 8-Impairment of Assets", etc., the company shall recognize the losses in full.

When the company purchases assets from joint operations, etc. (except that the assets constitute business), before selling the asset, etc. to a third party, only the part of the profit and loss resulting from the transaction that belongs to other parties involved in the joint operation is confirmed. If the purchased assets generate asset impairment losses that meet the requirements of "Accounting Standards for Business Enterprises No. 8-Impairment of Assets", etc., the company shall recognize the losses according to the share assumed.

The company does not enjoy joint control of the joint operation. If the company enjoys the assets related to the joint operation and bears the liabilities related to the joint operation, the accounting treatment shall still be conducted in accordance with the above principles.

4.8 Cash and cash equivalents

When preparing the cash flow statement, the company recognizes cash and deposits that can be used for payment at any time as cash. And such investments that are short-term (generally due within three months from the purchase date), highly liquid, easily convertible to known amounts of cash, and have little risk of change in value are determined as cash equivalents.

4.9 Foreign currency transactions and foreign currency translation

4.9.1 Foreign currency transactions

When the foreign currency business transaction is initially confirmed, it is converted into RMB bookkeeping using the exchange rate at the beginning of the month in which the transaction occurs.

On the balance sheet date, foreign currency monetary items are converted at the spot exchange rate on the balance sheet date. The resulting exchange differences are included in the current profit and loss unless the exchange differences arising from special foreign currency borrowings related to the acquisition and construction of assets eligible for capitalization are handled in accordance with the principle of capitalization of borrowing costs. Foreign currency non-monetary items measured at historical cost are still converted at the spot exchange rate on the transaction date, without changing the amount of the recording currency.

Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date when the fair value is determined, and the resulting exchange difference is included in the current profit and loss as the fair value change profit or loss. In the case of non-monetary foreign currency items available for sale, the resulting exchange difference is included in other comprehensive income.

4.9.2 Foreign currency translation

The assets and liabilities items in the balance sheet are converted at the spot exchange rate

on the balance sheet date; the owner's equity items are converted at the spot exchange rate at the time of occurrence, except for the "undistributed profit" items. The income and expense items in the profit statement are translated at the spot exchange rate on the transaction date. The translation difference of the foreign currency financial statements generated according to the above conversion is included in other comprehensive income. When disposing of an overseas operation, the translation difference of the foreign currency financial statements related to the foreign operation listed in other comprehensive income items in the balance sheet is transferred from the other comprehensive income items to the current profit and loss; when the disposal of part of the equity investment or other reasons leads to a decrease in the proportion of foreign-invested equity, but does not lose control over the overseas operation, the foreign currency statement translation difference related to the foreign operation and disposal part will be attributed to the minority shareholders' equity and will not be transferred to the current profit and loss. When disposing of a part of the equity of an overseas enterprise or a joint venture, the translation difference of the foreign currency statement related to the foreign operation is transferred to the disposal of the current profit and loss according to the proportion of the disposal of the foreign operation.

4.10 Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

4.10.1 Classifications

The Company combines the acquisition of financial assets and financial liabilities in accordance with the contractual terms of the financial instruments issued and the economic substance it reflects, rather than only in legal form. Financial assets and financial liabilities are classified into different categories at initial recognition: financial assets (or financial liabilities) measured at fair value through profit or loss; receivables; available-for-sale financial assets; other financial liabilities, etc.

4.10.2 Recognition and measurement

(1) Financial assets/liabilities 'at fair value through profit or loss' (FVTPL)

Financial assets or financial liabilities at fair value through profit or loss, including transactional financial assets or financial liabilities, and financial assets or financial liabilities that are directly designated as measured at fair value through profit or loss.

Transactional financial assets or financial liabilities are financial assets or financial liabilities that meet one of the following conditions:

- 1) The purpose of obtaining the financial asset or financial liability is to sell, repurchase or redeem in a short period of time;
- 2) It is part of a portfolio of identifiable financial instruments that are centrally managed,

and there is objective evidence that the company has recently managed the portfolio using short-term profitability;

- 3) Derivatives that are derivative financial instruments, but are designated as effective hedging instruments, derivatives that are financial guarantee contracts, and those that are not quoted in an active market and whose fair value cannot be reliably measured, and must be delivered except for derivatives that are settled by equity instruments.

A financial asset or financial liability other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- 1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 2) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- 3) a mixture of one or more embedded derivatives unless the embedded derivative does not significantly alter the cash flow of the mixing tool or the embedded derivative should not be removed from the associated mixing tool;
- 4) contains a hybrid tool that requires spin-off but can not be individually measured at the time of acquisition or subsequent balance sheet date.

The Company's financial assets or financial liabilities at fair value through profit or loss are recognized at fair value (net of declared or unpaid cash dividends or interest on bonds that have not yet been received) as the initial confirmation amount, the relevant transaction costs are included in the current profits and losses. The interest or cash dividend that will be obtained during the holding period is recognized as investment income at the end of the period, the fair value change is included in the current profit and loss. At the time of disposal, the difference between the fair value and the initial recorded amount is recognized as investment income, and the fair value gains and losses are adjusted at the same time.

(2) Receivables

Receivables refer to non-derivative financial assets that are not quoted in an active market and have a fixed or determinable recovery amount.

The company's external sales of goods or the provision of labor services, and the claims of other companies held by the company (excluding debt instruments that have quotations in active markets), which including accounts receivable, other receivables, notes receivable, etc., to the initial confirmation amount of the contract or agreement price receivable from the buyer; if it has the nature of financing, it will be initially confirmed according to its present value.

When recovering or disposing, the difference between the price obtained and the book value of the receivable is included in the current profit and loss.

(3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets designated as available for sale at the time of initial recognition and financial assets other than other financial asset classes.

The initial recognition amount of available-for-sale financial assets at the fair value (excluding the cash dividends that have been declared but not yet paid or have been paid but not yet received) and the related transaction costs. Interest earned during the holding period or cash dividend is recognized as investment income. Gains or losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in other comprehensive income, except for impairment losses and exchange differences arising from foreign currency monetary financial assets. When the disposal of available-for-sale financial assets, the difference between the price obtained and the carrying amount of the financial assets shall be recorded into the investment gains and losses. At the same time, the amount of the accumulated amount of the fair value of the other comprehensive income shall be directly transferred , Included in the investment gains and losses.

The Company invests in equity instruments that are not quoted in an active market and whose fair value can not be reliably measured, as well as derivative financial assets that are linked to the equity instrument and are settled by delivery of the equity instrument, at cost.

(4) Other financial liabilities

According to its fair value and related transaction costs as the initial confirmation amount. Using amortized cost for subsequent measurement.

4.10.3 Recognition and measurement of financial asset transfer

In the event of a transfer of financial assets, the financial asset is derecognised if almost all of the risks and rewards of ownership of the financial asset are transferred to the transferee; if the risk and remuneration of the financial asset is retained, Terminate the recognition of the financial asset.

In determining whether the transfer of financial assets to meet the above-mentioned conditions for the termination of financial assets, the use of the principle of substance over form. The Company divides the transfer of financial assets into the overall transfer and partial transfer of financial assets. Where the overall transfer of financial assets satisfies the conditions for derecognition, the difference between the following two amounts shall be recorded into the current profits and losses:

- (1) The carrying amount of the transferred financial asset;
- (2) The sum of the fair value changes accumulated in the owner's equity, which relates to the transfer of financial assets to the available-for-sale financial assets.

Where the financial assets are partially transferred to meet the conditions for derecognition, the book value of the transferred financial assets as a whole shall be apportioned between the derecognized portion and the non-derecognized portion at their respective relative fair values and the difference between the following two amounts in profit or loss:

- (1) The book value of the derecognized portion;
- (2) The sum of the consideration for the derecognized portion and the accumulated amount of the fair value change that is directly included in the owner's equity (the case where the transferred financial asset is the available-for-sale financial asset).

If the transfer of financial assets does not meet the conditions for derecognition, the financial asset shall be recognized and the consideration received shall be recognized as a financial liability.

4.10.4 Termination of financial liabilities

If the current obligation of the financial liability has been discharged in whole or in part, the financial liability shall be derecognized or a part thereof; if the Company has an agreement with the creditor to replace the existing financial liability with the new financial liability, the new financial liability and the existing financial liability of the terms of the contract are substantially different, the existing financial liabilities are derecognized and the new financial liabilities are recognized at the same time.

If a substantial change is made to all or part of the terms of the existing financial liability, the existing financial liability or part thereof shall be derecognized and the financial liability after the amendment shall be recognized as a new financial liability.

When the financial liability is terminated in whole or in part, the difference between the carrying amount of the recognized financial liability and the consideration paid (including the transferred non-cash asset or the new financial liability) is recognized in the current profits and losses.

If the Company repurchases part of the financial liabilities, the book value of the financial liabilities shall be distributed at the repurchase date in accordance with the relative fair value of the continuing recognition and termination confirmation. The difference between the carrying amount assigned to the derecognized portion and the consideration paid (including the transferred non-cash asset or the new financial liability) is recognized in profit or loss for the current period.

4.10.5 Recognition of fair value of financial assets and financial liabilities

Financial assets or financial liabilities in an active market, and their fair value is determined by quoted prices in an active market; quoted prices in active markets include easy and regular quotations of relevant assets or liabilities from exchanges, dealers, brokers, industry groups, pricing agencies or regulators, and can represent actual and frequently occurring markets based on fair trade transaction.

Financial assets initially acquired or derived or financial liabilities assumed are based on market transaction prices as the basis for determining their fair value.

Where there is no active financial assets or financial liabilities, the use of valuation technology to determine its fair value. At the time of valuation, the Company uses valuation techniques that are applicable in the current circumstances and are sufficiently available to support the use of data and other information, and are selected to be consistent with the asset or liability characteristics considered by the market participants in the transactions of the underlying asset or liability and use the relevant observable input values as much as possible. Unacceptable input values are used where the relevant observable input value is not available or is not practicable.

4.10.6 Provision for impairment of financial assets (excluding receivables)

At the balance sheet date, the carrying amount of the financial assets other than the financial assets measured at fair value through profit or loss shall be inspected. If there is objective evidence that the financial asset is impaired, provision for impairment shall be made.

Exclusive evidence of impairment of financial assets, including but not limited to:

- (1) The issuer or the debtor has serious financial difficulties;
- (2) The debtor violates the terms of the contract, such as the payment of interest or principal default or overdue;
- (3) The creditor makes concessions to the debtor who is financially difficult, taking into account economic or legal considerations;
- (4) The debtor is likely to close down or carry out other financial restructuring;
- (5) The financial assets can not be traded in the active market due to significant financial difficulties;
- (6) It is not possible to identify whether the cash flow of an asset in a set of financial assets has been reduced but the overall assessment of the financial assets based on the published data reveals that the estimated future cash flows of the group's financial assets since the initial recognition have been reduced and measurable, such as the gradual deterioration of the debtor's ability to pay the financial assets of the group, or the increase in the unemployment rate in the country or region where the debtor is

located, the price of the collateral in its area is significantly reduced, and the industry downturn;

- (7) Significant adverse changes in the technical, market, economic or legal environment in which the issuer operates, so that the equity instrument investor may not be able to recover the investment cost;
- (8) The fair value of the equity instrument investment has experienced a serious or non-temporary decrease.

The specific impairment of financial assets is as follows,

(1) Impairment of available-for-sale financial assets

The Company checks separately for each available-for-sale equity instrument investment on the balance sheet date, if the fair value of the equity instrument investment on the balance sheet date is less than 50% (including 50%) or less than its cost. If the duration lasts longer than one year (including one year), it indicates that it is impaired. If the fair value of the equity instrument invested on the balance sheet date is less than 20% (including 20%) but not yet 50% of the cost, the Company will consider other relevant factors such as price volatility to determine whether the equity instrument investment is impaired.

The cost stated in the preceding paragraph is determined by the initial acquisition cost of the available-for-sale equity instrument investment, net of the recovered principal and amortized amount, and the impairment loss previously recognised in profit or loss; the fair value of an available-for-sale equity instrument investment that does not exist in an active market is determined by the present value determined by the current market yield of similar financial assets to discount the future cash flows; the fair value of an available-for-sale equity instrument investment that is quoted in an active market is determined based on the closing price of the stock exchange at the end of the period, unless there is a restricted period for the available-for-sale equity instrument investment. For an available-for-sale equity instrument investment with a restricted period of sale, it is determined based on the closing price of the stock exchange at the closing price of the stock exchange, which is required by the market participants to bear the risk of not being able to sell the equity instrument in the open market within the specified period.

When the available-for-sale financial assets are impaired, the Company shall transfer the accumulated losses arising from the decrease in the fair value of the other comprehensive income directly from other comprehensive income, if the financial asset is not derecognised. The accumulated loss of the transfer is equal to the initial acquisition cost of the available-for-sale financial asset after deducting the balance

between the principal and the amortized amount, the current fair value and the original impairment loss.

For the available-for-sale debt instruments that have been recognized for impairment losses, the fair value has increased in the subsequent accounting period and is objectively related to the event occurring after the recognition of the original impairment loss. The original recognized impairment loss is transferred back to the current period profit and loss; impairment losses on investments in available-for-sale equity instruments are reversed through equity when the value of the equity instrument is reversed. However, impairment charges arising from investments in equity instruments that are not quoted in an active market and whose fair value can not be reliably measured or which are linked to the equity instrument and which are to be settled through the delivery of the equity instrument shall not be reversed.

(2) Impairment of held-to-maturity investments

For held-to-maturity investments, if there is objective evidence that the impairment has occurred, the impairment loss is recognized based on the difference between the carrying amount of the book value and the expected future cash flow. If there is evidence that the value has been recovered, the original recognized impairment loss may be reversed and credited to the current profits and losses, but the carrying amount of the reversal does not exceed the assumption that the financial asset is not included in the provision for impairment .

4.10.7 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other. However, the net amount after offsetting the following conditions is met in the balance sheet:

- (1) The Company has the legal right to offset the recognized amount and that such legal rights are currently enforceable;
- (2) The Company plans to settle the net assets or settle the financial assets at the same time.

4.11 Receivables

4.11.1 Receivables with significant single amount and provision for bad debts individually

Confirmation criteria for receivables with significant single amount and provision for bad debts individually: Accounts receivable at the end of the balance of more than 1,000,000 yuan (inclusive), other receivables at the end of the balance of more than 500,000 yuan (inclusive).

The provision for bad debts of receivables with significant single amount is: The impairment test is conducted separately, and the provision for bad debts is made based on

the difference between the present value of the expected future cash flow and its book value, and is included in the current profit and loss. Separately test the receivables that have not been impaired, and classify them into the corresponding combination to accrue bad debt provision.

4.11.2 Accounts receivable with provision for bad debts according to the combination of credit risk characteristics

(1) The Basis of Determining the Combination of Credit Risk

For receivables with insignificant amounts, the accounts receivable with insignificant individual amount are divided into several combinations according to the credit risk characteristics, together with the receivables with significant single amount which have not been impaired after the individual test, based on the actual loss rate of the receivables with similar credit risk characteristics in the previous year, the provision for bad debts shall be determined in the light of the current situation.

Determine the basis of the combination

Name	Method	Basis of the combination
Group 1 Aging analysis	Aging analysis	The Company makes the best estimate based on the past historical experience and the proportion of the receivables, and refers to the age of the receivables to classify the credit risk.

(2) Method adopted according to the combination of credit risk characteristics.

① Provision for bad debts with aging analysis method

Aging	Accounts receivable provision(%)	Other receivables provision(%)
Within 1 year	0	0
1—2 year	10	10
2—3 year	20	20
3—4 year	30	30
4—5 year	50	50
More than 5 years	100	100

4.11.3 The amount of individual receivables which are not significant but are individually prepared for bad debts

The reason for the provision for bad debts is: there is objective evidence that the Company will not be able to recover the original terms of the receivables.

The provision for bad debts is based on the difference between the present value of the expected future cash flow of accounts receivable and the book value.

4.11.4 Other method of presentation

The company does not make bad debt provision for dealings with related parties and

government departments.

4.12 Inventories

4.12.1 Classifications

Inventories refer to the finished products or commodities that the company holds for sale in its daily activities, the products in the production process, the materials and materials used in the production process or the provision of labor services. It mainly includes development costs, the development of products and finished goods etc.

4.12.2 Measurements

When inventory is acquired, it is initially measured at cost, including procurement costs, processing costs, and other costs.

When the inventories are issued, they are valued according to the individual identification method

4.12.3 Recognition criteria of net realizable value of inventories and provision for impairment of inventories

At the end of the period, the inventories shall be withdrawn or adjusted according to the lower of the cost of inventories and the net realizable value. Finished goods, stocks of goods and materials used for sale, etc., in the normal production and operation process, the estimated price of the inventory minus the estimated sales costs and related taxes after the amount to determine its net realizable value. Need to be processed materials inventory, in the normal production and operation process, to produce the finished product of the estimated price minus the estimated completion of the cost will be incurred, the estimated sales costs and the amount of the relevant taxes and fees to determine its net real value. Need to be processed materials inventory, in the normal production and operation process, to produce the finished product of the estimated price minus the estimated completion of the cost will be incurred, the estimated sales costs and the amount of the relevant taxes and fees to determine its net real value. The net realizable value of inventories held for the purpose of executing a sales contract or a labor contract is calculated on the basis of the contract price. If the quantity of the stock is more than the quantity ordered in the sales contract, the net realizable value of the excess based on the calculation.

At the end of the period, the inventory depreciation reserve is accrued according to the individual inventory items; however, for a large number of inventories with lower unit prices, the inventory depreciation reserve is accrued according to the inventory category. Inventories related to product lines produced and sold in the same region, having the same or similar end uses or purposes, and difficult to measure separately from other projects, are combined for provision for inventory depreciation.

If the influencing factors of the write-down of inventory value have disappeared, the

amount of write-down will be restored and will be reversed within the amount of the provision for decline in value of the inventory that has been accrued. The amount of the reversal is included in the current profit and loss.

4.12.4 Inventory system

Perpetual inventory system have been adopted.

4.12.5 Amortization method for low value consumables and packaging

- (1) low-value consumables using one-off amortization method;
- (2) packaging using one-off amortization method;
- (3) other turnover materials using one-off amortization method.

4.12.6 Accounting methods for developing land

Pure land development projects, the cost of its own constitute a separate land development costs;

Together with the overall development of the project, the cost can distinguish between the burden of the object, generally according to the actual area of the cost of housing into the real estate.

4.12.7 Method of accounting for public facilities

Can not be paid for the transfer of public facilities: according to the proportion of benefits to determine the standard assigned to the cost of housing;

Can be paid for the transfer of public facilities: the facilities to the project as a cost accounting object, the cost of the collection.

4.12.8 Method of accounting for quality deposit/warranties

The quality deposit shall be reserved from the construction unit according to the construction contract. In the development of product warranty period occurred in the maintenance costs, the quality of deposit reduction; in the development of products agreed upon the expiry of the warranty period, the quality margin balance returned to the construction unit.

4.13 Long-term equity investment

4.13.1 Determination of investment costs

- (1) Accounting treatment methods for business combination under common control and not under common control (see Note 4.5).
- (2) Other ways to obtain long-term equity investment

The long-term equity investment obtained by way of cash payment shall be regarded as the initial investment cost according to the purchase price actually paid. Initial investment costs include expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investments.

The long-term equity investment obtained from the issuance of equity securities shall be the initial investment cost in accordance with the fair value of the issuance of equity securities. The transaction costs incurred when the issue or acquisition of its own equity instruments may be directly attributable to the deduction of interest from equity.

The long-term equity investment in the exchange of non-monetary assets shall be determined based on the fair value of the assets transferred out of the non-monetary assets with the commercial substance and the fair value of the assets transferred or the assets transferred out can be reliably measured. Investment costs, unless there is conclusive evidence that the fair value of the assets is more reliable, does not meet the above premise of the non-monetary assets exchange to exchange the book value of assets and should pay the relevant taxes and fees into the long-term equity investment in the initial investment costs.

The initial investment cost of the long-term equity investment obtained through debt restructuring is determined on the basis of the fair value.

4.13.2 Subsequent measurement and profit and loss recognition

(1) Cost method

The long-term equity investment that the Company can control the investee shall adopt the cost method and calculate the cost of the long-term equity investment by accruing or withdrawing the investment according to the initial investment cost.

The cash dividends or profits declared by the investee are recognized as current investment income in addition to the cash dividends or profits that have been declared but not yet paid in addition to the actual payment of the price or the consideration.

(2) Equity method

The Company's long-term equity investment in associates and joint ventures is accounted for using the equity method; For the part of the equity investment, through a venture capital firm, a mutual fund, a trust company or an associate of an indirect entity, including the investment insurance fund, is measured at fair value through profit or loss.

The initial investment cost of the long-term equity investment is greater than the difference between the fair value of the identifiable net assets of the investee and the initial investment cost of the long-term equity investment. The difference between the initial investment cost and the fair value of the identifiable net assets of the investee shall be recorded into the current profits and losses.

After the acquisition of the long-term equity investment by the Company, the

investment income and other comprehensive income shall be recognized separately in accordance with the net profit or loss and other comprehensive income realized by the investee or share, and the book value of the long-term equity investment shall be adjusted. The unit value of the long - term equity investment shall be reduced by the corresponding part of the profit or cash dividend declared by the investment unit; The book value of the long-term equity investment shall be adjusted and recorded into the owner's equity for other changes in the owner's equity other than the net profit or loss, other comprehensive income and profit distribution of the investee.

The Company shall, after confirming the share of the net profit or loss of the investee, adjust the net profit of the investee after confirming the net profit of the investee based on the fair value of the identifiable assets of the investee. The gains and losses of the unrealized internal transactions between the Company and the associates and the joint ventures shall be offset against the part attributable to the Company in proportion to the share of the Company.

The Company confirms that the losses incurred by the investee shall be shared in the following order: First, the book value of long-term equity investment is offset. Second, the carrying amount of the long-term equity investment is not sufficient to offset, and the book value of the long-term equity of the investee is calculated as the book value of the long-term equity of the investee. Finally, after the above treatment, in accordance with the investment contract or agreement agreed that the enterprise still bear additional obligations, according to the expected obligations to confirm the estimated liabilities, included in the current investment losses.

If the investee is profitable in the later period, the Company shall, after deducting the unrecognized loss share, handle the book balance in the reverse order of the above and reduce the carrying amount of the recognized liabilities and restore any other net investment in the investee long-term equity and long-term equity investment, the resumption of recognition of investment income.

4.13.3 Conversion of long-term equity investment accounting method

(1) Fair value measurement to equity method

The equity investment held by the Company in respect of the recognition and measurement of financial instruments, which is not subject to control, joint control or significant influence to the investee, due to additional investment and other reasons to the investment unit can exert significant influence or the implementation of joint control but does not constitute control, the initial investment cost of the original equity investment and the initial investment cost calculated by the change of equity method according to the fair value of the original equity investment and the new

investment cost as determined by Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

The original equity investment is classified as available-for-sale financial assets, the difference between the fair value and the book value, and the accumulated fair value change recorded in the other comprehensive income shall be transferred to the current profits and losses accounted for under the equity method.

The initial investment cost calculated by the equity method is less than the difference between the fair value of the investee and the identifiable net assets of the investee, which is determined by the new shareholding proportion after the additional investment, and adjust the carrying amount of the long-term equity investment, and included in the current non-operating income.

(2) Fair value measurement or equity method accounting to cost method

The equity investment held by the Company in respect of the recognition and measurement of financial instruments, which is not subject to control, joint control or significant influence to the investee, or the original holding of long-term equity investment in associates and joint ventures, due to additional investment and other reasons to the same control under the control of the investee units, in the preparation of individual financial statements, in accordance with the original book value of equity investment plus the sum of the new investment costs, as a change to the cost of accounting method of initial investment costs.

The other comprehensive income recognized by the equity method prior to the date of purchase shall be treated on the basis of the same basis as the investee's direct disposal of the relevant assets or liabilities.

The equity investment held prior to the acquisition date is subject to the accounting treatment in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The accumulated fair value change recorded in other comprehensive income is subject to change in the cost method Transferred to the current profits and losses.

(3) Equity method accounting to fair value measurement

If the Company has lost the joint control or significant influence on the investee unit due to the disposal of part of the equity investment and other reasons, the remaining shareholding after disposal shall be reduced according to Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The difference between the fair value and the book value of the date of joint control or significant influence shall be recorded into the current profits and losses.

The other comprehensive income recognized by the equity method for the original

equity investment is accounted for using the same basis as the investee's direct disposal of the relevant assets or liabilities at the time of termination of the equity method.

(4) Cost method accounting to equity method

The Company has lost control of the investee unit due to the disposal of part of the equity investment and other reasons, in the preparation of individual financial statements, the remaining shares after the disposal of the investee to implement joint control or exert a significant impact, according to the equity method of accounting, and the remaining equity as self-obtained by the use of equity method to adjust.

(5) Cost method accounting to fair value measurement

The Company has lost control of the investee due to the disposal of part of the equity investment. When the individual financial statements are prepared, the residual equity after the disposal can not be jointly controlled or exerted a significant influence on the investee, the difference between the fair value and the book value at the date of loss of control shall be recorded into the current profits and losses in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

4.13.4 Disposal of long-term equity investment

The difference between the carrying amount of the long-term equity investment and the actual acquisition price shall be recorded into the current profits and losses when disposing long-term equity investment. The long-term equity investment accounted for using the equity method shall be accounted for using the same basis as the investee's direct disposal of the relevant assets or liabilities at the time of disposal of the investment. The terms, conditions and economic effects of the transactions to deal with the equity investment of the subsidiary are one or more of the following circumstances, accounting for the transaction as a package transaction:

- (1) these transactions are made at the same time or in the case of mutual influence;
- (2) the whole of these transactions in order to achieve a complete business results;
- (3) the occurrence of a transaction depends on the occurrence of at least one other transaction;
- (4) a transaction is uneconomical, but it is economic when it is considered in conjunction with other transactions.

Due to the disposal of part of the equity investment or other reasons for the loss of the original subsidiary of the control, not a package of transactions, to distinguish between individual financial statements and consolidated financial statements related to accounting treatment:

- (1) In the individual financial statements, the difference between the carrying amount and the actual acquisition price for the disposal of the equity is included in the current profits and losses. After the disposal of the remaining equity to the joint venture to implement joint control or exert significant influence, according to the equity method of accounting, and the remaining shares as the acquisition of the equity method is used to adjust. After the disposal of the remaining equity can not be jointly controlled or exerted significant influence on the investee, it shall be subject to accounting treatment in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The difference between fair value and book value is recognized in profit or loss for the current period.
- (2) In the consolidated financial statements, the difference between the disposal price and the disposal of the long-term equity investment in respect of the transactions prior to the loss of control of the subsidiary to the share of the net assets held by the subsidiary from the date of purchase or the date of consolidation, adjust the capital reserve (share premium), the capital reserve is insufficient to offset, adjust the retained earnings. In the event of loss of control of the subsidiary, the remaining equity is re-measured at its fair value at the date of loss of control. The difference between the consideration obtained from the disposal of the equity and the fair value of the remaining equity shall be calculated as the difference between the share of the net assets that the original subsidiary shall continue to calculate from the original purchase date in the proportion of the original shareholding, taking into account the loss of control Investment income, while offsetting goodwill. And other comprehensive income related to the original subsidiary equity investment, etc., in the loss of control into the current investment income.

The disposal of the equity investment of the subsidiary until the loss of control of the transaction is a package of transactions, the transaction as a disposal of subsidiaries of the equity investment and loss of control transactions for accounting treatment, distinguishing between individual financial statements and consolidated financial statements for accounting treatment:

- (1) In the individual financial statements, the difference between the disposal price and the book value of the long-term equity investment corresponding to the disposal of the equity before the loss of control is recognized as other comprehensive income and, when the loss of control is transferred into profit and loss.
- (2) In the consolidated financial statements, the difference between the disposal price and the share of the net assets of the subsidiary corresponding to the disposal of the

investment before the loss of control is recognized as other comprehensive income and the loss of control is transferred to the loss or loss of control.

4.13.5 Judgment criteria for common control and significant impact

If the Company makes a decision on the activities that have a significant impact on the arrangement's return with the other parties in accordance with the relevant agreement and need to be agreed upon by the participant who has shared the control, it shall be deemed that the Company and the other parties jointly control an arrangement which is a joint venture arrangement.

If the joint venture is negotiated by a separate entity and the Company has the right to judge the net assets of the individual entity in accordance with the relevant agreement, the individual entity shall be deemed to be a joint venture and be accounted for using the equity method. If the Company determines that the Company is not entitled to the net assets of the individual entity in accordance with the relevant stipulations, the individual entity shall, as a co-operation, confirm the items related to the share of common interests and perform accounting treatment in accordance with the relevant accounting standards.

Significant influence refers to the right of the investor to participate in the decision-making of the financial and operating policies of the investee, but it can not control or jointly control the formulation of these policies with other parties. The Company has a material impact on the investee after the adoption of one or more of the following circumstances and taking into account all the facts and circumstances.

- (1) To be represented in the board of directors or similar authority of the investee;
- (2) Participate in the financial and business policy development process of the investee;
- (3) And important transactions occurred between the investor and the investee;
- (4) Send management personnel to the investee;
- (5) Provide key technical information to the investee.

4.14 Investment real estate

Investment real estate refers to real estate held for the purpose of earning rent or capital appreciation, or both, including leased land use rights, land use rights held and prepared for transfer after appreciation, and leased buildings. In addition, if the board of directors holds a vacant building for the purpose of operating the lease, if the board of directors makes a written resolution that clearly indicates that it will be used for operating leases and the intention of the holders will not change in the short term, it will also be reported as an investment real estate.

The Company's investment real estate is based on its cost as the recorded value. The cost of the purchased investment real estate includes the purchase price, the relevant taxes and other expenses that can be directly attributable to the asset; The cost of building an investment real estate by itself is made up of the necessary expenses incurred before the construction of the

asset reaches its intended usable condition.

The Company adopts the cost model for subsequent measurement of investment real estate, and depreciates or amortizes buildings and land use rights according to their estimated service life and net residual value rate. The estimated useful lives, net residual value and annual depreciation (amortization) rate of investment real estate are as follows:

Category	Useful lives (year)	Estimated residual value ratio (%)	Annual Dep'n/Amortisation ratio (%)
Land use right	50	3-5	1.90-1.94
Buildings	20-40	3-5	2.38-4.85

When the use of investment real estate is changed to its own use, the Company converts the investment real estate into fixed assets or intangible assets from the date of change. When the use of real estate is changed to earn rent or capital appreciation, the Company converts fixed assets or intangible assets into investment real estate from the date of change. When the conversion occurs, the book value before the conversion is converted into the recorded value.

When the investment real estate is disposed of, or permanently withdrawn from use and is expected to be unable to obtain economic benefits from its disposal, the recognition of the investment real estate. The amount of income from disposal, transfer, disposal or disposal of investment real estate after deducting its book value and related taxes is recognized in profit or loss for the current period.

Investment real estate refers to real estate held to earn rent or capital appreciation, or both. Including leased land use rights, land use rights held and ready to be transferred after appreciation, leased buildings, etc. In addition, for the vacant buildings that the company holds for operation and lease, if the board of directors makes a written resolution that clearly states that it will be used for operation and lease and the intention to hold will not change in the short term, it is also reported as investment real estate.

The investment real estate of the company is based on its cost as the book value. The cost of purchasing investment real estate includes the purchase price, related taxes and other expenses directly attributable to the asset; The cost of self-built investment real estate consists of the necessary expenditures incurred before the construction of the asset reaches the intended usable state.

When the company has solid evidence that the use of real estate has changed and converted investment real estate into self-use real estate, the fair value of the conversion date is used as the book value of the self-use real estate, and the difference between the fair value and the original book value is included in the current profit and loss. When self-used real estate or

inventory is converted into investment real estate measured using the fair value model, investment real estate is valued at the fair value on the conversion date. If the fair value on the conversion date is less than the original book value, the difference is included in the current profit and loss. However, if the fair value on the conversion date is greater than the original book value, the difference is included in other comprehensive income.

When the investment real estate is disposed of, or is withdrawn permanently from use and it is expected that no economic benefits can be obtained from its disposal, the confirmation of the investment real estate is terminated. The amount of disposal income from the sale, transfer, scrap or damage of investment real estate after deducting its book value and related taxes is included in the current profit and loss.

4.15 Fixed assets

4.15.1 Recognition criteria

Fixed assets are tangible assets held for the purpose of producing goods, providing services, leasing or operating management and having a useful life of more than one fiscal year. Fixed assets are recognized when the following conditions are met:

- (1) The economic benefits associated with the fixed assets are likely to flow into the enterprise;
- (2) The cost of the fixed asset can be measured reliably.

4.15.2 Initial measurement

The fixed assets of the Company are initially measured at cost.

- (1) The cost of purchased fixed assets includes the purchase price, import duties and other related taxes and fees, and other expenses directly attributable to the assets before the fixed assets are ready for their intended use.
- (2) The cost of self-constructed fixed assets consists of the necessary expenses incurred before the construction of the asset reaches its intended usable condition.
- (3) The fixed assets invested by investors shall be recorded at the value agreed in the investment contract or agreement, but the contract or agreement stipulates that the value is not fair and is recorded at fair value.
- (4) If the purchase price of a fixed asset is delayed beyond the normal credit conditions and is of financing nature, the cost of the fixed asset is determined on the basis of the present value of the purchase price. The difference between the actual payment and the present value of the purchase price shall be included in the current profit and loss in the credit period, except for the capitalization.

4.15.3 Subsequent measurement and disposal of fixed assets

(1) Depreciation

Depreciation of fixed assets is accrued over the estimated useful lives based on the

recorded value less the estimated residual value. For fixed assets with impairment provision, the depreciation amount is determined based on the book value after deducting the impairment provision and the remaining useful life in the future period; the fixed assets that have been fully depreciated and continue to be used are not depreciated.

The company determines the service life and estimated net residual value of fixed assets based on the nature and use of fixed assets. At the end of the year, the service life of the fixed assets, the estimated net residual value and the depreciation method are reviewed. If there is a difference from the original estimate, the corresponding adjustments are made.

Depreciation method, depreciation period and annual depreciation rate of various types of fixed assets are as follows:

Category	Dep'n method	Useful lives (year)	Residual value ratio (%)	Annual Dep'n ratio (%)
Buildings	Straight-line method	20-40	5	2.375-4.75
Machinery equipment	Straight-line method	10	5	9.5
Electric equipment	Straight-line method	3-5	3-5	19.00-32.33
Vehicles	Straight-line method	5	5	19.00
Others	Straight-line method	3-5	3-5	19.00-32.33

(2) Follow-up expenditure on fixed assets

Subsequent expenditures related to fixed assets, if they meet the conditions for recognition of fixed assets, are included in the cost of fixed assets; if they do not meet the conditions for recognition of fixed assets, they are recognised in profit or loss.

(3) Disposal of fixed assets

When a fixed asset is disposed of, or is expected to generate economic benefits through use or disposal, the fixed asset is derecognised. The disposal income from the sale, transfer, retirement or damage of fixed assets, net of its carrying amount and related taxes and expenses, is recognised in profit or loss for the current period.

4.15.4 Recognition basis, valuation and depreciation method for financing leased fixed assets

When the fixed assets leased by the company meet one or more of the following criteria, they are recognized as fixed assets for financing lease:

- (1) At the end of the lease term, the ownership of the leased asset is transferred to the Company;
- (2) The Company has the option to purchase the leased asset, and the purchase price is expected to be much lower than the fair value of the leased asset when exercising the

option. Therefore, it is reasonable to determine that the Company will exercise this option at the beginning of the lease;

- (3) Even if the ownership of the asset is not transferred, the lease term accounts for the majority of the useful life of the leased asset;
- (4) The present value of the minimum lease payments of the Company at the beginning of the lease is almost equivalent to the fair value of the leased assets at the beginning of the lease;
- (5) Leasing assets of a special nature, if not for a major transformation, only the company can use.

The minimum value of the fixed assets leased under finance leases is the lower of the fair value of the leased asset and the present value of the minimum lease payment as the recorded value. The minimum lease payments are recorded as long-term payables, and the difference is recognized as unrecognized financing costs. The initial direct costs incurred in the process of leasing negotiations and signing of the lease contract, such as fees, attorneys' fees, travel expenses and stamp duty attributable to the leasing project, are included in the value of the leased asset. Unrecognized financing costs are apportioned using the effective interest method during each period of the lease term.

The Company adopts the depreciation policy consistent with its own fixed assets to recoup the depreciation of fixed assets. If it is possible to reasonably determine the ownership of the leased asset at the end of the lease term, the depreciation shall be made within the useful life of the leased asset. If it is not possible to reasonably determine the ownership of the leased asset at the end of the lease term, depreciation shall be made within a shorter period between the lease term and the useful life of the leased asset.

4.16 Construction in progress

4.16.1 Initial recognition

The construction in progress of the Company's own construction is valued at the actual cost, and the actual cost is constituted by the necessary expenses incurred before the construction of the asset reaches the intended usable condition, which including engineering materials costs, labor costs, related taxes and fees, borrowing costs that should be capitalized, and indirect costs that should be apportioned.

4.16.2 Standards and time points for the construction in progress to be carried over to fixed assets

The total expenditure incurred before the construction project is constructed to reach the intended usable condition shall be recorded as the value of the fixed assets. If the construction in progress has been made to the intended use status but has not yet completed the final accounts, the project will be transferred to the fixed assets according

to the estimated value according to the project budget, the cost or the actual cost of the project, and depreciation of fixed assets shall be made according to the depreciation policy of fixed assets of the Company. After the completion of the final accounts, the original estimated value shall be adjusted according to the actual cost, but the original depreciation amount shall not be adjusted.

4.17 Borrowing costs

4.17.1 Recognition criteria of capitalization of borrowing costs

If the borrowing costs incurred by the Company can be directly attributable to the acquisition, construction or production of assets eligible for capitalization, they shall be capitalized and included in the cost of the relevant assets; other borrowing costs are recognized as expenses at the time of occurrence and are recognised in profit or loss.

Assets eligible for capitalization refer to assets such as fixed assets, investment real estate and inventories that require a substantial period of acquisition, construction or production activities to achieve the intended use or sale status.

Capitalization begins when the borrowing costs meet the following conditions:

- (1) Assets expenditure has occurred, including expenditure incurred in the form of cash, transfer of non-cash assets or interest-bearing debt for the acquisition or construction of assets eligible for capitalization;
- (2) Borrowing costs have already occurred;
- (3) The purchase and construction or production activities necessary for the asset to reach the intended use or saleable status.

4.17.2 Capitalization period

During the period of capitalization, the period during which the borrowing costs are suspended from capitalization is not included during the period from the point of time when the borrowing costs are capitalized to the point where the capitalization is stopped.

The borrowing costs shall cease to be capitalized when the assets acquired or produced meet the conditions for capitalization are ready for use or sold.

When part of the assets purchased or produced in accordance with the capitalization conditions are completed and can be used alone, the part of the asset borrowing costs to stop capitalization.

The parts of the assets purchased or produced are completed separately, but must wait until the whole is completed or can be sold abroad. The capitalization of the borrowing costs shall be stopped when the asset is completed as a whole.

4.17.3 Suspension of capitalization period

If the assets that meet the capitalization conditions are interrupted abnormally during the construction or production process and the interruption time lasts for more than 3 months,

the borrowing costs shall be suspended. The borrowing costs continue to be capitalized if the assets purchased or produced in accordance with the capitalization conditions are required to achieve the intended use or the state of sale. The borrowing costs incurred during the interruption are recognized as profit or loss for the current period and the borrowing costs continue to be capitalized until the asset is purchased or the activity is resumed.

4.17.4 Accounting method of capitalization amount of borrowing costs

Interest expense on borrowings (excluding interest income from borrowed funds that have not yet been used by banks or investment income from temporary investments) and ancillary costs Assets that are eligible for capitalization of the assets acquired or produced or can be sold before the state, to be capitalized.

The amount of interest that should be capitalized for general borrowings is calculated by multiplying the simple average weighted average at the end of the year by the simple average weighted average of the accumulated asset expenditures over the special borrowings. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

If there is a discount or premium on the loan, the discount or premium amount to be amortized in each accounting period shall be determined according to the actual interest rate method, and the interest amount of each period shall be adjusted.

4.18 Intangible assets

Intangible assets refer to identifiable non-monetary assets without physical form owned or controlled by the Company, including land use rights and software.

4.18.1 Initial measurement of intangible assets

The cost of outsourcing intangible assets, including purchase price, related taxes and other expenses directly attributable to the asset to the intended use. The purchase price of intangible assets exceeds the normal credit terms deferred payment, in essence, the nature of the financing, the cost of intangible assets to determine the value of the purchase price. The difference between the carrying amount of the reorganized debt and the fair value of the intangible asset used for the debt shall be recognized in the current period based on the fair value of the intangible asset, profit and loss.

In the non-monetary assets exchange with commercial substance and into the assets or the assets of the fair value can be reliably measured under the premise, the intangible assets exchanged for non-monetary assets are determined based on the fair value of the assets surrendered unless there is conclusive evidence that the fair value of the transferred assets is more reliable. Does not meet the above premise of the non-monetary assets exchange to exchange the book value of assets and should pay the relevant taxes and fees into the cost

of intangible assets, not recognized gains and losses.

The intangible assets acquired by the merger and acquisition under the same control shall be determined according to the book value of the merged party. The intangible assets acquired by the enterprise under the same control shall be determined according to the fair value.

Internal costs of intangible assets, including: the consumption of materials used in the development of the intangible assets, labor costs, registration fees, other patents and concessions used in the development process and the interest rate to meet the capitalization conditions and other direct costs incurred prior to the intended use of the intangible asset.

4.18.2 Subsequent measurement of intangible assets

When the Company obtains intangible assets, it analyzes the service life of the intangible assets and divides it into intangible assets with limited service life and uncertain service life.

(1) Intangible assets with limited useful life

For intangible assets with limited useful life, it is amortized on a straight-line basis over the term of economic benefits for the enterprise. The estimated life expectancy of intangible assets with limited useful life is as follows:

Item	Useful lives (year)	Basis of estimation
Software	10	Determined by the update of software
Land use right	50	Determined by the land use right certificate

At the end of each period, the service life and amortization method of intangible assets with limited service life shall be reviewed. If there is any difference from the original estimate, the corresponding adjustment shall be made.

After review, the useful life and amortization method of intangible assets at the end of the period are not different from previous estimates.

(2) Intangible assets with uncertain useful life

It is not foreseeable that intangible assets bring economic benefits to the enterprise and are regarded as intangible assets with uncertain service life.

For intangible assets with uncertain service life, it is not amortized during the holding period, and the life of intangible assets is reviewed at the end of each period. If the end of the re-review is still uncertain, in each accounting period to continue the impairment test.

4.19 Long-term asset impairment

At the balance sheet date, the Company determines whether there is any indication that

long-term assets are likely to be impaired. If there is evidence of impairment of long-term assets, the recoverable amount is estimated on the basis of individual assets. Where it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the asset belongs.

The estimate of the recoverable amount of the asset is determined by the higher of the net amount of the fair value less the disposal expenses and the present value of the expected future cash flow of the asset.

If the recoverable amount of the long-term assets is lower than its book value, the carrying amount of the long-term assets shall be reduced to the recoverable amount, and the amount of the write-down shall be recognized as impairment loss of the assets, at the same time, the provision for impairment of assets is made. Once the asset impairment loss is confirmed, it shall not be reversed in the subsequent accounting period.

After the asset impairment loss is recognized, the depreciation or amortization expenses of the impairment asset are adjusted accordingly in the future period so that the asset is systematically assessed the book value of the adjusted assets (net of the estimated net residual value) within the remaining useful life.

Goodwill arising from business combinations and intangible assets with indefinite useful lives are tested for impairment annually, regardless of whether there is any indication of impairment.

In the impairment test of goodwill, the book value of goodwill is allocated to the asset group or asset group combination that is expected to benefit from the synergy of the business combination. When performing impairment test on the relevant asset group or asset group combination containing goodwill, if there is any sign of impairment of the asset group or asset group combination related to goodwill, firstly, the asset group or asset group combination that does not contain goodwill. An impairment test is carried out to calculate the recoverable amount and compare it with the relevant book value to confirm the corresponding impairment loss. The asset group or asset group combination containing goodwill is tested for impairment, and the book value of these related asset groups or asset group combinations (including the book value portion of the assessed goodwill) and its recoverable amount, such as the relevant asset group, are compared. If the recoverable amount of the asset group combination is lower than its book value, the impairment loss of goodwill is recognized.

4.20 Employee benefits

Employee benefits refer to the various forms of remuneration or compensation given by the Company to obtain the services provided by the employees or to terminate the labor relationship. Employee benefits include short-term remuneration, post-employment benefits, dismissal benefits and other long-term employee benefits.

4.20.1 Short-term remuneration

Short-term remuneration refers to the remuneration of employees who are required to be paid in the twelve months after the end of the annual report period for employees to provide related services, except for after-service benefits and dismissal benefits. In the accounting period in which the employees provide services, the Company recognizes the short-term salary payable as liabilities and takes into account the cost and expenses of the relevant assets according to the beneficiaries of the services provided by the employees.

4.20.2 Post-employment benefits

Post-employment benefits refer to various forms of remuneration and benefits provided by the company after the employee retires or terminates the labor relationship with the enterprise for the services provided by the employee, except for short-term remuneration and termination benefits.

The company's post-employment benefit plan is classified as a defined contribution plan. The post-employment benefit setting plan is mainly for participating in social basic pension insurance and unemployment insurance organized by local labor and social security institutions; during the accounting period in which employees provide services to the Company, the amount of the deposits calculated based on the defined contribution plan is recognized as a liability and recognised in profit or loss or related asset costs.

After the company regularly pays the above-mentioned funds in accordance with the standards set by the state, there are no other payment obligations.

4.20.3 Dismissal benefits

The dismissal benefit means that the Company relieves the employee's labor relationship before the employee's labor contract expires or compensates the employee for encouraging the employee to voluntarily accept the reduction, in the event that the Company can not unilaterally withdraw the termination of the labor relations plan or the reduction proposal and confirm the costs associated with the reorganization involving the payment of the dismissal benefits, as soon as possible, to recognize the liabilities arising from the discharge of compensation for the labor relationship with the employee, which included in the current profits and losses.

The company provides internal retirement benefits to employees who accept internal retirement arrangements. Retirement benefits refer to wages paid to employees who have not reached the retirement age prescribed by the state, voluntarily withdraw from work with the approval of the management of the company, and social insurance premiums paid to them. The company pays internal retirement benefits to internally retired employees from the day when the internal retirement arrangements begin until the employees reach the normal retirement age. For internal retirement benefits, the company performs

accounting treatment according to the termination benefits. When the conditions for confirmation of the termination benefits are met, the salary and social insurance premiums of the internal retirement employees to be paid from the date when the employee stops providing services to the normal retirement date are confirmed as liabilities are included in the current profit and loss at one time. Differences arising from changes in the actuarial assumptions of internal retirement benefits and adjustments to welfare standards are included in the current profit and loss when they occur.

4.21 Preference shares, perpetual bonds and other financial instruments

In accordance with the financial instruments standards, the company is based on the contractual terms of the financial instruments issued such as preferred stocks and perpetual bonds and the economic substance reflected by it, not just in legal form. Combining the definition of financial liabilities and equity instruments, the financial instrument or its components are classified as financial liabilities or equity instruments at initial recognition:

4.21.1 When one of the following conditions is met, the financial instruments issued are classified as financial liabilities:

- (1) Contractual obligations to deliver cash or other financial assets to other parties;
- (2) Contractual obligations to exchange financial assets or financial liabilities with other parties under potentially adverse conditions;
- (3) Non-derivative instruments contracts that must be settled in the future with or using the company's own equity instruments, and the enterprise will deliver a variable number of its own equity instruments in accordance with the contract;
- (4) Derivative contracts that must be settled in the future with or using the company's own equity instruments, except for derivatives contracts in which fixed amounts of own equity instruments are exchanged for a fixed amount of cash or other financial assets.

4.21.2 If the following conditions are met at the same time, the financial instruments issued are classified as equity instruments:

- (1) The financial instrument does not include the contractual obligation to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potentially adverse conditions;
- (2) In the future, if the financial instrument must be settled with or available to the enterprise's own equity instruments, if the financial instrument is a non-derivative instrument, it does not include the contractual obligation to deliver a variable number of its own equity instruments for settlement; If it is a derivative instrument, the enterprise can only settle the financial instrument by exchanging a fixed amount of its own equity instruments for a fixed amount of cash or other financial assets.

4.21.3 Accounting treatment

For financial instruments classified as equity instruments, their interest expenditure or dividend distribution should be used as the profit distribution of the issuing enterprise, their repurchase, cancellation, etc. should be treated as changes in equity, and transaction fees, commissions and other transaction costs should be deducted from equity;

For financial instruments classified as financial liabilities, in principle, interest expenses or dividend distribution are treated in accordance with borrowing costs. The gains or losses resulting from its repurchase or redemption are included in the current profit and loss, and transaction costs such as commissions and commissions are included in the initial measurement amount of the instruments issued.

4.22 Revenue

4.22.1 Specific judging standards for the timing of revenue recognition

- (1) The Company has transferred the major risks and rewards of the ownership of the goods to the purchaser;
- (2) The company neither retains the continuing management rights associated with ownership, nor does it have effective control over the goods that have been sold;
- (3) The amount of income can be measured reliably;
- (4) The relevant economic benefits are likely to flow into the enterprise;
- (5) Related to the cost of occurrence or will be able to reliably measured, to confirm the realization of sales of goods.

Where the contract or agreement price is collected in a deferred manner and is substantially of a financing nature, the amount of the sales proceeds shall be determined at the fair value of the contract or agreement price receivable.

4.22.2 Confirming the basis for the transfer of the right to use the asset

The economic benefits associated with the transaction are likely to flow into the enterprise, the amount of income can be measured reliably, according to the following different circumstances to determine the amount of the right to use the transfer of assets:

- (1) The amount of interest income shall be calculated according to the time and actual interest rate of the enterprise's monetary funds;
- (2) The amount of royalties used shall be calculated and determined according to the time and method stipulated in the relevant contract or agreement.

4.22.3 Recognition criteria for the revenue of service providing

If the results of the labor service transaction can be reliably estimated at the balance sheet date, the income percentage shall be recognized by the percentage of completion method. The progress of the completion of the labor service transaction is determined based on the measurement of the completed work.

The result of providing a labor service transaction can be reliably estimated to mean that the following conditions are met:

- (1) The amount of income can be measured reliably;
- (2) The relevant economic benefits are likely to flow into the enterprise;
- (3) The completion of the transaction can be reliably determined;
- (4) The costs incurred and incurred in the transaction can be measured reliably.

The total amount of labor services provided shall be determined in accordance with the price of the contract or agreement received or receivable, except that the price of the contract or agreement receivable or receivable is unfair. At the balance sheet date, the total amount of labor income is determined by the completion schedule after deducting the amount of accumulated income from the previous accounting period, confirm the amount of labor income. At the same time, in accordance with the estimated total cost of labor services determined by the completion of the progress, after deducting the previous accounting period has been confirmed the amount of labor costs, carry forward the current labor costs.

If the results of the labor service transaction can not be reliably estimated at the balance sheet date, the following cases shall be dealt with separately:

- (1) If the cost of labor services incurred is expected to be compensated, the income of labor services shall be recognized in accordance with the amount of labor costs incurred and the labor costs shall be carried forward at the same amount.
- (2) If the labor costs incurred are not expected to be compensated, the cost of labor services incurred shall be recorded into the current profits and losses, and the income from providing labor services shall not be confirmed.

When the company contracts or agreements with other enterprises, including the sale of goods and the provision of labor services, part of the sale of goods and the provision of labor services can distinguish and can be measured separately, part of the sale of goods as a sales of goods processing, will provide services as part of the provision of labor services. The sale of goods and the provision of labor services can not be part of the distinction, but can distinguish but can not be measured separately, the sales of goods and the provision of labor services as part of the sale of all goods.

4.23 Government subsidy

4.23.1 Categories

Government subsidies are monetary and non-monetary assets obtained by the company from the government for free. According to the relevant government documents provided by the subsidy object, the government subsidies are divided into asset-related government subsidies and income-related government subsidies.

Asset-related government subsidies are government grants obtained by the Company for the acquisition, construction or otherwise formation of long-term assets. Income-related government grants refer to government grants other than asset-related government subsidies.

4.23.2 Recognition criteria

If there is evidence at the end of the period that the company can meet the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds, the government subsidy shall be recognized according to the amount receivable. In addition, government grants are recognized when they are actually received.

If the government subsidy is monetary assets, it shall be measured according to the amount received or receivable. Where the government subsidy is a non-monetary asset, it shall be measured at the fair value. If the fair value can not be reliably obtained, it is measured at the nominal amount (RMB ¥1.00). Government grants measured in nominal terms are directly included in the current profits and losses.

4.23.3 Accounting treatment

Based on the nature of economic business, the company determines whether a certain type of government subsidy business should be accounted for using the gross method or the net method. Normally, the company only chooses one method for the same or similar government subsidy business, and consistently applies this method to the business.

Item	Content
Types of government subsidies accounted by the gross method	Government subsidies

Government subsidies related to assets should be recognized as deferred income. If the government subsidies related to assets are recognized as deferred income, they shall be included in profit or loss in installments according to a reasonable and systematic method within the useful life of the assets constructed or purchased.

Government subsidies related to income used to compensate the related expenses or losses of the enterprise in the future period are recognized as deferred income, and are included in the current profit or loss or offset the relevant costs during the period of confirming the related expenses or losses; If it is used to compensate the related expenses or losses incurred by the enterprise, it shall be directly included in the current profit and loss or offset the relevant costs when obtained.

Government subsidies related to the daily activities of the enterprise are included in other income or offsetting related costs; government subsidies not related to the daily activities of the enterprise are included in non-operating income and expenditure.

Receive government subsidies related to discounted policy loans to offset relevant borrowing costs; If a loan with a preferential policy interest rate provided by a loan bank is obtained, the actual loan amount received is used as the book value of the loan, and the relevant borrowing costs are calculated according to the loan principal and the policy preferential interest rate.

When the confirmed government subsidy needs to be returned, if the book value of the relevant asset is deducted at the initial confirmation, the book value of the asset is adjusted; If there is a related deferred income balance, the book balance of the related deferred income is offset, and the excess is included in the current profit and loss; if there is no related deferred income, it is directly included in the current profit and loss.

4.24 Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are recognised based on the difference between the tax basis of assets and liabilities and their carrying amount (temporary differences). On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to recover the asset or settle the liability.

4.24.1 Recognition criteria of deferred income tax assets

The Company is likely to obtain the amount of taxable income that is used to offset deductible temporary differences and be able to carry forward the deductible losses and tax credits for subsequent years, and confirm that the deductible temporary differences as deferred tax assets. However, deferred income tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics are not recognized:

- (1) The transaction is not a business combination;
- (2) The transaction does not affect the accounting profit nor the taxable income or deductible loss.

For deductible temporary differences related to the investment of associates, the following deferred income tax assets are recognized when the following conditions are met:

- (1) Temporary differences are likely to turn back in the foreseeable future, and
- (2) It is likely that future taxable income will be used to offset deductible temporary differences.

4.24.2 Recognition criteria of deferred income tax liabilities

The Company shall recognize the taxable temporary difference between the current and the previous period as deferred income tax liabilities. But does not include:

- (1) The temporary difference between the initial recognition of goodwill;
- (2) Non-business combination of the formation of transactions or matters, and the

transaction or event does not affect the accounting profit, nor does it affect the taxable income (or deductible loss) formed by the temporary differences;

- (3) For temporary differences in taxes payable to subsidiaries, associates, the timing of the temporary discrepancy can be controlled and the temporary difference is likely to not be reversed in the foreseeable future.

4.24.3 At the same time when the following conditions are met, the deferred income tax assets and the deferred income tax liabilities are stated in the net after offsetting each others:

- (1) The enterprise has the legal right to settle the current income tax assets and the current income tax liabilities on a net basis;
- (2) Deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection and management department on the same taxpayer or related to different taxpayers. However, in the future of each of the important deferred income tax assets and deferred income tax liabilities back to the period, the main body of the taxpayer concerned shall settle the current income tax assets and the current income tax liabilities at the same time or collect the assets at the same time and settle the debts.

4.25 Leasing

If the lease term transfers substantially all of the risks and rewards associated with the ownership of the leased asset to the lessee, the lease is a finance lease and the other lease is an operating lease.

4.25.1 Operating leasing accounting treatment

(1) Operating lease-in assets

The lease fee paid by the company for renting assets shall be apportioned on a straight-line basis over the entire lease term without deduction of the rent-free period and included in the current expenses. The initial direct costs associated with the lease transaction paid by the company are included in the current expenses.

When the lessor of the asset bears the expenses related to the lease that should be borne by the company, the company deducts the part of the expenses from the total rent. The deducted rental expenses are apportioned during the lease term and included in the current expenses.

(2) Operating lease-out assets

The rental fee charged by the company for leasing assets is apportioned on a straight-line basis over the entire lease term without deduction of the rent-free period, and is recognized as rental income. The initial direct expenses related to the lease transaction paid by the company are included in the current expenses; if the amount is

large, it is capitalized and included in the current income in the same period as the lease income is recognized throughout the lease period.

When the company assumes the lease-related expenses that should be borne by the lessee, the company deducts the part of the expenses from the total rental income, and distributes the deducted rental expenses during the lease term.

4.25.2 Financial leasing accounting treatment

(1) Financing lease-in assets

On the date of the lease start, the company regards the lower of the fair value of the leased asset and the present value of the minimum lease payment as the book value of the leased asset, and the minimum lease payment amount as the book value of the long-term payable, the difference is regarded as unconfirmed financing costs. The identification basis, valuation and depreciation method of the finance leased assets are detailed in the fixed assets of Note 4.15 Fixed assets.

The company uses the effective interest rate method to amortize the unrecognized financing expenses during the asset lease period and include them in financial expenses.

(2) Financing lease-out assets

On the lease start date, the company recognizes the difference between the sum of the unrecognized residual value and its present value as unrealized financing income, and recognizes it as rental income in each period in which the rent is received in the future. The initial direct costs incurred by the company in connection with the lease transaction are included in the initial measurement of the finance lease receivables and reduce the amount of revenue recognized during the lease term.

4.26 Explanation of changes in presentation of financial statement items

In 2019, the Ministry of Finance issued the "Notice on Revising the Format of General Enterprise Financial Statements for 2019" (Caikuai [2019] No.6) and "Notice on Amending and Printing the Consolidated Financial Statement Format (2019 Version)" (Caikuai [2019] No.16), which revised the format of general corporate financial statements, splitting some balance sheet items and adjusting income statement items, etc.

The company has prepared financial statements in accordance with the requirements of the new corporate financial statement format, if the presentation items of the financial statements have changed as a result, the comparative data of the comparable period have been adjusted in accordance with the relevant regulations of the "Accounting Standards for Business Enterprises No. 30-Presentation of Financial Statements".

The impact on the items and amounts presented in the financial statements of comparable periods is as follows:

Items	Amount reported before 31 December 2018	Amount of influence	Amount after re-listing on 1 January 2019	Remarks
Notes receivables		3,266,425.73	3,266,425.73	
Accounts receivable		3,522,574,077.48	3,522,574,077.48	
Notes receivable and accounts receivable	3,525,840,503.21	-3,525,840,503.21		
Notes payable		307,646,000.00	307,646,000.00	
Accounts payable		1,787,291,274.83	1,787,291,274.83	
Notes payable and accounts payable	2,094,937,274.83	-2,094,937,274.83		

4.27 Significant changes in accounting policies and accounting estimates

4.27.1 Changes in accounting policies

During the reporting period, there was no change in important accounting policies.

4.27.2 Changes in accounting estimates

During the reporting period, the main accounting estimates have not changed.

5. TAXATION

5.1 Main taxes and tax rates

Category	Tax Base	Tax Ratio %	Remarks
VAT	Sales of goods, taxable services income and taxable services income, intangible assets or real estate	5%,6%,9%,10%,11%,16%,13%	
Urban maintenance and construction tax	Payable turnover tax	7%	
Enterprise income tax	Taxable income	25%	
Property tax	According to 70% of the original value of the property (or rental income) for the tax base	1.2%/12%	
Land holding tax	Land area	4-12 元/平米	

Note 1:

According to the provisions of the Announcement on Deepening VAT Reform Related Policies jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs (Ministry of Finance, General Administration of Taxation, General Administration of Customs Announcement [2019] No. 39), the company has been subject to VAT taxable sales or imported goods since April 1, 2019. If the original 16% and 10% tax rates are applied, the tax rates will be adjusted to 13% and 9% respectively.

Description of income tax rate for different taxpayers:

Name of taxpayer	Income tax rate %
------------------	-------------------

Name of taxpayer	Income tax rate %
Huaxin Pharmaceutical (Hong Kong) Co., Limited. 华信药业(香港)有限公司	16.5%

6. NOTES TO MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, the following amount units are all in RMB, and the opening balance is January 1, 2019)

6.1 Cash and bank balance

Item	31/12/2019	01/01/2019
Cash on hand	11,581.38	9,024.16
Cash at bank	4,048,502,975.98	7,281,194,284.38
Other monetary funds	1,311,316,716.81	882,752,955.14
Total	5,359,831,274.17	8,163,956,263.68
Of which: the total amount of money deposited abroad	11,858,012.54	23,733,409.28

6.1.1 Details of the restricted monetary funds at the end of the period are as follows.

Item	31/12/2019	01/01/2019
Banks acceptance bill (BAB) deposit	336,500,000.00	56,646,000.00
Guarantee deposit	400,000,000.00	
Pledged Deposit for certificates of deposit	550,000,000.00	780,000,000.00
Common reserve fund deposit	24,816,716.81	46,106,955.14
Total	1,311,316,716.81	882,752,955.14

6.2 Notes receivable

6.2.1 Classifications

Item	31/12/2019	01/01/2019
Banks acceptance bill	76,193,389.72	3,266,425.73
Total	76,193,389.72	3,266,425.73

6.2.2 Notes receivables that have been endorsed or discounted at the end of the period and have not yet expired on the balance sheet date

Item	Amount being terminated at the end of the period	Amount not yet being terminated at the end of the period
Banks acceptance bill	1,558,550,000.00	
Total	1,558,550,000.00	

6.3 Accounts receivable

6.3.1 Classified by provision method of bad debt

Category	31/12/2019				NBV
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Individual accounts receivable with significant amount and provision for bad debts separately	3,569,658,604.08	97.67	40,464,401.71	1.13	3,529,194,202.37
Accounts receivable with provision for bad debts according to the combination of credit risk characteristics	56,770,116.15	1.55	3,915,934.50	6.90	52,854,181.65
Individual accounts receivable with insignificant but separate provision for bad debts	28,622,280.05	0.78	7,442,363.59	26.00	21,179,916.46
Total	3,655,051,000.28	100.00	51,822,699.80		3,603,228,300.48

Continued.

Category	01/01/2019				NBV
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Individual accounts receivable with significant amount and provision for bad debts separately	3,486,592,683.78	97.77	40,614,375.62	1.16	3,445,978,308.16
Accounts receivable with provision for bad debts according to the combination of credit risk characteristics	79,486,892.11	2.23	2,891,122.79	3.64	76,595,769.32
Individual accounts receivable with insignificant but separate provision for bad debts					
Total	3,566,079,575.89	100.00	43,505,498.41		3,522,574,077.48

6.3.2 In the combination, accounts receivable for bad debt provision by aging analysis

Aging	31/12/2019		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Within 1 year	42,262,335.23		
1—2 years	7,871,233.10	787,123.31	10.00
2—3 years	3,095,405.70	619,081.14	20.00
3—4 years	1,382,688.06	414,806.42	30.00
4—5 years	127,060.86	63,530.43	50.00
More than 5 years	2,031,393.20	2,031,393.20	100.00

Aging	31/12/2019		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Total	56,770,116.15	3,915,934.50	

6.3.3 Provision for bad debts, withdrawn or transferred back during the period

Provision for bad debts in the current period amounted to RMB ¥8,317,201.39.

6.3.4 Top five accounts receivable at the end of the period are as follows.

Company name	31/12/2019	Percentage of accounts receivable at the end of the period (%)	Provision for bad debts
Taizhou Pharmaceutical High-tech Industrial Park Management Committee 泰州医药高新技术产业园区管理委员会	3,038,595,895.34	83.13	
Jiangsu Run'he Real Estate Co., Ltd. 江苏润和置业有限公司	199,543,000.00	5.46	
Jiangsu San'tai Construction Engineering Co., Ltd. 江苏三泰建设工程有限公司	64,000,000.00	1.75	
China Resources Nanjing Pharmaceutical Co., Ltd. 华润南京医药有限公司	28,443,666.66	0.78	
Jiangsu Taizhou People's Hospital 泰州市人民医院	23,115,669.47	0.63	946,281.08
Total	3,353,698,231.47	91.75	946,281.08

6.4 Accounts Prepayment

6.4.1 Aging analysis

Aging	31/12/2019		01/01/2019	
	Amount	proportion (%)	Amount	proportion (%)
Within 1 year	479,744,953.56	77.73	141,136,299.78	87.34
1—2 years	123,985,101.54	20.09	2,910,119.47	1.80
2—3 years	1,046,958.53	0.17	5,116,087.30	3.17
More than 3 years	12,431,899.74	2.01	12,431,899.74	7.69
Total	617,208,913.37	100.00	161,594,406.29	100.00

6.4.2 Reasons for accounts prepayment with important amount that have not been settled in time for more than one year.

Company name	31/12/2019	Aging	Unsettled reason
Taizhou Xin'tai Construction Development Co., Ltd. 泰州市新泰建设发展有限公司	12,431,899.74	More than 3 years	During demolition, unsettled
Taizhou New District Construction Service Co., Ltd. 泰州新区建设服务有限公司	506,222,988.77	Within 1 year 1-2 years	During demolition, unsettled
Total	518,654,888.51		

6.4.3 Top five balances of accounts prepayment at the end of the period are as follows.

Company name	31/12/2019	Proportion of total prepayments (%)	Aging	Unsettled reason
Taizhou New District Construction Service Co., Ltd. 泰州新区建设服务有限公司	506,222,988.77	82.02	Within 1 year 1-2 years	During demolition, unsettled
Guangdong PetroChina International Co., Ltd. 广东中石油国际事业有限公司	26,750,000.00	4.33	Within 1 year	Not yet received
Ningbo Henghesheng Products Co., Ltd. 宁波亨和盛物产有限公司	23,658,309.70	3.83	Within 1 year	Not yet received
Taizhou Dao'en Trading Co., Ltd. 泰州市道恩贸易有限公司	15,743,784.19	2.55	Within 1 year	Not yet received
Taizhou Xin'tai Construction Development Co., Ltd. 泰州市新泰建设发展有限公司	12,431,899.74	2.01	More than 3 years	Balance after settlement of completed demolition project
Total	584,806,982.40	94.74		

6.5 Other receivables

Item	31/12/2019	01/01/2019
Interests receivable	11,366,160.88	
Other receivables	9,607,879,625.89	8,033,760,924.71
Total	9,619,245,786.77	8,033,760,924.71

6.5.1 Interests receivable

6.5.1.1 Classifications

Item	31/12/2019	01/01/2019
Fixed deposit	8,337,256.94	
Subordination trust	3,028,903.94	
Total	11,366,160.88	

6.5.2 Other receivables

6.5.2.1 Classified by provision method of bad debt

Category	31/12/2019				NBV
	Book balance		Provision for bad debts		
	Amount	proportion (%)	Amount	Provision ratio (%)	
Other receivables with significant individual amounts and separate provision for bad debts	9,624,278,489.97	99.86	26,801,630.47	0.28	9,597,476,859.50
Other receivables with provision for bad debts in combination with credit risk characteristics	13,578,595.10	0.14	3,253,170.64	23.96	10,325,424.46
Other receivables with no	77,341.93				77,341.93

Category	31/12/2019				NBV
	Book balance		Provision for bad debts		
	Amount	proportion (%)	Amount	Provision ratio (%)	
insignificant amounts but with separate provision for bad debts					
Total	9,637,934,427.00	100.00	30,054,801.11		9,607,879,625.89

Continued.

Category	01/01/2019				NBV
	Book balance		Provision for bad debts		
	Amount	proportion (%)	Amount	Provision ratio (%)	
Other receivables with significant individual amounts and separate provision for bad debts	7,869,728,799.86	97.91			7,869,728,799.86
Other receivables with provision for bad debts in combination with credit risk characteristics	168,106,967.36	2.09	4,074,842.51	2.42	164,032,124.85
Other receivables with no insignificant amounts but with separate provision for bad debts					
Total	8,037,835,767.22	100.00	4,074,842.51		8,033,760,924.71

6.5.2.2 In the combination, other receivables for bad debt provision by aging analysis

Aging	31/12/2019		
	Other receivables	Provision for bad debts	Provision ratio (%)
Within 1 year	7,326,103.32		
1—2 years	1,389,685.89	138,968.59	10.00
2—3 years	1,390,621.74	278,124.35	20.00
3—4 years	680,152.06	204,045.61	30.00
4—5 years	320,000.00	160,000.00	50.00
More than 5 years	2,472,032.09	2,472,032.09	100.00
Total	13,578,595.10	3,253,170.64	

(1) Provision for bad debts, withdrawn or transferred back during the period

Provision for bad debts in the current period amounted to RMB ¥25,979,958.60.

6.5.2.3 Top five balances of the other receivables at the end of the period.

Company name	Nature of payment	31/12/2019	Aging	Proportion of the balance (%)	Provision for bad debts as at 31/12/2019	Remarks
Taizhou Pharmaceutical High-tech Industrial Park Management Committee 泰州医药高新技术产业园区管理委员会	Open credit	5,884,123,713.91	Within 1 year 2,114,615,416.01; 1-2 years 3,754,458,297.90; 4-5 years 15,050,000.00;	61.05		Note 1
Taizhou Hua'cheng Medical Investment Group Co., Ltd. 泰州华诚医学投资集团有限公司	Open credit	526,921,717.30	1-2 years	5.47		
Taizhou Dong'fang Medical City Holding Group Co., Ltd. 泰州东方医药城控股集团有限公司	Open credit	452,097,130.31	1-2 year 399,139,223.30; More than 5 years 52,957,907.01	4.69		
Taizhou Lianxin Construction Co., Ltd. 泰州联信建设有限公司	Open credit	422,172,718.90	Within 1 year 292,172,718.90; 1-2 years 130,000,000.00;	4.38		Has been paid off after the balance sheet date
Taizhou Huazheng Engineering Management Service Co., Ltd. 泰州华正工程管理服务有限公司	Funds lending	583,472,778.85	Within 1 year	6.05		Has been paid off after the balance sheet date
Total		7,868,788,059.27		81.64		

Note 1:

Other receivables at the end of the period-the balance of Taizhou Pharmaceutical High-tech Industrial Park Management Committee, mainly composed of rent repayments and land development repayments receivable under the agreement.

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

6.6 Inventories

6.6.1 Classifications

Item	31/12/2019			01/01/2019		
	Book balance	Provision	NBV	Book balance	Provision	NBV
Finished goods	148,136,056.75		148,136,056.75	103,141,645.42		103,141,645.42
Development costs	29,616,476,726.55		29,616,476,726.55	26,500,885,542.36		26,500,885,542.36
Development product	985,289,530.09		985,289,530.09	1,177,073,008.95		1,177,073,008.95
Total	30,749,902,313.39		30,749,902,313.39	27,781,100,196.73		27,781,100,196.73

6.6.2 Details of the pledged inventory at the end of the period are as follows

Category	Warrants No.	Book value	Start Date of Mortgage	Expiry date of Mortgage	Mortgage Bank
Land	2015 No.8489	223,070,018.00	2014.10.28	2039.10.27	China Development Bank Jiangsu Branch 固开行江苏省分行
Land	2015 No.7129	50,607,410.00	2016.6.12	2021.6.11	China Everbright Bank Nanjing Branch 光大银行南京分行
Land	2015 No.7879	505,852,584.20	2019.3.28	2023.3.27	China Development Bank Jiangsu Branch 国家开发银行江苏省分行
Land	2015 No.16330	412,383,459.6	2016.6.12	2021.6.11	China Everbright Bank Nanjing Branch 光大银行南京分行
Land	Su (2016) TZBDCQ No.0022761	120,642,253.60	2019.01.28	2020.01.27	China Everbright Bank Taizhou Branch 中国光大银行泰州分行
Land	Su (2016) TZBDCQ No.0022762	288,665,687.60	2014.10.28	2039.10.27	China Development Bank Jiangsu Branch 固开行江苏省分行
Land	Su (2017) TZBDCQ No.0002253	427,098,349.37	2016.06.12	2021.06.11	China Everbright Bank Nanjing Branch 光大银行南京分行
Land	Su (2017) TZBDCQ No.0002254	853,357,292.23	2017.12.26	2032.11.30	Agricultural Bank of China (Syndicate) 农行(银团)
	Total	2,881,677,054.60	2017.12.26	2032.11.30	Agricultural Bank of China (Syndicate) 农行(银团)

6.7 Other current assets

6.7.1 Classifications

Item	31/12/2019	01/01/2019
VAT allowance	262,055,317.27	187,220,578.88
Prepaid business tax	47,215,776.14	181,102,211.07
Prepaid city maintenance and construction tax	4,128,660.16	13,760,029.81
Prepaid education surcharge	2,948,657.22	9,828,206.99
Prepaid land value added tax	170,283,307.59	170,283,307.59
Prepaid loan interest	18,132,769.47	
Damaged property to be disposed of	8,940.17	27,080.91
Total	504,773,428.02	562,221,415.25

6.8 Financial assets available for sale

Item	31/12/2019		
	Book balance	Provision	NBV
Available for sale of equity instruments	178,000,000.00		178,000,000.00
Measured by cost	178,000,000.00		178,000,000.00
Others	1,948,880,000.00		1,948,880,000.00
Taizhou Pharmaceutical High-tech Zone Urban Development Private Equity Fund 泰州医药高新区城市发展私募基金	800,000,000.00		800,000,000.00
Capital Development Investment Fund Management Co., Ltd. 首京建设投资基金管理(北京)有限公司	600,000,000.00		600,000,000.00
CITIC Trust 中信信托有限责任公司	148,880,000.00		148,880,000.00
Jiangsu Taizhou Optical Holding Investment Partnership (Limited Partnership) 江苏泰州光控股权投资合伙企业(有限合伙)	350,000,000.00		350,000,000.00
Jiangsu Taizhou Light Control Industry Investment Partnership (Limited Partnership) 江苏泰州光控产业投资合伙企业(有限合伙)	50,000,000.00		50,000,000.00
Total	2,126,880,000.00		2,126,880,000.00

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

6.9 Long-term equity investments

Invested unit	01/01/2019	Changes in current period				Other comprehensive income adjustment
		Additional investment	Reduce investment	Gains and losses recognized under the equity method		
I. Associated company						
Taizhou Wan Tuo Town Reconstruction Development Co., Ltd 泰州万拓城镇改造开发有限公司	30,061,760.14			-36.00		
Taizhou Shuangxing Construction Co., Ltd 泰州双兴建设有限公司	21,988,217.02			-246.40		
Taizhou Medical City State Chemical Biopharmaceutical Technology Co., Ltd 泰州医药城固科化生物医药科技有限公司	3,141,815.48			-1,400,822.86		
Taizhou Lianxin Construction Co. Ltd. 泰州联信建设有限公司	4,998,490.79			-600.43		
Total	60,190,283.43			-1,401,705.69		

Continued.

Invested unit	Other changes in equity	Changes in current period			Closing bal. of provision for impairment
		Declare a cash dividend or profit	Provision for impairment	Others	
I. Associated company					
Taizhou Wan Tuo Town Reconstruction Development Co., Ltd 泰州万拓城镇改造开发有限公司					30,061,724.14
Taizhou Shuangxing Construction Co., Ltd 泰州双兴建设有限公司					21,987,970.62

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

Invested unit	Changes in current period			31/12/2019	Closing bal. of provision for impairment
	Other changes in equity	Declare a cash dividend or profit	Provision for impairment		
Taizhou Medical City State Chemical Biopharmaceutical Technology Co., Ltd 泰州医药城国科化生物医药科技有限公司				1,740,992.62	
Taizhou Lianxin Construction Co. Ltd. 泰州联信建设有限公司				4,997,890.36	
Total				58,788,577.74	

6.10 Investment property

6.10.1 Classifications

Item	Buildings	Land use rights	Total
A. Cost			
1. 01/01/2019	5,370,409,878.65	2,298,384,256.92	7,668,794,135.57
2. Additions	2,349,924,396.03	515,406,255.00	2,865,330,651.03
Inventory \ fixed assets \ construction in progress transferred	2,345,276,596.03	515,406,255.00	2,860,682,851.03
Others	4,647,800.00		4,647,800.00
3. Reductions			
Others			
4. 31/12/2019	7,720,334,274.68	2,813,790,511.92	10,534,124,786.60
B. Accumulated Dep'n/amortization			
1. 01/01/2019	830,665,039.21	272,952,560.53	1,103,617,599.74
2. Additions	178,822,258.00	58,314,227.69	237,136,485.69
Accrued or amortized	178,822,258.00	58,314,227.69	237,136,485.69
Others			
3. Reductions			
Others			
4. 31/12/2019	1,009,487,297.21	331,266,788.22	1,340,754,085.43
C. Provision for impairment			
1. 01/01/2019			
2. Additions			
Provision			
3. Reductions			
Others			
4. 31/12/2019			
D. Net Book Value			
1. As at 31/12/2019	6,710,846,977.47	2,482,523,723.70	9,193,370,701.17
2. As at 01/01/2019	4,539,744,839.44	2,025,431,696.39	6,565,176,535.83

6.10.2 Details of investment property without property rights certificate

Item	Book value	Reasons for not having completed the title certificate
Real estate of Exhibition Center Phase II 会展中心二期房产	1,343,011,807.35	Property certificate is being processed
Total	1,343,011,807.35	

6.10.3 Details of the investment properties mortgaged at the end of the period are as follows.

Category	Warrants No.	Book value	Date of Mortgage	Date of Expiration	Mortgagee
Buildings	TFQZKFZ No.S0007711	85,097,959.18	2014.03.20	2021.10.31	Bank of China (Syndicate) 中行 (银团)
Buildings	TFQZKFZ No.S0007251	213,856,646.15	2014.03.20	2021.10.31	Bank of China (Syndicate) 中行 (银团)
Buildings	TFQZKFZ No.S0006704	739,959,968.94	2011.12.30	2022.12.29	China Development Bank Jiangsu Branch(Syndicate) 国家开发银行江苏省分行 (银团)
Buildings	TFQZKFZ No.S0007254	187,926,188.42	2013.03.28	2023.03.27	China Development Bank Jiangsu Branch 国家开发银行江苏省分行
Buildings	TFQZKFZ No.S0007255	157,003,005.17	2015.12.28	2020.12.19	Bank of Jiangsu Taizhou New District Branch 江苏银行泰州新区支行
Land use right	TZGY (2007) No.0006	24,104,160.01	2017.03.28	2023.03.27	China Development Bank Jiangsu Branch 国家开发银行江苏省分行
Land use right	TZGY (2009) No.7319	10,906,381.79	2017.03.28	2023.03.27	China Development Bank Jiangsu Branch 国家开发银行江苏省分行
Land use right	TZGY (2010) No.14353	172,425,475.37	2011.12.30	2022.12.29	China Development Bank Jiangsu Branch(Syndicate) 国家开发银行江苏省分行 (银团)
Land use right	TZGY (2010) No.12050	40,001,936.29	2017.03.28	2023.03.27	China Development Bank Jiangsu Branch 国家开发银行江苏省分行
Land use right	TZGY (2013) No.5955	18,067,401.00	2015.12.28	2020.12.19	Bank of Jiangsu Taizhou New District Branch 江苏银行泰州新区支行
Land use right	TZGY (2005) No.0627-1	8,212,104.00	2015.12.28	2020.12.19	Bank of Jiangsu Taizhou New District Branch 江苏银行泰州新区支行
Land use right	TZGY (2009) No.7306	504,887,760.00	2011.12.30	2022.12.29	China Development Bank Jiangsu Branch(Syndicate) 国家开发银行江苏省分行 (银团)
Land and buildings	SU (2019) TZBDCQ No.0012221	153,162,231.06	2014.10.28	2039.10.27	China Development Bank Jiangsu Branch

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

Category	Warrants No.	Book value	Date of Mortgage	Date of Expiration	Mortgagee
Land and buildings	SU (2018) TZBDCQ No.0058501	101,369,771.34	2019.9.24	2029.9.24	国家开发银行江苏省分行
Land and buildings	SU (2017) TZBDCQ No.0002056	153,937,874.09	2019.12.19	2028.12.19	ICBC Taizhou Branch 工商银行泰州分行
Land and buildings	SU (2017) TZBDCQ No.0002176	39,037,323.76	2019.2.2	2028.12.19	ICBC Taizhou Branch 工商银行泰州分行
Land and buildings	SU (2017) TZBDCQ No.0001046	313,316,984.86	2019.4.15	2021.4.14	Bank of Guangzhou Nanjing Branch 广州银行南京分行
Land and buildings	SU (2016) TZBDCQ No.0038976	20,422,412.68	2019.10.29	2021.12.29	China Huarong Asset Management Co., Ltd. Shanghai Branch 中国华融资产管理上海分公司
Land and buildings	SU (2017) TZBDCQ No.0000737	694,007,223.29	2018.2.27	2027.12.31	Bank of Communications Taizhou Branch 交通银行泰州分行
Land and buildings	SU (2016) TZBDCQ No.0064091	827,872,608.38	2018.6.21	2021.9.21	China Minsheng Bank Taizhou Branch 民生银行泰州分行
Total		4,465,575,415.78			

6.11 Fixed assets

Item	31/12/2019	01/01/2019
Fixed assets	17,421,936.26	18,578,620.18
Total	17,421,936.26	18,578,620.18

Note: The fixed assets in the above table refer to the fixed assets after deducting the "Disposal of fixed assets".

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

6.11.1 Fixed assets

6.11.1.1 Classifications

Item	Buildings	Mechanical equipment	Transportation equipment	Electronic equipment	Others	Total
A. Costs						
1. Balance as at 01/01/2019	14,324,600.00	22,508,323.84	3,980,658.28	8,197,212.26	11,086,570.28	60,097,364.66
2. Additions	1,694,472.30	341,608.39	2,100.00	1,196,308.58	2,486,854.24	5,721,343.51
Purchasing		324,282.39	2,100.00	1,069,104.54	2,485,774.24	3,881,261.17
Business combinations not under common control	1,694,472.30			122,075.83		1,816,548.13
Others		17,326.00		5,128.21	1,080.00	23,534.21
3. Reductions		519,328.21	920,144.59	79,531.00	2,876,919.11	4,395,922.91
Disposed of or scrapped		514,200.00	920,144.59	78,451.00	2,859,593.11	4,372,388.70
Others		5,128.21		1,080.00	17,326.00	23,534.21
4. Balance as at 31/12/2019	16,019,072.30	22,330,604.02	3,062,613.69	9,313,989.84	10,696,505.41	61,422,785.26
B. Accumulated depreciation						
1. Balance as at 01/01/2019	9,385,961.21	16,415,099.64	3,679,689.84	4,690,105.12	7,347,888.67	41,518,744.48
2. Additions	2,304,549.05	2,302,332.07	221,261.17	1,486,997.52	953,550.98	7,268,690.79
Provision	694,800.36	2,002,332.07	221,261.17	1,073,929.79	953,550.98	4,945,874.37
Business combinations not under common control	1,609,748.69			113,067.73		1,722,816.42
Others		300,000.00		300,000.00		600,000.00
3. Reductions		498,774.00	1,437,069.44	78,451.00	2,772,291.83	4,786,586.27
Disposed of or scrapped		498,774.00	837,069.44	78,451.00	2,772,291.83	4,186,586.27
Others			600,000.00			600,000.00

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

Item	Buildings	Mechanical equipment	Transportation equipment	Electronic equipment	Others	Total
4. Balance as at 31/12/2019	11,690,510.26	18,218,657.71	2,463,881.57	6,098,651.64	5,529,147.82	44,000,849.00
C. Provision for impairment						
1. Balance as at 01/01/2019						
2. Additions						
Provision						
3. Reductions						
Disposed of or scrapped						
4. Balance as at 31/12/2019						
D.Net Book Value						
1. As at 31/12/2019	4,328,562.04	4,111,946.31	598,732.12	3,215,338.20	5,167,357.59	17,421,936.26
2. As at 01/01/2019	4,938,638.79	6,093,224.20	300,968.44	3,507,107.14	3,738,681.61	18,578,620.18

6.12 Construction in progress

Item	31/12/2019	01/01/2019
Constructions in progress	2,228,808,322.27	
Total	2,228,808,322.27	

Note: The construction in progress in the above table refers to the construction in progress after deducting the construction materials.

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

6.12.1 Construction in progress
6.12.1.1 Classifications

Item	31/12/2019			01/01/2019		
	Book value	Provisions	NBV	Book value	Provisions	NBV
Sixth plant 六期厂房	568,275,304.15		568,275,304.15	164,191,863.93		164,191,863.93
CMC Project	773,891,392.36		773,891,392.36	597,005,020.37		597,005,020.37
Medical City Industrial Neighborhood Center 医药城工业邻里中心				534,921,975.81		534,921,975.81
Exhibition Center Phase II 会展中心二期				1,180,969,319.30		1,180,969,319.30
Others	886,641,625.76		886,641,625.76	826,390,639.01		826,390,639.01
Total	2,228,808,322.27		2,228,808,322.27	3,303,478,818.42		3,303,478,818.42

6.12.1.2 Significant changes in current projects under construction

Project name	01/01/2019		Additions	Transferred to investment properties	Other Reductions		31/12/2019
	Book value	Provisions			Book value	Provisions	
Sixth plant 六期厂房	164,191,863.93		404,083,440.22				568,275,304.15
CMC Project	597,005,020.37		176,886,371.99				773,891,392.36
Medical City Industrial Neighborhood Center 医药城工业邻里中心	534,921,975.81		400,120,010.26	935,041,986.07			
Exhibition Center Phase II 会展中心二期	1,180,969,319.30		187,705,134.05	1,368,674,453.35			
Total	2,477,088,179.41		1,168,794,956.52	2,303,716,439.42			1,342,166,696.51

Continued.

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

Project name	Budget (RMB Yuan)	Project investment accounted for the proportion of the budget (%)	Project progress (%)	Accumulated interest capitalization	Incl. Capitalization of interest in current period	Interest rate of capitalization in this period (%)	Sources of funds
Sixth plant 六期厂房	998,000,000.00	38.01	50.00	188,981,812.17	99,429,838.58	24.61	Self-financing and loans
CMC Project	701,260,000.00	66.84	98.00	305,147,596.19	159,921,580.00	90.41	Self-financing and loans
Medical City Industrial Neighborhood Center 医药城工业邻里中心	726,410,000.00	112.78	100.00	115,812,822.97			Self-financing and loans
Exhibition Center Phase II 会展中心二期	1,000,000,000.00	118.90	100.00	179,668,567.66			Self-financing and loans
Total				789,610,598.99	259,351,418.58		

6.13 Intangible assets

6.13.1 Classifications

Item	Land use rights	Software	Total
A. Costs			
1. Balance as at 01/01/2019	4,223,654,502.40	1,448,912.32	4,225,103,414.72
2. Additions		1,926,080.02	1,926,080.02
Purchasing		1,926,080.02	1,926,080.02
Others			
3. Reductions	1,697,107,813.00	60,837.61	1,697,168,650.61
Transfer to investment property	631,109,700.00		631,109,700.00
Others	1,065,998,113.00	60,837.61	1,066,058,950.61
4. Balance as at 31/12/2019	2,526,546,689.40	3,314,154.73	2,529,860,844.13
B. Amortization			
1. Balance as at 01/01/2019	519,980,253.27	733,842.15	520,714,095.42
2. Additions	41,410,240.57	632,804.39	42,043,044.96
Provision	41,410,240.57	632,804.39	42,043,044.96
Others			
3. Reductions	249,753,713.66	6,038.88	249,759,752.54
Transfer to investment property	115,703,445.00		115,703,445.00
Others	134,050,268.66	6,038.88	134,056,307.54
4. Balance as at 31/12/2019	311,636,780.18	1,360,607.66	312,997,387.84
C. Provision for impairment			
1. Balance as at 01/01/2019			
2. Additions			
Provision			
3. Reductions			
Others			
4. Balance as at 31/12/2019			
D. Net Book Value			
1. As at 31/12/2019	2,214,909,909.22	1,953,547.07	2,216,863,456.29
2. As at 01/01/2019	3,703,674,249.13	715,070.17	3,704,389,319.30

6.13.2 Details of intangible assets mortgaged at the end of the period are as follows.

Category	Warrants No.	Book value	Date of Mortgage	Date of Expiration	Mortgagee
Land use right	TZGY(2014)No.13244	119,756,574.88	2013.3.28	2023.3.27	China Development Bank Jiangsu Branch 国开行江苏省分行

Category	Warrants No.	Book value	Date of Mortgage	Date of Expiration	Mortgagee
Land use right	TZGY(2013)No.17917	282,957,116.60	2018.6.12	2020.6.11	Bank of Dalian Shanghai Branch 大连银行上海分行
Land use right	TZGY(2013)No.17915	44,597,081.44	2015.12.28	2020.12.19	Bank of Jiangsu Taizhou New District Branch 江苏银行泰州新区支行
Total		447,310,772.92			

6.14 Goodwill

6.14.1 Original book value of goodwill

The name of the investee or the formation of goodwill	01/01/2019	Additions	Reductions	31/12/2019
		Formed by business combination	Disposed of	
Taizhou High-tech Zone Kangju Construction Development Co., Ltd. 泰州高新区康居建设开发有限公司		4,169,802.20		4,169,802.20
Total		4,169,802.20		4,169,802.20

6.15 Long-term deferred expenses

Item	01/01/2019	Additions	Amortisations	Other reductions	12/31/2019
Engineering funds	4,459,821.37	2,875,891.15	2,337,540.24		4,998,172.28
Financial service fee		19,011,800.00	1,901,180.00		17,110,620.00
Total	4,459,821.37	21,887,691.15	4,238,720.24		22,108,792.28

6.16 Deferred income tax assets and deferred income tax liabilities

6.16.1 Deferred income tax assets without offset

Item	12/31/2019		01/01/2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Impairment of assets	81,836,150.92	20,459,037.73	47,550,879.08	11,887,719.77
Deductible losses	68,052,897.32	17,013,224.33	165,600,225.31	41,400,056.33
Total	149,889,048.24	37,472,262.06	213,151,104.39	53,287,776.10

6.17 Other non-current assets

Category and content	12/31/2019	01/01/2019
Prepayments for the projects	128,476,984.65	140,338,988.48
Prepaid software	691,125.40	

Category and content	12/31/2019	01/01/2019
Asset management plan	300,000,000.00	300,000,000.00
Prepaid taxes	4,300,928.57	9,030,065.07
Land income right	1,174,156,257.06	2,024,156,257.06
Total	1,607,625,295.68	2,473,525,310.61

6.18 Short-term borrowings

6.18.1 Classifications

Item	12/31/2019	01/01/2019
Pledged loan	180,500,000.00	564,122,123.77
Mortgage + Guarantee	180,000,000.00	
Guaranteed loan	1,494,274,691.00	1,425,990,000.00
Commercial acceptance bill	370,000,000.00	4,000,000.00
Bank acceptance bill	50,000,000.00	100,000,000.00
Total	2,274,774,691.00	2,094,112,123.77

6.19 Notes payable

Category	12/31/2019	01/01/2019
Bank acceptance bill	786,500,000.00	202,646,000.00
Commercial acceptance bill		105,000,000.00
Payment guarantee	400,000,000.00	
Total	1,186,500,000.00	307,646,000.00

6.20 Accounts payable

Item	12/31/2019	01/01/2019
Materials payable	134,767,757.93	235,847,542.33
Project payable	1,374,816,021.70	1,551,443,732.50
Others	37,386.71	
Total	1,509,621,166.34	1,787,291,274.83

6.21 Accounts received in advance

6.21.1 Classifications

Item	12/31/2019	01/01/2019
Advance receipts – rental income	17,077,361.94	16,223,716.47
Advance receipts – Energy project	86,815,630.00	86,815,630.00
Advance receipts- sale of goods	23,819,988.47	3,245,541.50

Item	12/31/2019	01/01/2019
Advance receipts - engineering project	1,616,408.36	
Advance receipts - sale of real estate	56,534,150.00	328,685,811.00
Total	185,863,538.77	434,970,698.97

6.22 Accrued payroll

6.22.1 Classifications

Item	01/01/2019	Additions	Reductions	12/31/2019
Short-term remunerations	116,000.00	37,684,943.69	37,480,943.69	320,000.00
Post-employment benefits		3,255,073.72	3,255,073.72	
Dismissal benefits		270,000.00	270,000.00	
Total	116,000.00	41,210,017.41	41,006,017.41	320,000.00

6.22.2 Details of short-term remunerations

Item	01/01/2019	Additions	Reductions	12/31/2019
Salaries, bonuses, allowances and subsidies	116,000.00	31,566,107.53	31,362,107.53	320,000.00
Employee benefits		1,486,251.48	1,486,251.48	
Social security fee		1,840,419.30	1,840,419.30	
Incl. Basic medical insurance		1,623,801.84	1,623,801.84	
Supplementary medical insurance		160,127.04	160,127.04	
Work injury insurance		56,490.42	56,490.42	
Housing fund		2,030,089.58	2,030,089.58	
Trade union funds and staff education funding		762,075.80	762,075.80	
Total	116,000.00	37,684,943.69	37,480,943.69	320,000.00

6.22.3 Details of post-employment benefits

Item	01/01/2019	Additions	Reductions	12/31/2019
Basic retirement insurance		3,152,897.88	3,152,897.88	
Unemployment insurance		102,175.84	102,175.84	
Total		3,255,073.72	3,255,073.72	

6.23 Taxes payable

Tax item	12/31/2019	01/01/2019
VAT	186,444.67	3,920,824.61
Enterprise income tax	157,515,302.02	138,590,141.12
Individual income Tax	735.57	18,491.27

Tax item	12/31/2019	01/01/2019
Urban maintenance and construction tax	17,347.33	981,133.19
Property tax	29,357,052.12	22,455,608.32
Land holding tax	4,312,640.61	4,382,843.92
Education surtax	14,356.95	704,741.47
Others	1,409,297.10	1,484,606.25
Total	192,813,176.37	172,538,390.15

6.24 Other payables

Item	12/31/2019	01/01/2019
Interests payable	76,185,504.56	129,128,241.96
Other payables	4,314,496,428.74	5,851,693,212.09
Total	4,390,681,933.30	5,980,821,454.05

Note: Other payables in the above table refer to other payables after deducting interest payable and dividends payable.

6.24.1 Interests payable

Item	12/31/2019	01/01/2019
Term interest on long-term borrowings due in installments	2,290,125.26	30,203,154.72
Bond interests	73,895,379.30	98,925,087.24
Total	76,185,504.56	129,128,241.96

6.24.2 Other payables

6.24.2.1 Other payables classified by nature

Nature of payment	12/31/2019	01/01/2019
Open credit	392,687,964.23	794,509,208.87
Deposit	144,507,434.07	402,453,702.03
Borrowings	3,718,328,156.69	4,572,420,672.45
Others (Spare money ,social security and etc.)	58,972,873.75	82,309,628.74
Total	4,314,496,428.74	5,851,693,212.09

6.25 Non-current liabilities due within one year

Item	12/31/2019	01/01/2019
Long-term borrowings due within one year	8,494,090,000.00	3,691,724,564.96
Long-term bonds payable due within one year	3,932,556,667.89	2,884,474,922.55
Total	12,426,646,667.89	6,576,199,487.51

6.26 Other current liabilities

Item	12/31/2019	01/01/2019
Short-term bonds payable	500,000,000.00	1,500,000,000.00
Accrued interest	34,218,750.00	61,830,000.00
Total	534,218,750.00	1,561,830,000.00

6.26.1 Changes in short-term bonds payable

Name of bond	Face value	Date of issue	Bond term	Issue amount	01/01/2019
18 Tai Hua Xin SCP001 18 泰华信 SCP001	600,000,000.00	2018/8/20	270 days	600,000,000.00	600,000,000.00
18 Tai Hua Xin SCP002 18 泰华信 SCP002	300,000,000.00	2018/8/23	270 days	300,000,000.00	300,000,000.00
18 Tai Hua Xin SCP003 18 泰华信 SCP003	600,000,000.00	2018/9/4	270 days	600,000,000.00	600,000,000.00
19 Tai Hua Xin PPN001 (Industrial Bank Co., Ltd.) 19 泰华信 PPN001 (兴业银行)	500,000,000.00	2019/1/22	1 year	500,000,000.00	
Total	2,000,000,000.00			2,000,000,000.00	1,500,000,000.00

Continued.

Name of bond	Issued during the current period	Calculate interest at face value	Premium/discount amortization	Repayment in the current period	12/31/2019
18 Tai Hua Xin SCP001 18 泰华信 SCP001		11,761,643.84		611,761,643.84	
18 Tai Hua Xin SCP002 18 泰华信 SCP002		25,742,465.75		325,742,465.75	
18 Tai Hua Xin SCP003 18 泰华信 SCP003		23,478,904.11		623,478,904.11	
19 Tai Hua Xin PPN001 (Industrial Bank Co., Ltd.) 19 泰华信 PPN001 (兴业银行)	500,000,000.00	34,218,750.00			534,218,750.00
Total	500,000,000.00	95,201,763.70		1,560,983,013.70	534,218,750.00

6.27 Long-term borrowings

Category	12/31/2019	01/01/2019
Pledged loan	470,000,000.00	125,000,000.00
Mortgage loan	1,998,450,000.00	2,428,700,000.00
Guaranteed loan	3,616,725,142.70	7,006,037,023.29
Credit loan	2,564,000,000.00	2,870,000,000.00
Mortgage + Guarantee	1,049,062,500.00	533,940,000.00
Pledge + guarantee	1,520,000,000.00	
Total	11,218,237,642.70	12,963,677,023.29

6.28 Bonds payable

6.28.1 Classifications

Item	12/31/2019	01/01/2019
Other bonds payable	10,937,686,169.79	10,302,262,841.82
Less: Bond payable due within 1 year	3,932,556,667.89	2,884,474,922.55
Total	7,005,129,501.90	7,417,787,919.27

6.28.2 Changes in bonds payable (Excluding other financial instruments, such as preferred shares divided into financial liabilities, permanent debits and other financial instruments)

Name of bond	Face value	Date of issue	Bond term	Issue amount	Transfer to non-current liabilities due within one year	01/01/2019
15 Huaxin 01 15 华信 01	1,000,000,000.00	2015/9/17	5	1,000,000,000.00		1,033,931,317.57
15 Huaxin 02 15 华信 02	1,000,000,000.00	2015/9/24	5	1,000,000,000.00		1,032,254,143.32
16 Huaxin 01 16 华信 01	500,000,000.00	2016/1/19	3	500,000,000.00	528,553,013.80	
16 Tai Huaxin PPN001 16 泰华信 PPN001	500,000,000.00	2016/3/4	3	500,000,000.00	520,175,220.20	
16 Tai Huaxin PPN002 16 泰华信 PPN002	500,000,000.00	2016/7/1	3	500,000,000.00	512,779,710.30	
16 Taigao 01 16 泰高 01	1,000,000,000.00	2016/8/26	3	1,000,000,000.00	1,016,787,835.98	
17 Tai Huaxin PPN001 17 泰华信 PPN001	500,000,000.00	2017/4/19	3	500,000,000.00		520,719,761.49
17 Taizhou Huaxin 01 17 泰州华信 01	300,000,000.00	2017/9/8	2	300,000,000.00	306,179,142.27	
17 Huaxin 01 (Western Securities) Private Equity Bond 17 华信 01 (西部证券) 私募公司债	1,020,000,000.00	2017/11/20	5	1,020,000,000.00		1,029,614,320.06
2018PPN001 (Huatai Securities) Tai Huaxin 2018PPN001 (华泰证券) 泰华信	500,000,000.00	2018/4/2	5	500,000,000.00		495,974,143.73
18 Taitou 01 (Western Securities) Private Equity Bond 18 泰投 01 (西部证券) 私募公司债	790,000,000.00	2018/4/27	5	790,000,000.00		783,555,678.60
18 Taizhou Huaxin 01 (Minsheng Bank) 18 泰州华信 01 (民生银行)	300,000,000.00	2018/8/10	2	300,000,000.00		297,082,476.99
19 Tai Huaxin PPN002 (Bank of Nanjing)	500,000,000.00	2019/3/14	3			

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

Name of bond	Face value	Date of issue	Bond term	Issue amount	Transfer to non-current liabilities due within one year	01/01/2019
19 泰华信 PPN002 (南京银行)						
19 Taitou 01 (Ping An Securities) Private Equity Corporate Bond	860,000,000.00	2019/3/27	5			
19 泰投 01 (平安证券) 私募公司债						
Ping An Bank's first financial management in 2019	500,000,000.00	2019/3/14	1.75			
平安银行 2019 年度第一期理财直融						
19 Taitou 02 (Ping An Securities) Private Equity Corporate Bond	710,000,000.00	2019/10/25	5			
19 泰投 02 (平安证券) 私募公司债						
19 Tai Huaxin PPN003 (Bank of Nanjing)	500,000,000.00	2019/10/9	3			
19 泰华信 PPN003 (南京银行)						
19 Taitou 03 (Ping An Securities) Private Equity Corporate Bond	200,000,000.00	2019/11/22	5			
19 泰投 03 (平安证券) 私募公司债						
2014 Taizhou Pharmaceutical PRN001	300,000,000.00	2014/12/30	10	300,000,000.00		298,630,200.00
2014 泰州医药 PRN001						
2015 Taizhou Pharmaceutical PRN001	500,000,000.00	2015/5/28	5	500,000,000.00		512,206,677.51
2015 泰州医药 PRN001						
150 million USD debt	1,046,430,000.00	2018/3/15	3	1,046,430,000.00		1,029,480,000.00
1.5 亿美元债						
56 million USD debt	390,667,200.00	2018/3/29	3	390,667,200.00		384,339,200.00
5600 万元美元债						
Total	13,417,097,200.00			10,147,097,200.00	2,884,474,922.55	7,417,787,919.27

Continued.

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

Notes to the financial statements

For the year ended 31 December, 2019

Name of bond	Issued during the current period	Calculate interest at face value	Premium/discount amortization	Repayment in the current period	Transfer to non-current liabilities due within one year	12/31/2019
15 Huaxin 01		33,929,199.32	283,941.52		1,034,215,259.09	
15 华信 01						
15 Huaxin 02		31,853,257.59	309,426.03		1,032,563,569.35	
15 华信 02						
16 Huaxin 01			-3,716,976.08	500,000,000.00	24,836,037.72	
16 华信 01						
16 Tai Huaxin PPN001			-20,155,410.50	500,000,000.00	19,809.70	
16 泰华信 PPN001						
16 Tai Huaxin PPN002			-12,677,493.99	500,000,000.00	102,216.31	
16 泰华信 PPN002						
16 Taigao 01			16,665,490.21	850,000,000.00		183,453,326.19
16 泰高 01						
17 Tai Huaxin PPN001			485,356.00		521,205,117.49	
17 泰华信 PPN001						
17 Taizhou Huaxin 01			-296,789.41	300,000,000.00	5,882,352.86	
17 泰州华信 01						
17 Huaxin 01 (Western Securities) Private Equity Bond			196,671.71			1,029,810,991.77
17 华信 01 (西部证券) 私募公司债						
2018PPN001 (Huatai Securities) Thai Huaxin			4,841,704.49			500,815,848.22
2018PPN001 (华泰证券) 泰华信						
18 Taitou 01 (Western Securities) Private Equity Bond			7,726,914.68			791,282,593.28
18 泰投 01 (西部证券) 私募公司债						
18 Taizhou Huaxin 01 (Minsheng Bank)			4,704,966.71		301,787,443.70	
18 泰州华信 01 (民生银行)						
19 Tai Huaxin PPN002 (Bank of Nanjing)	500,000,000.00		-918,771.52			499,081,228.48
19 泰华信 PPN002 (南京银行)						

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

Name of bond	Issued during the current period	Calculate interest at face value	Premium/discount amortization	Repayment in the current period	Transfer to non-current liabilities due within one year	12/31/2019
19 Taitou 01 (Ping An Securities) Private Equity Corporate Bond	860,000,000.00		-3,150,188.86			856,849,811.14
19 泰投 01 (平安证券) 私募公司债						
Ping An Bank's first financial management in 2019	500,000,000.00		-2,688,149.17		497,311,850.83	
平安银行 2019 年度第一期理财直融						
19 Taitou 02 (Ping An Securities) Private Equity Corporate Bond	710,000,000.00		-2,301,839.85			707,698,160.15
19 泰投 02 (平安证券) 私募公司债						
19 Tai Huaxin PPN003 (Bank of Nanjing)	500,000,000.00		568,493.15			500,568,493.15
19 泰华信 PPN003 (南京银行)						
19 Taitou 03 (Ping An Securities) Private Equity Corporate Bond	200,000,000.00		-386,650.48			199,613,349.52
19 泰投 03 (平安证券) 私募公司债						
2014 Taizhou Pharmaceutical PRN001			228,300.00			298,858,500.00
2014 泰州医药 PRN001						
2015 Taizhou Pharmaceutical PRN001			2,426,333.33		514,633,010.84	
2015 泰州医药 PRN001						
150 million USD debt			16,950,000.00			1,046,430,000.00
1.5 亿美元债						
56 million USD debt			6,328,000.00			390,667,200.00
5600 万美元元债						
Total	3,270,000,000.00	65,782,456.91	15,423,327.97	2,650,000,000.00	3,932,556,667.89	7,005,129,501.90

6.29 Long-term accounts payable

Item	12/31/2019	01/01/2019
Special accounts payable	3,290,000.00	17,500,000.00
Total	3,290,000.00	17,500,000.00

Note: The long-term accounts payable in the above table refer to the long-term accounts payable after deducting the special accounts payable.

6.29.1 Special accounts payable

Item	01/01/2019	Additions	Transfer through business combination	Reductions	12/31/2019	Cause of formation
Central government grants for the transformation of urban shantytowns 城市棚户区改造中央补助资金	8,000,000.00			8,000,000.00		Tai Jianfa 【2013】 No.193 Tai Gaoxin Jianfa 【2014】 No.5
Central government grants for the transformation of urban shantytowns 城市棚户区改造中央补助资金	4,000,000.00			4,000,000.00		Tai Gaoxin Caifa 【2014】 No.59
First batch central government grants for the transformation of urban shantytowns 第一批城市棚户区改造中央补助资金	5,500,000.00			5,500,000.00		Tai Gaoxin Jianfa 【2015】 No.11
Central government grants for the transformation of urban shantytowns 城市棚户区改造中央补助资金			2,250,000.00		2,250,000.00	
Central government grants for the transformation of urban shantytowns 城市棚户区改造中央补助资金			1,040,000.00		1,040,000.00	Tai Gaoxin Caifa 【2014】 No.59
Total	17,500,000.00		3,290,000.00	17,500,000.00	3,290,000.00	

6.30 Deferred income

Item	01/01/2019	Additions	Reductions	12/31/2019	Cause of formation
Assets-related government subsidies	41,820,366.60	-	683,781.39	41,136,585.21	Please refer to 6.30.1
Total	41,820,366.60	—	—	41,136,585.21	

6.30.1 Deferred income related to government grants

Item	01/01/2019	Additions	Transferred to non-operating income	Transferred to Other income	12/31/2019	Related to assets/ income
China Medical City GSP Phase II warehousing platform subsidy income 中国医药城 GSP 二期仓储平台补	14,918,866.60			683,781.39	14,235,085.21	Asset-related

助收入						
Lighting project 亮化工程款	26,901,500.00				26,901,500.00	Asset-related
Total	41,820,366.60			683,781.39	41,136,585.21	

6.31 Paid-in capital

Item	01/01/2019	Changes in this period Add (+) Less (-)		12/31/2019
		Other	Subtotal	
Taizhou Municipal People's Government 泰州市人民政府	3,788,511,554.00	300,000,000.00	300,000,000.00	4,088,511,554.00
CDB Development Fund 国开发展基金有限公司	40,000,000.00			40,000,000.00
Fuanda Asset Management (Shanghai) Co., Ltd. 富安达资产管理(上海)有限 公司	1,500,000,000.00	-300,000,000.00	-300,000,000.00	1,200,000,000.00
Total	5,328,511,554.00			5,328,511,554.00

6.32 Other equity instruments

6.32.1 Details of changes in preferred stock, permanent debts and other financial instruments outstanding at the end of the period.

Issued financial instruments	01/01/2019		Additions		Reductions		12/31/2019	
	Qty	Book value	Qty	Book value	Qty	Book value	Qty	Book value
Permanent debts		1,500,000,000.00						1,500,000,000.00
Total		1,500,000,000.00						1,500,000,000.00

6.32.2 Explanation of changes and reasons for other equity instruments in the current period

Other equity instruments include the Company's permanent deposit of RMB ¥ 500 million issued on 22 October 2015 and the Company's renewable debt of RMB ¥ 1 billion issued on 22 February 2017.

6.32.3 Basis for division of equity instruments

According to the "Distinctions between financial liabilities and equity instruments and relevant accounting treatment requirements" issued by the Ministry of Finance, as there are no fixed deadlines due to the perpetual vote, the issuer may choose whether to redeem. For interest payments, it is the issuer itself to choose whether to dividend or capital reduction, to trigger the obligation to defer interest payment. In the absence of dividends or capital reduction, interest payments can be deferred. Therefore, we consider that the issuance of a perpetual vote does not constitute an obligation to deliver cash or other

financial assets, and the obligation to exchange financial assets or liabilities under potential adverse conditions, as a result, the perpetual vote can be divided into equity instruments.

6.33 Capital reserve

Item	01/01/2019	Additions	Reductions	12/31/2019
Capital premium (Share premium)	2,011,300,224.74	300,000,000.00		2,311,300,224.74
Other capital reserve	11,266,152,729.38			11,266,152,729.38
Total	13,277,452,954.12	300,000,000.00		13,577,452,954.12

6.33.1 Description of capital reserve

The increase of RMB ¥300 million yuan in the capital reserve in the current period was invested by the State-owned Assets Supervision and Administration Commission of Taizhou Municipal Government with money, and was included in the capital reserve.

6.34 Surplus reserve

Item	01/01/2019	Additions	Reductions	12/31/2019
Statutory surplus reserve	170,372,895.44	29,625,274.76		199,998,170.20
Total	170,372,895.44	29,625,274.76		199,998,170.20

Explanation of surplus reserve: The statutory surplus reserve is accrued based on 10% of the profit realized in the year.

6.35 General risk reserve

Item	01/01/2019	Additions	Reductions	12/31/2019
Withdraw general risk reserves		2,660,000.00		2,660,000.00
Total		2,660,000.00		2,660,000.00

6.36 Undistributed profit/ retained earnings

Item	Amount	Extract or allocate proportions (%)
Before adjustment the undistributed profits at the end of the last period	2,343,713,737.36	—
Adjust the total amount of undistributed profits at the beginning of the period (Add+, Less-)		—
Adjusted the undistributed profit at the beginning of the period	2,343,713,737.36	—
Add: The net profit attributable to the parent company in the current period	291,176,210.48	—
Less: To extract statutory surplus reserve	29,625,274.76	10.00

Item	Amount	Extract or allocate proportions (%)
To extract discretionary surplus reserve		
To extract general risk provision	2,660,000.00	
Distribution of common stock dividends	8,550,000.00	
Other profit distribution		
Add: Surplus reserve to make up for losses		
Carry forward the retained benefits of the changes in the defined benefit plan		
Other comprehensive income carried forward to retained earnings		
Other internal carry-over of owner's equity		
Undistributed profit at the year end	2,594,054,673.08	

6.37 Operating income and operating cost

6.37.1 Classifications

Item	Year ended 31/12/2019		Year ended 31/12/2018	
	Revenue	Cost	Revenue	Cost
Subtotal of main business income	1,566,262,990.54	1,337,584,104.71	1,889,115,914.77	1,307,599,936.11
Merchandising	724,167,347.96	597,595,213.61	1,031,795,297.80	705,786,564.33
Housing sales	333,896,174.80	351,642,775.26	472,686,725.75	385,194,039.77
Land transfer	129,934,281.40	129,934,281.40		
Leasing	304,228,687.23	242,126,351.03	296,590,481.60	182,422,780.81
Construction management fee	25,228,395.07		31,103,465.90	
Others	48,808,104.08	16,285,483.41	56,939,943.72	34,196,551.20
Subtotal of other business income	106,100,185.78	18,508,932.56	56,983,795.40	14,983,658.99
Transportation fee, platform fee and service fee	83,926,161.00	383,408.72	25,357,572.36	867,807.18
Utility fee	18,869,119.66	18,125,523.84	15,849,622.70	14,049,645.81
Others	3,304,905.12		15,776,600.34	66,206.00

6.38 Taxes and surcharges

Item	Year ended 31/12/2019	Year ended 31/12/2018
Urban maintenance and construction tax	2,845,225.41	6,533,934.85
Education surtax	2,032,303.88	4,667,096.42
Property tax	63,069,857.05	69,162,391.42
Land holding tax	17,360,499.08	22,811,868.17
Vehicle and vessel tax	1,032.06	1,897.49

Item	Year ended 31/12/2019	Year ended 31/12/2018
Stamp tax	2,138,677.04	3,755,754.04
Others		387,746.94
Total	87,447,594.52	107,320,689.33

6.39 Marketing costs

Item	Year ended 31/12/2019	Year ended 31/12/2018
Office expenses	196,360.08	477,931.91
Business hospitality	905,534.58	1,010,248.14
Employee's salary and benefits	5,861,047.21	5,619,217.70
Consulting fees	21,502,577.94	219,952,394.42
Transportation and travel expenses	414,577.07	539,944.84
Freight costs	279,444.66	1,654,307.25
Business promotion fee	87,200,628.63	30,157,097.45
Depreciation	17,727.02	33,446.61
Settling charges caused by sales	42,991,882.05	55,747,789.96
Others	927,803.93	5,012,718.70
Total	160,297,583.17	320,205,096.98

6.40 General and administrative expenses

Item	Year ended 31/12/2019	Year ended 31/12/2018
Office expenses	6,759,004.04	5,545,648.50
Business hospitality	321,085.84	974,157.84
Employee's salary and benefits	32,281,333.75	28,569,858.53
Intermediary service fee(audit fee, legal advice etc)	10,634,075.98	17,392,141.19
Tax fees	776,533.93	455,907.97
Transportation and travel expenses	2,776,387.25	1,137,707.23
Depreciation and amortization	8,183,555.15	5,422,355.42
Property costs	18,756,832.16	7,126,360.68
Others	5,183,278.00	5,307,648.04
Total	85,672,086.10	71,931,785.40

6.41 Financial costs

Item	Year ended 31/12/2019	Year ended 31/12/2018
Interest expense	213,424,342.01	274,215,044.00
Less: Interest income	161,744,056.33	252,049,980.31
Exchange gains and losses	-58,819.28	2,534.18

Item	Year ended 31/12/2019	Year ended 31/12/2018
Bank charges	5,359,681.95	2,946,170.71
Others	5,350,000.00	8,104,693.33
Total	62,331,148.35	33,218,461.91

6.42 Other income

6.42.1 Classifications

Sources that generate other income	Year ended 31/12/2019	Year ended 31/12/2018
Government subsidies	416,607,004.39	418,242,391.11
Individual income tax return		544.22
Total	416,607,004.39	418,242,935.33

6.42.2 Government subsidies included in other income

Item	Appropriation Department	Year ended 31/12/2019	Assets-related/ Income-related
Provincial guidance funds for rural highway file upgrade projects in municipal jurisdictions 市辖区农村公路提档升级工程省级引导资金	Finance Bureau of Taizhou Pharmaceutical Hi-tech Industrial Development Zone 泰州医药高新技术产业开发区财政局	879,000.00	Income-related
Central government grants for the transformation of urban shantytowns 城市棚户区改造中央补助资金	Finance Bureau of Taizhou Pharmaceutical Hi-tech Industrial Development Zone 泰州医药高新技术产业开发区财政局	8,000,000.00	Income-related
Central government grants for the transformation of urban shantytowns 城市棚户区改造中央补助资金	Finance Bureau of Taizhou Pharmaceutical Hi-tech Industrial Development Zone 泰州医药高新技术产业开发区财政局	4,000,000.00	Income-related
First batch central government grants for the transformation of urban shantytowns 城市棚户区改造中央补助资金	Housing Construction Bureau of Taizhou Pharmaceutical Hi-tech Industrial Development Zone 泰州医药高新技术产业开发区住房建设局	5,500,000.00	Income-related
Subsidies for the on-site construction of Taizhou City's water-saving cities 泰州市节水型城市创建现场打造补助资金	Taizhou Housing and Urban-rural Construction and Construction Bureau 泰州市住房和城乡建设局	10,000.00	Income-related
The central government's special fund for urban affordable housing projects in 2019, the second phase of the affordable resettlement housing on the south side of Kangju 2019年度中央财政城镇保障性安居工程专项资金康居南侧地块保障性安置房二期	Finance Bureau of Taizhou Pharmaceutical Hi-tech Industrial Development Zone 泰州医药高新技术产业开发区财政局	41,843,200.00	Income-related
Provincial-level affordable housing project construction guidance funds in	Finance Bureau of Taizhou Pharmaceutical Hi-tech	3,635,700.00	Income-related

Item	Appropriation Department	Year ended 31/12/2019	Assets-related/ Income-related
2019 (Phase II of the affordable resettlement housing on the south side of Kangju) 2019 年度省级保障性安居工程建设引导资金(康居南侧地块保障性安置房二期)	Industrial Development Zone 泰州医药高新技术产业开发区 区财政局		
Provincial guidance funds for rural road upgrades in 2018 2018 年农村公路提档升级工程省级引导资金	Finance Bureau of Taizhou Pharmaceutical Hi-tech Industrial Development Zone 泰州医药高新技术产业开发区 区财政局	418,000.00	Income-related
Provincial guidance funds for rural road upgrades in 2019 2019 年农村公路提档升级工程省级引导资金	Finance Bureau of Taizhou Pharmaceutical Hi-tech Industrial Development Zone 泰州医药高新技术产业开发区 区财政局	260,000.00	Income-related
Greening subsidy for Gulou South Road, Housing and Urban-rural Construction Bureau, Taizhou Medical High-tech Zone 泰州医药高新区住建局康健医疗区、综合配套区鼓楼南路绿化补助	Housing Construction Bureau of Taizhou Pharmaceutical High-tech Zone 泰州医药高新区住建局	13,070,360.00	Income-related
Subsidy for East Extension (Dongfeng Road-Chunlan Road) of Yaocheng Avenue, Taizhou Medical High-tech Zone Comprehensive Construction Supporting District 泰州医药高新区住建局综合配套区药城大道东延(东风路-春兰路)补助	Housing Construction Bureau of Taizhou Pharmaceutical High-tech Zone 泰州医药高新区住建局	3,600,000.00	Income-related
Subsidy for Greening Improvement of Hailing South Road, Housing and Construction Bureau of Taizhou Pharmaceutical High-tech Zone, Comprehensive Supporting District 泰州医药高新区住建局会展交易区、综合配套区海陵南路绿化提升补助	Housing Construction Bureau of Taizhou Pharmaceutical High-tech Zone 泰州医药高新区住建局	5,706,963.00	Income-related
Greening Subsidy of Xiangtai Road, Manufacturing and Manufacturing District, Housing Construction Bureau, Taizhou Pharmaceutical High-tech Zone 泰州医药高新区住建局生产制造区祥泰路绿化补助	Housing Construction Bureau of Taizhou Pharmaceutical High-tech Zone 泰州医药高新区住建局	4,000,000.00	Income-related
District-level subsidies for road, greening maintenance, lighting and sewage pumping station management of Taizhou Pharmaceutical High-tech Zone Housing Construction Bureau 泰州医药高新区住建局高新区道路、绿化养护、照明、污水泵站管理区级补助	Housing Construction Bureau of Taizhou Pharmaceutical High-tech Zone 泰州医药高新区住建局	5,000,000.00	Income-related
Subsidies for pre-investment of project land in Kangjian Medical District 康健医疗区项目用地前期投入补助	Taizhou Pharmaceutical Hi-tech Industrial Park Management Committee 泰州医药高新技术产业园区 管理委员会	230,000,000.00	Income-related
Energy construction project 能源建设项目	Taizhou Pharmaceutical Hi-tech Industrial Park Management Committee 泰州医药高新技术产业园区 管理委员会	90,000,000.00	Income-related

Item	Appropriation Department	Year ended 31/12/2019	Assets-related/ Income-related
China Medical City GSP Phase II Storage Platform 中国医药城 GSP 二期仓储平台	Taizhou Pharmaceutical Hi-tech Industrial Park Management Committee 泰州医药高新技术产业园区管理委员会	683,781.39	Assets-related
Total		416,607,004.39	

6.43 Investment income

6.43.1 Classifications

Item	Year ended 31/12/2019	Year ended 31/12/2018
Long-term equity investment income recognised by equity method accounting	-1,401,705.69	156,814.38
Investment income recognised by disposal of long-term equity investment		36,801.29
Investment income of financial assets measured at fair value through profit or loss during the holding period		115.08
Investment income of available-for-sale financial assets during the holding period	20,227,920.00	45,675.00
Investment income from disposal of available-for-sale financial assets	116,767,898.72	
Total	135,594,113.03	239,405.75

6.44 Losses of asset impairments

Item	Year ended 31/12/2019	Year ended 31/12/2018
Bad debt loss	-34,297,159.99	538,261.71
Total	-34,297,159.99	538,261.71

6.45 Asset disposal income

Item	Year ended 31/12/2019	Year ended 31/12/2018
Gains or losses from the disposal of fixed assets	107,579.22	-372,090.89
Total	107,579.22	-372,090.89

6.46 Non-operating income

Item	Year ended 31/12/2019	Year ended 31/12/2018	The amount included in the current non-recurring gains and losses
Government subsidies not related to daily activities		30,000.00	
Income for breach of contract	30,266.88		30,266.88
Others	2,306,383.09	1,092,536.35	2,306,383.09
Total	2,336,649.97	1,122,536.35	2,336,649.97

6.47 Non-operating expenses

Item	Year ended 31/12/2019	Year ended 31/12/2018	The amount included in the current non-recurring gains and losses
External donation	140,509.60	5,000.00	140,509.60
Non-current assets damage loss	102,727.28	53,651.59	102,727.28
Late payment fee and fines		8,845.29	
Others	5,570.07	14,706.01	5,570.07
Total	248,806.95	82,202.89	248,806.95

6.48 Income tax expenses

6.48.1 Classifications

Item	Year ended 31/12/2019	Year ended 31/12/2018
Current income tax expense	134,958,252.10	132,112,931.32
Deferred income tax expense	15,815,514.04	20,622,540.10
Total	150,773,766.14	152,735,471.42

6.48.2 Accounting profit and income tax adjustment process

Item	Year ended 31/12/2019
Profit before tax	440,621,106.58
Income tax on statutory / applicable tax rates	110,155,276.67
Effect of subsidiaries are subject to different tax rates	-737,825.15
Adjust the impact of previous income tax	12,148,495.22
Effect of non-taxable income	
Non-deductible costs, costs and losses impacts	126,344.67
Impact of deductible losses raised from using pre-recognized deferred tax assets	-34,744.19
Impact of deductible temporary differences or deductible losses of deferred tax assets not recognized in the current period	29,476,196.53
Enjoy the impact of preferential tax policies for small meager companies	-359,977.61
Income tax expenses	150,773,766.14

6.49 Supplementary information of cash flow statement

6.49.1 Cash flow statement supplementary information

Item	Year ended 31/12/2019	Year ended 31/12/2018
1. Adjust the net profit to cash flow from operating activities		
Net profit	289,847,340.44	357,793,455.39
Add: Impairment of assets	34,297,159.99	-538,261.71

Item	Year ended 31/12/2019	Year ended 31/12/2018
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	242,082,360.06	183,412,572.39
Amortization of intangible assets	998,593.60	544,062.81
Amortization of long-term deferred expenses	4,238,720.24	670,209.44
Disposal of fixed assets, intangible assets and other long-term assets (gain as “—” Minus)	-107,579.22	372,090.89
Loss of fixed assets (gain as “—” Minus)	102,727.28	
Loss of fair value changes (gain as “—” Minus)		
Financial expenses (gain as “—” Minus)	218,774,342.01	284,569,677.33
Investment loss (gain as “—” Minus)	-135,594,113.03	-239,405.75
Less of deferred tax assets (increase as “—” Minus)	15,815,514.04	13,171,442.32
Increase in deferred income tax liabilities (decrease as “—” Minus)		
Inventory reduction (increase as “—” Minus)	-1,632,053,058.09	-6,952,847,082.61
Decrease in operating receivables (increase as “—” Minus)	-1,413,077,519.31	4,455,459,408.99
Increase in operating payables (decrease as “—” Minus)	2,429,800,913.17	1,754,319,106.51
Others		
Net cash flow from operating activities	55,125,401.18	96,687,276.00
2. Significant investment and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		3,389,100,000.00
Convertible corporate bonds due within one year		
Financing lease of fixed assets		
3. Changes in net cash and cash equivalents		
Cash at the end of the balance	4,048,514,557.36	7,281,203,308.54
Less: Cash at the beginning of the balance	7,281,203,308.54	9,221,345,856.13
Add: The ending balance of the cash equivalents		
Less: Cash equivalents at the beginning of the balance		
Net increase in cash and cash equivalents	-3,232,688,751.18	-1,940,142,547.59

6.49.2 Cash and cash equivalents

Item	Year ended 31/12/2019	Year ended 31/12/2018
1. Cash	4,048,502,975.98	7,281,203,308.54
Including: Cash	11,581.38	9,024.16
Bank deposits can be used at any time	4,048,514,557.36	7,281,194,284.38
Other monetary funds can be used at any time		
Cash deposited in the central bank can be used to pay		
Inter-bank deposits		
Inter-bank offerings		

Item	Year ended 31/12/2019	Year ended 31/12/2018
2. Cash equivalents		
Including: Bond investment due within three months		
3. Cash and cash equivalents at the end of the period	4,048,514,557.36	7,281,203,308.54
Including: The parent company or subsidiaries within the group use restricted cash and cash equivalents		

6.50 Assets with restricted ownership or use rights

Item	Balance as at 31/12/2019	Restricted reasons
Cash and bank balance	1,311,316,716.81	Fixed deposits for pledge loans; Guarantee deposits for bank acceptance bills; Guarantee deposit; Provident Fund Guarantee etc.
Inventories	2,881,677,054.60	Loan by mortgaged property
Investment properties	4,465,575,415.78	Loan by mortgaged property
Intangible assets	447,310,772.92	Loan by mortgaged property
Total	9,105,879,960.11	

6.51 Foreign currency monetary items

6.51.1 Classifications

Item	31/12/2019 Foreign Currency	Exchange rate	31/12/2019 RMB Equivalents
Cash and bank balance			798,090,014.82
Among: US dollar	114,399,008.78	6.9762	798,070,365.06
Among: HK dollar	21,935.40	0.8958	19,649.24
Among: JPY	1.00	0.06	0.06
Among: GBP	0.05	9.1501	0.46

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

7. CHANGES IN THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

7.1 Business combinations not under common control

7.1.1 Business combinations not under common control that occurred in this period

Name of the purchased party	Timing of equity acquisition	Equity acquisition cost	Shareholding ratio (%)	Equity acquisition method	Purchase date	Basis for determining purchase date	The income of the purchased party from the purchase date to the end of the period	Net profit of the purchased party from the purchase date to the end of the period
Taizhou High-tech Zone Kangju Construction Development Co., Ltd. 泰州高新区康居建设开发有限公司	2019-10-30	20,000,000.00	100.00	Equity transfer	2019-10-30	Investment agreement		-2,684,719.62
Taizhou Wanhao Greening Engineering Co., Ltd. 泰州万豪绿化工程有限公司	2019-10-30		100.00	Equity transfer	2019-10-30	Investment agreement		-31,329.08

7.1.2 Cost of consolidation and goodwill

Cost of consolidation	Taizhou High-tech Zone Kangju Construction Development Co., Ltd. 泰州高新区康居建设开发有限公司	Taizhou Wanhao Greening Engineering Co., Ltd. 泰州万豪绿化工程有限公司
Cash	20,000,000.00	
Total cost of consolidation	20,000,000.00	
Less: Fair value share of identifiable net assets acquired	15,830,197.80	
Goodwill / cost of consolidation less than the fair value share of identifiable net assets acquired	4,169,802.20	

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

7.2 Changes in the scope of consolidation for other reasons

Name of the merged party	Proportion of equity acquired in business combination (%)	Merger date	Remarks
Taizhou Xinhong Assembly Building Co., Ltd. 泰州信鸿装配式建筑有限公司	100.00	2019-1-1	Established by investment

8.INTEREST IN OTHER ACCOUNTING ENTITIES

8.1 Interest in subsidiaries

8.1.1 Composition of enterprise groups

Subsidiary name	Main business place	Place of Registration	Shareholding ratio (%)		Method of acquisition
			Direct	Indirect	
Taizhou Huasheng Investment Development Co., Ltd 泰州华盛投资开发有限公司	Taizhou Medical City	Taizhou	51.28		Established by investment
Taizhou China Medical City Asset Management Co., Ltd 泰州中国医药城资产管理公司	Taizhou Medical City	Taizhou	100.00		Established by investment
Taizhou Huakang Investment Co., Ltd 泰州华康投资有限公司	Taizhou Medical City	Taizhou	100.00		Established by investment
Taizhou Pharmaceutical High-tech Co., Ltd 泰州医药高新股份有限公司	Taizhou Medical City	Taizhou	86.36		Established by investment
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	Taizhou Medical City	Taizhou		86.36	Equity transfer
Jiangsu Huaye Medical Instruments Co., Ltd 江苏华晔医疗器械有限公司	Taizhou Medical City	Taizhou		86.36	Established by investment
Taizhou China Medical City high-tech commercial factoring Limited. 泰州中国医药城高新商业保理有限公司	Taizhou Medical City	Taizhou	51.00	49.00	Established by investment
Huaxin Pharmaceutical (Hong Kong) Co., Limited. 华信药业(香港)有限公司	Taizhou Medical City	Taizhou	100.00		Established by investment

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

Subsidiary name	Main business place	Place of Registration	Shareholding ratio (%)		Method of acquisition
Taizhou Xinkang Construction Co., Ltd. 泰州信康建设有限公司	Taizhou Medical City	Taizhou		100.00	Established by investment
Taizhou Huajiang Pharmaceutical Investment Development Co., Ltd. 泰州华江医药投资发展有限公司	Taizhou Medical City	Taizhou		60.00	Established by investment
Taizhou China Medical City New Drug Fund Management Co., Ltd. 泰州中国医药城新药基金管理有限公司	Taizhou Medical City	Taizhou		86.36	Established by investment
Taizhou Xinhong Assembly Building Co., Ltd. 泰州信鸿装配式建筑有限公司	Taizhou Medical City	Taizhou	100.00		Established by investment
Taizhou High-tech Zone Kangju Construction Development Co., Ltd. 泰州高新区康居建设开发有限公司	Taizhou Medical City	Taizhou	100.00		Equity transfer
Taizhou Wanhao Greening Engineering Co., Ltd. 泰州万豪绿化工程有限公司	Taizhou Medical City	Taizhou	100.00		Equity transfer

8.1.2 Important non-wholly owned subsidiaries

Subsidiary name	Minority shareholding ratio (%)	Profit or loss attributable to minority shareholders in the current period	Dividends allocated to minority shareholders in the current period	Ending balance of minority shareholders' equity	Remarks
Taizhou Huasheng Investment Development Co., Ltd. 泰州华盛投资开发有限公司	48.72			3,000,000,000.00	
Taizhou Pharmaceutical High-tech Co., Ltd. 泰州医药高新股份有限公司	13.64	76,520.38		670,425,764.15	
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd. 江苏华为医药物流有限公司	13.64	-1,639,230.22		1,541,831.17	

9. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS

The Company's operating activities will face a variety of financial risks: credit risk, liquidity risk and market risk (mainly related to exchange rate risk and interest rate risk). The Company's overall risk management plan is aimed at reducing the potential adverse impact on the financial performance of the Company against the unpredictability of financial markets.

9.1 Credit risk

Credit risk refers to the risk that the counterparty will fail to perform its contractual obligations and cause financial losses to the company. The company's credit risk mainly comes from cash and bank balance, notes receivable, accounts receivable, other receivables and available-for-sale financial assets. Management has established appropriate credit policies and continuously monitors exposure to these credit risks.

Cash and bank balance held by the Company are mainly deposited in state-owned holding banks and other large and medium-sized commercial banks and other financial institutions. The management believes that these commercial banks have high credit and asset status and there is no significant credit risk. There will be no significant loss due to breach of contract by the other party.

For accounts receivable, other receivables and notes receivable, the Company has set policies to control credit risk exposure. The Company evaluates the customer's credit qualifications and sets the corresponding credit period based on the financial status of the customer, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Company will regularly monitor the customer's credit history. For customers with poor credit history, the company will use written reminders, shorten the credit period or cancel the credit period to ensure that the company's overall credit risk is within the controllable range.

As at 31 December 2019, the accounts receivable of the top five customers of the Company accounted for 91.76% of the total accounts receivable of the Company (2018: 89.30%).

The maximum exposure to credit risk of the Company is the carrying amount of each financial asset (including derivative financial instruments) on the balance sheet. Except for the financial guarantees provided by the Company as set out in Note 11, the Company has not provided any other guarantees that may expose the Company to credit risk.

9.2 Liquidity risk

Liquidity risk refers to the risk of a shortage of funds when the company fulfills its obligation to settle cash or other financial assets. Each member company of the company is responsible for its cash flow forecast. The financing department of the company continuously monitors the company's short-term and long-term capital needs at the company level based on the cash flow forecast results of each member company to ensure that sufficient cash reserves are

maintained; At the same time, it continuously monitors whether it complies with the provisions of the loan agreement, and obtains the commitment to provide sufficient reserve funds from major financial institutions to meet short-term and long-term funding needs. In addition, the company entered into a credit agreement with major business banks to provide financing credits to support the company in fulfilling its obligations related to commercial paper.

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

As of 31 December 2019, the Company's various financial assets and financial liabilities are presented as unrealized contractual cash flows on the maturity date as follows:

Item	31/12/2019					
	Net book value	Original book value	Within 1 year	1-2 year	2-5 year	More than 5 years
Cash and bank balance	5,359,831,274.17	5,359,831,274.17	5,359,831,274.17			
Notes receivable	76,193,389.72	76,193,389.72	76,193,389.72			
Accounts receivable	3,603,228,300.48	3,603,228,300.48	3,603,228,300.48			
Other receivables	9,607,879,625.89	9,607,879,625.89	9,607,879,625.89			
Subtotal of financial assets	18,647,132,590.26	18,647,132,590.26	18,647,132,590.26			
Short-term borrowings	2,274,774,691.00	2,274,774,691.00	2,274,774,691.00			
Notes payable	1,186,500,000.00	1,186,500,000.00	1,186,500,000.00			
Accounts payable	1,509,621,166.34	1,509,621,166.34	1,509,621,166.34			
Interests payable	76,185,504.56	76,185,504.56	76,185,504.56			
Other payables	4,314,496,428.74	4,314,496,428.74	4,314,496,428.74			
Long-term borrowings	19,712,327,642.70	19,712,327,642.70	8,494,090,000.00	4,686,500,000.00	3,510,875,142.70	3,020,862,500.00
Subtotal of financial liabilities	29,073,905,433.34	29,073,905,433.34	17,855,667,790.64	4,686,500,000.00	3,510,875,142.70	3,020,862,500.00
Continued.						
Item	01/01/2019					
	Net book value	Original book value	Within 1 year	1-2 year	2-5 year	More than 5 years
Cash and bank balance	8,163,956,263.68	8,163,956,263.68	8,163,956,263.68			
Notes receivable	3,266,425.73	3,266,425.73	3,266,425.73			
Accounts receivable	3,522,574,077.48	3,522,574,077.48	3,522,574,077.48			

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

Notes to the financial statements

For the year ended 31 December, 2019

Item	01/01/2019					
	Net book value	Original book value	Within 1 year	1-2 year	2-5 year	More than 5 years
Other receivables	9,731,814,377.21	9,731,814,377.21	9,731,814,377.21			
Subtotal of financial assets	21,421,611,144.10	21,421,611,144.10	21,421,611,144.10			
Short-term borrowings	2,094,112,123.77	2,094,112,123.77	2,094,112,123.77			
Notes payable	307,646,000.00	307,646,000.00	307,646,000.00			
Accounts payable	1,787,291,274.83	1,787,291,274.83	1,787,291,274.83			
Interests payable	129,128,241.96	129,128,241.96	129,128,241.96			
Other payables	5,851,693,212.09	5,851,693,212.09	5,851,693,212.09			
Long-term borrowings	16,655,401,588.25	16,655,401,588.25	3,691,724,564.96	7,547,790,000.00	4,715,147,023.29	700,740,000.00
Subtotal of financial liabilities	26,825,272,440.90	26,825,272,440.90	13,861,595,417.61	7,547,790,000.00	4,715,147,023.29	700,740,000.00

9.3 Market risk

9.3.1 Exchange rate risk

The company's main operations are located in China, and its main business is settled in RMB. However, the company's confirmed foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US dollars) still have exchange rate risk. The company's financing department is responsible for monitoring the company's foreign currency transactions and the size of foreign currency assets and liabilities to minimize exchange rate risk.

9.3.2 As of December 31, 2019, the amount of foreign currency financial assets and foreign currency financial liabilities held by the company converted into RMB is listed as follows:

Item	31/12/2019				
	US Dollar	HK Dollar	JPY	GBP	Total
Foreign currency financial assets:					
Cash and bank balance	798,070,365.06	19,649.24	0.06	0.46	798,090,014.82
Subtotal	798,070,365.06	19,649.24	0.06	0.46	798,090,014.82
Foreign currency financial liabilities:					
Bonds payable	1,437,097,200.00				1,437,097,200.00
Subtotal	1,437,097,200.00				1,437,097,200.00

9.4 Interest rate risk

The company's interest rate risk mainly arises from bank loans and bonds payable. Floating interest rate financial liabilities expose the company to cash flow interest rate risk, while fixed interest rate financial liabilities expose the company to fair value interest rate risk. The company determines the relative proportion of fixed-rate and floating-rate contracts based on the market environment at the time.

The company's finance department continuously monitors the company's interest rate. The rise in interest rates will increase the cost of newly added interest-bearing debts and the interest payments of interest-bearing debts with floating interest rates that have not yet been paid by the company, and have a significant adverse impact on the company's financial performance. Management will make timely adjustments based on the latest market conditions. These adjustments may be arrangements for interest rate swaps to reduce interest rate risk.

10. RELATED PARTIES AND RELATED TRANSACTIONS

10.1 Details of parent company

Parent company name	Place of Registration	Nature of Business	Proportion of shareholding (%)	Percentage of voting rights (%)
Taizhou Municipal People's Government 泰州市人民政府	Taizhou	Management of State - owned Assets in Taizhou City	76.73	76.73

10.1.1 The ultimate controlling party of the company is Taizhou Municipal People's Government.

10.2 Details of the subsidiaries of the Company are set out in Note 8.1 Interests in subsidiaries.

10.3 Related party transactions

10.3.1 Subsidiaries that have a controlling relationship and have been included in the scope of the Company's consolidated financial statements have been offset by mutual transactions and parent-subsidiary transactions.

10.3.2 Details of related guarantee

(1) The Company as a guarantor

Name of the guaranteed company	Amount	Start date of Guarantee	Due date of Guarantee	Whether the guarantee has been fulfilled
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	20,000,000.00	2019/8/31	2020/8/29	Not yet fulfilled
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	30,000,000.00	2019/12/13	2020/12/11	Not yet fulfilled
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	43,593,794.00	2019/5/10	2020/11/19	Not yet fulfilled
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	54,000,000.00	2017/2/28	2020/2/28	Not yet fulfilled
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	50,000,000.00	2019/8/12	2020/8/11	Not yet fulfilled
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	100,000,000.00	2019/9/27	2020/9/26	Not yet fulfilled
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	9,800,000.00	2019/9/27	2020/9/27	Not yet fulfilled
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	12,480,897.00	2019/9/24	2020/11/19	Not yet fulfilled

Name of the guaranteed company	Amount	Start date of Guarantee	Due date of Guarantee	Whether the guarantee has been fulfilled
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	120,000,000.00	2019/12/19	2020/12/18	Not yet fulfilled
Taizhou Pharmaceutical High-tech Co., Ltd 泰州医药高新股份有限公司	190,000,000.00	2019/2/2	2028/12/19	Not yet fulfilled
Taizhou Pharmaceutical High-tech Co., Ltd 泰州医药高新股份有限公司	98,400,000.00	2019/9/27	2020/12/25	Not yet fulfilled
Huasheng Investment Development Co., Ltd 泰州华盛投资开发有限公司	60,000,000.00	2019/10/31	2020/10/20	Not yet fulfilled
Total	788,274,691.00			

10.3.3 Details of accounts receivable from and accounts payable to related party

(1) The company's receivables from related parties

Account name	Name of related party	31/12/2019		01/01/2019	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables					
	Taizhou Lianxin Construction Co. Ltd. 泰州联信建设有限公司	422,172,718.90			

(2) The company payable to related parties

Account name	Name of related party	31/12/2019	01/01/2019
Other payables			
	Taizhou Lianxin Construction Co. Ltd. 泰州联信建设有限公司		975,068,449.66

11. COMMITMENT AND CONTINGENCIES

11.1 Significant commitments

The company does not have any important commitments that need to be disclosed.

11.2 Significant contingencies that exist on the balance sheet date

11.2.1 Contingencies arising from the provision of external debt guarantees and their financial impact

For details of providing guarantees to related parties, please refer to "Note.10 Related Parties and Related Party Transactions"

Taizhou Huoxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

As of December 31, 2019, the company provides guarantees for non-related party units as follows:

Name of the guaranteed unit	Guarantee matters	Guaranteed balance	The term	Remarks
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from Shanghai Trust	500,000,000.00	From 2018-2-12 to 2020-3-27	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from Bank of Nanjing Taizhou branch	250,000,000.00	From 2016-6-28 to 2021-6-28	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from China Merchants Bank Nanjing Branch	300,000,000.00	From 2017-3-22 to 2020-3-21	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from Bank of Shanghai Nanjing branch	305,000,000.00	From 2016-12-30 to 2022-6-30	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from China Everbright Bank Nanjing Branch	220,000,000.00	From 2016-7-29 to 2021-7-28	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from Xiamen International Bank Shanghai Branch	190,000,000.00	From 2019-2-28 to 2021-2-28	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from Bank of Hangzhou	290,000,000.00	From 2018-7-23 to 2020-1-22	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from Minmetals International Trust	500,000,000.00	From 2018-9-11 to 2020-9-11	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from Minmetals International Trust	650,000,000.00	From 2019-1-24 to 2021-1-23	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from Industrial Bank Taizhou Branch	100,000,000.00	From 2019-1-25 to 2020-1-25	
Taizhou Xintai Construction Development Co., Ltd. 泰州市新泰建设发展有限公司	Borrowings from Agriculture Bank of China New District Branch	70,000,000.00	From 2015-1-7 to 2021-5-26	
Taizhou Second City South Sewage Treatment Co., Ltd. 泰州市第二城南污水处理有限公司	Borrowings from Industrial Bank Taizhou Branch	50,000,000.00	From 2015-5-29 to 2020-5-28	

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

Name of the guaranteed unit	Guarantee matters	Guaranteed balance	The term	Remarks
Taizhou Automobile City Co., Ltd. 泰州汽车城有限公司	Borrowings from Ping An Trust	914,000,000.00	From 2018-8-31 to 2021-8-30	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from CITIC Trust	300,000,000.00	From 2019-8-14 to 2021-8-14	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from China Everbright Bank	100,000,000.00	From 2019-8-29 to 2022-8-29	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from China Bohai Bank	200,000,000.00	From 2019-9-24 to 2021-9-24	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from Chongqing Jiayu Financial Leasing Co., Ltd. 重庆渝渝金融租赁有限公司借款	287,393,300.00	From 2019-9-29 to 2024-9-20	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from Fubon Bank	120,000,000.00	From 2019-11-1 to 2020-10-23	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from Minmetals International Trust	403,270,000.00	From 2019-10-18 to 2021-10-18	
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	Borrowings from Bank of Nanjing Taizhou branch	250,000,000.00	From 2019-12-19 to 2024-12-12	
Taizhou Xin bin'jiang Development Co., Ltd. 泰州市新滨江开发有限责任公司	Borrowings from Bank of Communications	363,000,000.00	From 2016-4-6 to 2022-12-31	
Taizhou Xin bin'jiang Development Co., Ltd. 泰州市新滨江开发有限责任公司	Borrowings from China Minsheng Bank	132,500,000.00	From 2016-1-4 to 2024-1-4	
Taizhou Xin bin'jiang Development Co., Ltd. 泰州市新滨江开发有限责任公司	Borrowings from CZBANK Taizhou Branch	200,000,000.00	From 2019-8-22 to 2020-8-22	
Taizhou Xin bin'jiang Development Co., Ltd. 泰州市新滨江开发有限责任公司	Borrowings from CZBANK Taizhou Branch	100,000,000.00	From 2019-8-26 to 2020-8-26	
Taizhou Higher Education Investment Development Co., Ltd 泰州高教投资发展有限公司	Borrowings from Ping An Bank	100,000,000.00	From 2019-8-19 to 2020-8-19	

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

Name of the guaranteed unit	Guarantee matters	Guaranteed balance	The term	Remarks
Taizhou Higher Education Investment Development Co., Ltd 泰州高教投资发展有限公司	Borrowings from JSITC	200,000,000.00	From 2019-11-15 to 2021-11-15	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Borrowings from Beijing International Trust	473,100,000.00	From 2016-3-23 to 2021-3-23	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Borrowings from China Construction Bank	330,000,000.00	From 2016-1-21 to 2020-12-31	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Borrowings from Bank of Jiangsu	90,000,000.00	From 2016-1-4 to 2020-12-29	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Borrowings from China Development Bank	104,000,000.00	From 2015-12-29 to 2025-12-28	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Borrowings from China Development Bank	94,000,000.00	From 2015-12-30 to 2025-12-29	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Borrowings from Rural Commercial Bank Taizhou Branch	96,000,000.00	From 2019-2-21 to 2020-2-24	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Borrowings from China CITIC Bank	210,000,000.00	From 2018-1-10 to 2021-1-10	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Borrowings from Bank of Ningbo	40,000,000.00	From 2018-1-9 to 2021-1-5	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	Borrowings from Huabao Trust	150,000,000.00	From 2019-6-26 to 2024-6-26	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd	Borrowings from Huaxia Bank	150,000,000.00	From 2019-8-29 to 2020-8-29	

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

Name of the guaranteed unit	Guarantee matters	Guaranteed balance	The term	Remarks
泰州医药高新技术产业投资发展有限公司	Borrowings from Metro Bank	60,000,000.00	From 2019-10-29 to 2020-10-28	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd	Borrowings from China Everbright Bank Taizhou Branch	150,000,000.00	From 2019-12-6 to 2020-12-5	
泰州医药高新技术产业投资发展有限公司	Borrowings from SPD Bank Taizhou Hi-tech Zone Branch	100,000,000.00	From 2019-12-20 to 2020-12-20	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd	Borrowings from Changshu Rural Commercial Bank	75,000,000.00	From 2017-3-28 to 2020-3-13	
泰州医药高新技术产业投资发展有限公司	Borrowings from Bank of Suzhou Taizhou Branch	150,000,000.00	From 2019-12-31 to 2022-12-30	
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd	Borrowings from Bank of Nanjing Taizhou Branch	38,000,000.00	From 2018-2-2 to 2020-2-1	
泰州医药高新技术产业投资发展有限公司	Borrowings from China Development Bank	59,000,000.00	From 2014-11-30 to 2039-10-27	
Taizhou Jianye Investment & Construction Group Co., Ltd	Borrowings from China Development Bank	400,000,000.00	From 2014-11-30 to 2039-10-27	
泰州市建业投资建设集团有限公司	Borrowings from COFCO Trust	240,200,000.00	From 2019-9-20 to 2021-9-20	
Taizhou Huacheng Medical Investment Group Co., Ltd.	Borrowings from China Everbright Bank	100,000,000.00	From 2019-10-10 to 2020-10-9	
泰州华诚医学投资集团有限公司	Borrowings from Rural Commercial Bank	40,000,000.00	From 2016-4-29 to 2021-4-28	
Taizhou Financial Holding Group Co., Ltd.				
泰州市金融控股集团有限公司				
Jiangsu Dengke Health Industry Development Co., Ltd.				

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

Name of the guaranteed unit	Guarantee matters	Guaranteed balance	The term	Remarks
江苏登科健康产业发展有限公司	Taizhou Branch			
Total		10,244,463,300.00		

Except for the above mentioned contingencies, as of December 31, 2019, the company has no other important contingencies that should be disclosed.

12. EVENTS AFTER THE BALANCE SHEET DATE

12.1 Important non-adjusting matters

As of the date of approval of the financial report, the Company has no other matters that should disclose the undisclosed major balance sheet date.

12.2 Other matters after the balance sheet date

Except for the above-mentioned matters after the balance sheet date, as of the date of approval of the financial report, the Company has no other significant undisclosed matters after the balance sheet date.

13. OTHER IMPORTANT MATTERS

13.1 Previous accounting errors

During the reporting period, no previous accounting errors using the future applicable method were found.

13.2 Debt restructuring

There were no debt restructuring events during the reporting period.

13.3 Asset replacement

There were no asset exchanges during the reporting period.

13.4 Termination of business

There are no terminations that need to be disclosed.

14. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY' S FINANCIAL STATEMENTS

14.1 Accounts receivable

14.1.1 Classified by provision method of bad debt

Category	31/12/2019				NBV
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Individual accounts receivable with significant amount and provision for bad debts separately	2,940,871,343.12	99.84	177,807.60	0.01	2,940,693,535.52
Accounts receivable with provision for bad debts according to the combination of credit risk characteristics	3,709,988.59	0.13	276,564.99	7.45	3,433,423.60
Individual accounts receivable with insignificant but separate provision for bad debts	892,985.80	0.03			892,985.80
Total	2,945,474,317.51	100.00	454,372.59		2,945,019,944.92

Continued.

Category	01/01/2019				NBV
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Individual accounts receivable with significant amount and provision for bad debts separately	2,612,643,752.26	99.75			2,612,643,752.26
Accounts receivable with provision for bad debts according to the combination of credit risk characteristics	6,562,784.15	0.25	156,213.00	2.38	6,406,571.15
Individual accounts receivable with insignificant but separate provision for bad debts					
Total	2,619,206,536.41	100.00	156,213.00		2,619,050,323.41

14.1.2 In the combination, accounts receivable for bad debt provision by aging analysis

Aging	31/12/2019		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Within 1 year	1,885,577.70		
1—2 years	1,091,145.10	109,114.51	10.00
2—3 years	525,292.60	105,058.52	20.00
3—4 years	207,973.19	62,391.96	30.00
Total	3,709,988.59	276,564.99	

14.1.3 Provision for bad debts, withdrawn or transferred back during the period

Provision for bad debts in the current period amounted to RMB ¥298,159.59.

14.1.4 Top five accounts receivable at the end of the period are as follows.

Company name	31/12/2019	Percentage of accounts receivable at the end of the period (%)	Provision for bad debts
Summary of the top five accounts receivable at the end of the period	2,941,851,474.32	99.88	177,807.60

14.2 Other receivables

Item	31/12/2019	01/01/2019
Interests receivable	10,256,160.88	
Other receivables	11,284,782,468.29	9,395,348,961.97
Total	11,295,038,629.17	9,395,348,961.97

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividend receivable.

14.2.1 Interests receivable

14.2.1.1 Classifications

Item	31/12/2019	01/01/2019
Fixed deposit	7,227,256.94	
Subordination trust	3,028,903.94	
Total	10,256,160.88	

14.2.2 Other receivables

14.2.2.1 Classified by provision method of bad debt

Category	31/12/2019				NBV
	Book balance		Provision for bad debts		
	Amount	proportion (%)	Amount	Provision ratio (%)	
Other receivables with significant individual amounts and separate provision for bad debts	11,294,799,535.07	99.99	11,031,789.10	0.10	11,283,767,745.97
Other receivables with provision for bad debts in combination with credit risk characteristics	1,674,888.81	0.01	660,166.49	39.42	1,014,722.32
Other receivables with no insignificant amounts but with separate provision for bad debts					
Total	11,296,474,423.88	100.00	11,691,955.59		11,284,782,468.29

Continued.

Category	01/01/2019				NBV
	Book balance		Provision for bad debts		
	Amount	proportion (%)	Amount	Provision ratio (%)	
Other receivables with significant individual amounts and separate provision for bad debts	9,395,266,136.49	99.98			9,395,266,136.49
Other receivables with provision for bad debts in combination with credit risk characteristics	627,825.66	0.02	545,000.18	86.81	82,825.48
Other receivables with no insignificant amounts but with separate provision for bad debts					
Total	9,395,893,962.15	100.00	545,000.18		9,395,348,961.97

14.2.2.2 In the combination, other receivables for bad debt provision by aging analysis

Aging	31/12/2019		
	Other receivables	Provision for bad debts	Provision ratio (%)
Within 1 year	304,628.10		
1—2 years	18,180.09	1,818.01	10.00
2—3 years	665,650.01	133,130.00	20.00
3—4 years	230,303.04	69,090.91	30.00
More than 5 years	456,127.57	456,127.57	100.00
Total	1,674,888.81	660,166.49	

14.2.2.3 Provision for bad debts, withdrawn or transferred back during the period

Provision for bad debts in the current period amounted to RMB ¥11,146,955.41.

14.2.2.4 Top five balances of the other receivables at the end of the period.

Company name	Nature of payment	31/12/2019	Aging	Proportion of the balance (%)	Provision for bad debts as at 31/12/2019
Taizhou Pharmaceutical High-tech Industrial Park Management Committee 泰州医药高新技术产业园区管理委员会	Open credit	5,869,073,713.91	Within 1 year RMB 2,114,615,416.01; 1-2 years RMB 3,754,458,297.90 ;	51.95	
Taizhou Huazheng Engineering Management Service Co., Ltd. 泰州华正工程管理服务有限公司	Funds lending	1,797,917,894.72	Within 1 year	15.92	
Taizhou Hua'cheng Medical Investment Group Co., Ltd. 泰州华诚医学投资集团有限公司	Open credit	526,921,717.30	1-2 years	4.66	
Xinjiang Zhao Ying New Investment Tianshan Fund Co., Ltd. 新疆招银新投天山基金管理有限公司	Repurchase equity	800,000,000.00	Within 1 year RMB 350 million; 1-2 years RMB 300 million; 2-3 years RMB 150 million	7.08	
Taizhou Dong'fang Medical City Holding Group Co., Ltd. 泰州东方医药城控股集团有限公司	Open credit	399,139,223.30	1-2 years	3.53	
Total		9,393,052,549.23		83.14	

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

14.3 Long-term equity investment

Nature of payment	31/12/2019			01/01/2019		
	Book balance	Provision	NBV	Book balance	Provision	NBV
Investments in subsidiaries	6,260,531,069.00		6,260,531,069.00	6,240,531,069.00		6,240,531,069.00
Investments in associates	58,788,577.74		58,788,577.74	60,190,283.43		60,190,283.43
Total	6,319,319,646.74		6,319,319,646.74	6,300,721,352.43		6,300,721,352.43

14.3.1 Investments in subsidiaries

Invested company	Initial investment cost	01/01/2019	Additions	Reductions	31/12/2019
Taizhou China Medical City Asset Management Co., Ltd 泰州中国医药城资产管理公司	300,000,000.00	300,000,000.00			300,000,000.00
Taizhou Pharmaceutical High-tech Co., Ltd 泰州医药高新股份有限公司	3,485,465,000.00	3,485,465,000.00			3,485,465,000.00
Taizhou Huasheng Investment Development Co., Ltd 泰州华盛投资开发有限公司	200,000,000.00	200,000,000.00			200,000,000.00
Taizhou Huakang Investment Co., Ltd 泰州华康投资有限公司	2,000,000,000.00	2,000,000,000.00			2,000,000,000.00
Taizhou China Medical City high - tech commercial factoring Limited. 泰州中国医药城高新商业保理有限公司	255,000,000.00	255,000,000.00			255,000,000.00
Huaxin Pharmaceutical (Hong Kong) Co., Limited. 華信藥業(香港)有限公司	66,069.00	66,069.00			66,069.00
Taizhou High-tech Zone Kangju Construction Development Co., Ltd. 泰州高新区康居建设开发有限公司			20,000,000.00		20,000,000.00
Total	6,240,531,069.00	6,240,531,069.00	20,000,000.00		6,260,531,069.00

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

14.3.2 Investments in associates

Invested company	01/01/2019	Changes in the reporting period			Other comprehensive income adjustment
		Additional investment	Reduce investment	Gains and losses recognized under the equity method	
1. Name of associates					
Taizhou Wan Tuo Town Reconstruction Development Co., Ltd 泰州万拓城镇改造开发有限公司	30,061,760.14			-36.00	
Taizhou Shuangxing Construction Co., Ltd 泰州双兴建设有限公司	21,988,217.02			-246.40	
Taizhou Medical City State Branch Chemical Biological Technology Co., Ltd. 泰州医药城国科化物生物医药科技有限公司	3,141,815.48			-1,400,822.86	
Taizhou Lianxin Construction Co., Ltd 泰州联信建设有限公司	4,998,490.79			-600.43	
Total	60,190,283.43			-1,401,705.69	

Continued.

Invested company	Changes in the reporting period			Ending balance of impairment provision
	Other changes in equity	Declare a cash dividend or profit	Provision for impairment	
1. Name of associates				
Taizhou Wan Tuo Town Reconstruction Development Co., Ltd 泰州万拓城镇改造开发有限公司				30,061,724.14
Taizhou Shuangxing Construction Co., Ltd 泰州双兴建设有限公司				21,987,970.62
Taizhou Medical City State Branch Chemical Biological Technology Co., Ltd. 泰州医药城国科化物生物医药科技有限公司				1,740,992.62

Taizhou Hunxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2019

Invested company	Changes in the reporting period			31/12/2019	Ending balance of impairment provision
	Other changes in equity	Declare a cash dividend or profit	Provision for impairment Others		
Taizhou Lianxin Construction Co., Ltd 泰州联信建设有限公司				4,997,890.36	
Total				58,788,577.74	

14.4 Operating income and operating cost

14.4.1 Classifications

Item	Year ended 31/12/2019		Year ended 31/12/2018	
	Revenue	Cost	Revenue	Cost
Main business income	401,829,862.47	319,985,344.69	316,388,800.54	121,198,526.21
Other business income	12,322,434.27	9,168,251.77	22,682,658.17	7,038,807.54

14.5 Investment income

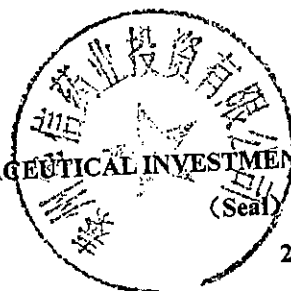
Item	Year ended 31/12/2019	Year ended 31/12/2018
Long-term equity investment income calculated by equity method	-1,401,705.69	156,814.38
Long-term equity investment income calculated by cost method		
Investment income from disposal of long-term equity investment		
Investment income of available-for-sale financial assets during the holding period	20,227,920.00	45,675.00
Investment income from disposal of available-for-sale financial assets	107,557,511.72	
Total	126,383,726.03	202,489.38

15. SUPPLEMENTARY INFORMATION

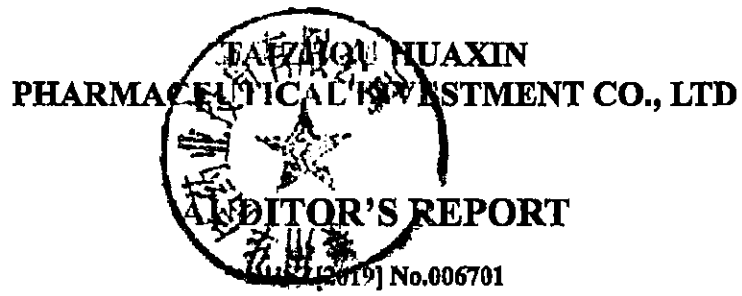
15.1 Current non-recurring profit and loss statement

Item	Amount	Remarks
Loss on disposal of non-current assets	107,579.22	
Government subsidy included in current profit and loss (Closely related to the business of the enterprise, except for government subsidies that are fixed or quantitatively enjoyed according to national uniform standards.)	416,607,004.39	
Other non-operating income and expenses other than the above	2,087,843.05	
Other profit and loss items that meet the definition of non-recurring gains and losses		
Less: Income tax impact	104,700,606.67	
Total	523,503,033.33	

TAIAHOU HUAXIN PHARMACEUTICAL INVESTMENT CO., LTD



28 April, 2020



大华会计师事务所(特殊普通合伙)

Da Hua Certified Public Accountants (Special General Partnership)

**TAIZHOU HUAXIN
PHARMACEUTICAL INVESTMENT CO., LTD**
Auditor's Report and Financial Statements
(From 1 January 2018 to 31 December 2018)

Contents	Page
Part 1 Auditor's report	1-3
Part 2 List of audited financial statements	
Consolidated statement of financial position	1-2
Consolidated statement of profit or loss	3
Consolidated statement of cash flows	4
Consolidated statement of changes in equity	5-6
Statement of financial position	7-8
Statement of profit or loss	9
Statement of cash flows	10
Statement of changes in equity	11-12
Notes to the financial statements	1-110

Auditor's Report

DHSZ [2019] No.006701

To the Shareholders of Taizhou Huaxin Pharmaceutical Investment Co., Ltd:

1. OPINION

We have audited the accompanying financial statements of Taizhou Huaxin Pharmaceutical investment Co., Ltd ("the Company"), which comprise the consolidated and individual statement of financial position as at 31 December, 2018, and the consolidated and individual statement of profit or loss, consolidated and individual statement of changes in equity and consolidated and individual statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the consolidated and individual financial position of the Company as at 31 December 2018, and of its consolidated and individual financial performance and consolidated and individual cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. BASIS FOR OPINION

We conducted our audit in accordance with the Chinese Certified Public Accountant Auditing Standards. The "Auditor's Responsibility" section of the audit report further elaborated our responsibilities under these guidelines. In accordance with the Code of Ethics for Chinese Certified Public Accountants, we are independent of the Company and perform other professional ethics duties. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control as the directors determine is necessary to enable the preparation of the

financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company' s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company' s financial reporting process.

4. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor' s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company' s internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (4) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company' s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor' s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

audit evidence obtained up to the date of our auditor' s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Da Hua Certified Public Accountants



Chinese CPA :



Chinese CPA :



25 April 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

Prepared by: Taizhou Jiaxin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

Assets	Note 6	31/12/2018	31/12/2017
Current Assets:			
Cash and bank balance	6.1	8,163,956,263.68	9,965,945,103.52
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable and accounts receivable	6.2	3,525,840,503.21	3,717,724,461.15
Accounts prepayment	6.3	161,594,406.29	4,493,263,078.09
Other receivables	6.4	8,033,760,924.71	3,914,954,365.17
Inventories	6.5	27,781,100,196.73	22,333,822,341.78
Classified as available for sale assets			
Non-current assets due within one year			
Other current assets	6.6	562,221,415.25	533,500,538.53
Subtotal of Current Assets		48,228,473,709.87	44,859,209,888.24
Non-current Assets:			
Financial assets available for sale	6.7	1,788,112,101.28	1,638,232,101.28
Hold-to-maturity investments			
Long-term accounts receivable			
Long-term equity investments	6.8	60,190,283.43	60,033,489.05
Investment property	6.9	6,565,176,535.83	5,179,100,340.91
Fixed assets	6.10	18,578,620.18	717,240,655.93
Construction in progress	6.11	3,303,478,818.42	4,694,859,585.72
Biological assets			
Oil and gas assets			
Intangible assets	6.12	3,704,389,319.30	5,387,378,021.20
Development expenditure			
Goodwill			
Long-term deferred expenses	6.13	4,459,821.37	2,107,540.18
Deferred income tax assets	6.14	53,287,776.10	66,572,471.54
Other non-current assets	6.15	2,473,526,310.61	910,501,884.80
Subtotal of Non-current Assets		17,971,198,588.52	18,654,026,070.61
Total Assets		66,199,672,298.39	63,513,235,958.85

(Notes are considered to be an irreducible constituent of the financial statements.)

Person in Charge:



Accounting Supervisor:



Fiscal Principal:



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2018

Prepared by: Taizhou Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

	Note 6	31/12/2018	31/12/2017
Current Liabilities:			
Short-term borrowings	6.16	2,094,112,123.77	1,125,000,000.00
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable and accounts payable	6.17	2,094,937,274.83	1,431,697,224.48
Accounts received in advance	6.18	434,970,698.97	308,000,800.55
Accrued payroll	6.19	116,000.00	1,207,059.64
Taxes payable	6.20	172,538,390.15	195,008,169.07
Other payables	6.21	5,980,821,454.05	4,143,431,196.31
Classified as available for sale liabilities			
Non-current liabilities due within one year	6.22	6,576,199,487.51	11,547,013,029.78
Other current liabilities	6.23	1,561,830,000.00	
Subtotal of Current Liabilities		18,915,525,429.28	18,749,357,279.83
Non-current Liabilities:			
Long-term borrowings	6.24	12,963,677,023.29	11,820,846,037.89
Bonds payable	6.25	7,417,787,919.27	9,971,860,022.90
Including: Preferred stocks			
Including: Perpetual bonds			
Long-term accounts payable	6.26	17,500,000.00	17,500,000.00
Long-term accrued payroll			
Estimated liabilities	6.27		28,932.42
Deferred income	6.28	41,820,366.60	16,678,151.71
Deferred income tax liabilities			
Other non-current liabilities			
Subtotal of Non-current Liabilities		20,440,785,309.16	21,826,913,144.92
Total Liabilities		39,356,310,738.44	40,576,270,424.75
Owners' Equity (or Shareholders' Equity) :			
Fair value in capital	6.29	5,328,511,554.00	5,328,511,554.00
Other equity instruments	6.30	1,500,000,000.00	1,500,000,000.00
Including: Preferred stocks			
Including: Perpetual bonds		1,500,000,000.00	1,500,000,000.00
Capital reserves	6.31	13,277,452,954.12	9,515,852,954.12
Less: Treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserves	6.32	170,372,895.44	142,206,181.36
General risk reserves			
Retained earnings	6.33	2,343,713,737.36	2,021,536,793.79
Total equity attributable to parent company		22,820,051,140.82	18,508,107,483.27
Minority stockholder's interest		4,223,310,417.03	4,528,858,050.83
Subtotal of Owners' Equity		26,843,361,557.85	23,036,965,534.10
Total Equity and Liabilities		66,199,672,296.39	63,613,235,958.85

(Notes are considered to be an inseparable constituent of the financial statements.)

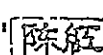
Person in Charge:



Accounting Supervisor:



Fiscal Principal:



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

Prepared by: Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

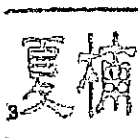
	Nota 6	Year ended 31-Dec-2018	Year ended 31-Dec-2017
1. Total Operating Income	6.34	1,946,099,710.17	2,155,014,810.21
Less: Operating cost	6.34	1,322,583,595.10	1,590,089,913.79
Taxes and surcharges	6.35	107,320,689.33	85,886,691.73
Marketing costs	6.36	320,205,096.98	317,897,983.69
General and administrative costs	6.37	71,931,785.40	72,652,087.39
Research and development expenses			
Financial costs	6.38	33,218,461.91	68,901,383.83
Including: Interest expenses		274,215,044.00	326,571,311.63
Interest income		252,049,980.31	265,353,062.18
Losses of asset impairments	6.39	-538,261.71	1,770,823.08
Add: Other income	6.40	418,242,935.33	414,104,676.19
Investment income (loss is marked with "-")	6.41	239,405.75	-876,792.28
Including: Investment income from affiliated enterprise and joint venture			
Gains from changes in fair value (losses are marked with "-")			
Asset disposal income (loss is marked with "-")	6.42	-372,090.89	-15,518.09
2. Operating profit (loss is marked with "-")		<u>509,468,593.35</u>	<u>430,928,292.42</u>
Add: Non-operating income	6.43	1,122,536.35	3,826,967.28
Less: Non-operating expenses	6.44	82,202.89	1,655,000.01
3. Total profit (total loss is marked with "-")		<u>510,528,926.81</u>	<u>433,100,269.69</u>
Less: Income tax expenses	6.45	152,735,471.42	134,194,312.79
4. Net profit (net loss is marked with "-")		<u>357,793,455.39</u>	<u>298,905,946.90</u>
Including: The net profit realized by the merged party before the merger under the same control			
4.1 Classified by business continuity			
4.1.1 Net profit from continuing operations (net loss is marked with "-")		357,793,455.39	298,905,946.90
4.1.2 Termination of operating net profit (net loss is marked with "-")			
4.2 Classified by ownership			
4.2.1 Net profit attributable to shareholders of the parent company (net loss is marked with "-")		358,933,857.85	301,977,829.27
4.2.2 Minority shareholders' profit and loss (net loss is marked with "-")		-1,140,202.28	-3,071,882.37
5. Other comprehensive income, net of tax			
Other comprehensive income attributable to parent company, net of tax			
5.1 Other comprehensive income that can not be reclassified later into profit or loss			
5.1.1 Recalculate changes in net liabilities or net assets of the beneficiary plan			
5.1.2 The share of other comprehensive income that can not be reclassified into profit or loss under the equity method			
5.1.3			
5.2 Other comprehensive income that can be reclassified later into profit or loss			
5.2.1 The share of other comprehensive income that will be reclassified into profit or loss under the equity method			
5.2.2 Gains and losses from changes in fair value of available-for-sale financial assets			
5.2.3 Held-to-maturity investments are reclassified as gains and losses from available-for-sale financial assets			
5.2.4 Effective portion of cash flow hedge gains and losses			
5.2.5 Foreign currency translation of financial statements			
5.2.6 Disposal of subsidiaries in a package, investment income generated before loss of control			
5.2.7 Conversion of other assets into investment real estate measured by fair value model			
5.2.8			
Other comprehensive income attributable to minority shareholders, net of tax		<u>357,793,455.39</u>	<u>298,905,946.90</u>
6. Total comprehensive income		<u>358,933,857.85</u>	<u>301,977,829.27</u>
6.1 Total comprehensive income attributable to owners of the parent company		358,933,857.85	301,977,829.27
6.2 Total comprehensive income attributable to minority shareholders		-1,140,202.28	-3,071,882.37
7. Earning Per Share:			
7.1 Basic EPS			
7.2 Diluted EPS			

(Notes are considered to be an irrevocable constituent of the financial statements.)

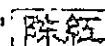
Person in Charge:



Accounting Supervisor:



Fiscal Principal:





CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

Prepared by: Suzhou Huaxin Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

Item	Note 6	Year ended 31-Dec-2018	Year ended 31-Dec-2017
1. Cash Flow from Operating Activities:			
Cash received from sales of goods or rendering services		2,884,615,071.84	2,854,810,872.80
Refunds of taxes			
Cash received relating to other operating activities		2,014,597,830.82	4,574,850,388.97
Subtotal of cash inflows from operating activities		4,899,213,002.76	7,429,661,262.87
Cash paid for goods or receiving services		3,519,938,208.18	4,018,018,788.32
Cash paid to and on behalf of employees		38,248,220.48	33,434,675.80
Tax payments		353,264,896.76	379,363,662.30
Cash paid relating to other operating activities		893,073,303.34	2,838,177,440.92
Subtotal of cash outflows from operating activities		4,902,525,726.76	7,368,982,545.34
Net Cash Flow from Operating Activities		86,687,276.00	60,668,717.53
2. Cash Flow from Investing Activities:			
Cash received from disposal of investments		6,500,000.00	2,425,800.00
Cash received from investment income		116.08	2,833.53
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,500.00	
Cash received of disposal subsidiaries and other operating units		-10,677,456.82	
Cash received relating to other investing activities		205,000,000.00	898,847,777.77
Subtotal of cash inflows from investing activities		200,827,158.16	898,276,511.30
Cash paid to acquire fixed assets, intangible assets and other long-term assets		877,163,298.38	820,311,957.95
Cash paid to acquire investments		300,000,000.00	174,000,000.00
Cash payments relating to purchasing of subsidiaries or other enterprises			
Cash payments relating to other investing activities		480,000,000.00	1,000,300,000.00
Subtotal of cash outflows from investing activities		1,857,163,298.38	1,994,611,957.95
Net Cash Flow from Investing Activities		-1,456,328,140.22	-1,085,335,446.65
3. Cash Flow from Financing Activities:			
Cash received by investors		500,000,000.00	1,018,627,804.00
Including: Cash received from minority shareholders by subsidiaries			201,020,000.00
Cash received from borrowings		13,822,861,470.75	13,489,864,000.00
Cash received relating to other financing activities		1,841,408,448.66	922,500,000.00
Subtotal of cash inflows from financing activities		16,164,269,920.41	15,430,991,804.00
Repayments of borrowings		14,245,686,503.84	10,013,815,580.28
Dividends paid, profit distributed or interest paid		2,405,228,164.14	2,422,210,318.57
Including: Dividends, profits paid to minority stockholders by subsidiaries			
Cash paid relating to other financing activities		147,464,925.51	34,738,440.81
Subtotal of cash outflows from financing activities		16,798,257,593.29	12,470,562,338.47
Net Cash Flow from Financing Activities		-633,987,672.88	2,950,429,464.53
4. Effect of Foreign Currency Translation		53,483,989.51	
5. Net Increase (Decrease) in Cash and Cash Equivalents		-1,940,142,547.59	1,825,782,735.41
Add: Cash and cash equivalents at the beginning of the year		8,221,345,856.13	7,295,583,120.72
6. Cash and cash equivalents at the end of the year		6,281,203,308.54	9,121,365,856.13

(Notes are considered to be an irrevocable constituent of the financial statements.)

Person In Charge:



Accounting Supervisor:



Fiscal Principal:



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

(Unless otherwise stated, the amount of Unit for RMB.)

Item	Year ended 31-Dec-2018							Total owners' equity
	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	
1. Balance at the end of last year	1,500,000,000.00	9,515,852,954.12				142,208,161.36	2,021,538,793.79	23,036,965,534.10
Add: Increase/(decrease) in profit due to changes in accounting policy								
Accounting Error Correction for last year								
Business contribution under the common control								
Others								
2. Balance at the beginning of current year	1,500,000,000.00	9,515,852,954.12				142,208,161.36	2,021,538,793.79	23,036,965,534.10
3. Increase/(decrease) in profit during the year								
3.1 Total comprehensive income:								
3.2 Capital increased or decreased by the investor								
3.2.1 Capital increased by the investor		3,761,600,000.00						3,761,600,000.00
3.2.2 Capital increased by other equity instruments holders								
3.2.3 Owners' equity increased by share-based payments								
3.2.4 Others								
3.3 Profit appropriation								
3.3.1 Appropriation of surplus reserves								
3.3.2 Profit available for owners' distribution								
3.3.3 Others								
3.4 Internal transferring of owners' equity								
3.4.1 Capitalizing of capital reserves								
3.4.2 Capitalizing of surplus reserves								
3.4.3 Covering the deficit by using of surplus reserves								
3.4.4 Carry forward the changes in the net liabilities or net assets of the boundary plan								
3.4.5 Others								
3.5 Special reserves								
3.5.1 Current extraction								
3.5.2 Current use								
3.6 General risk reserves								
3.7 Others								
4. Balance at the end of current period	1,500,000,000.00	13,277,452,954.12				170,272,895.44	2,343,713,737.35	26,843,361,657.85

(Notes are consolidated to be an unduly constituent of the financial statements.)

Person in Charge:

傅中成

Accounting Supervisor:

夏楠

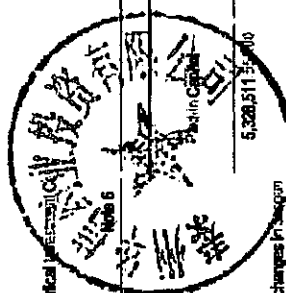
Fiscal Principal:

陈斌

DATED STATEMENT OF CHANGES IN

For the year ended 31 December 2017

(Unless otherwise stated, the amount of Unit for RMB)



Prepared by: Taidou Huihui Pharmaceutical

Item

Year ended 31-Dec-2017

Owners' equity attributable to parent company

	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Minority stockholders' interest	Total owners' equity
1. Balance at the end of last year	500,000,000.00	9,516,245,354.12				111,402,878.08	1,760,442,263.79	4,480,063,829.20	21,886,665,883.20
Add: Increase(decrease) in profit due to changes in accounting	5,328,511,554.00								
Accounting Error Correction for last year									
Business combination under the common control									
Others									
2. Balance at the beginning of current year	500,000,000.00	9,516,245,354.12				111,402,878.08	1,760,442,263.79	4,480,063,829.20	21,886,665,883.20
3. Increase(decrease) in profit during the year	1,000,000,000.00						301,877,828.27	198,759,860.07	1,500,737,688.34
3.1 Total comprehensive income	1,000,000,000.00						301,877,828.27	198,759,860.07	1,998,759,860.07
3.2 Capital increased or decreased by the investor									
3.2.1 Capital increased by the Investor									
3.2.2 Capital increased by other equity instruments holders									
3.2.3 Owners' equity increased by share-based payments									
3.2.4 Others									
3.3 Profit appropriation									
3.3.1 Appropriation of surplus reserves									
3.3.2 Profit available for owners' distribution									
3.3.3 Others									
3.4 Internal transferring of owners' equity									
3.4.1 Capitalizing of capital reserves									
3.4.2 Capitalizing of surplus reserves									
3.4.3 Covering the deficit by using of surplus reserves									
3.4.4 Carry forward the changes in the net liabilities or net assets of the beneficiary plan									
3.4.5 Others									
3.5 Special reserves									
3.5.1 Current extraction									
3.5.2 Current use									
3.6 General risk reserves									
3.7 Others									
4. Balance at the end of current period	1,500,000,000.00	9,516,245,354.12				111,402,878.08	2,062,320,092.06	4,678,823,689.27	23,187,403,572.54

(Notes are considered to be an inseparable constituent of the

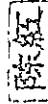
Person in Charge:



Accounting Supervisor:



Fiscal Principal:



STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

Prepared by: **Taiyuan Huaxin Pharmaceutical Investment Co., Ltd.** (Unless otherwise stated, the amount of Unit for RMB)

Assets	Note 14	31/12/2018	31/12/2017
Current Assets:			
Cash and bank balance		3,557,111,414.44	5,943,795,637.60
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable and accounts receivable	14.1	2,619,050,323.41	3,144,388,829.08
Accounts prepayment		138,587,137.33	3,623,099,223.99
Other receivables	14.2	9,395,348,061.97	3,873,385,338.35
Inventories		25,222,343,751.62	20,679,812,237.58
Classified as available for sale assets			
Non-current assets due within one year			
Other current assets		390,071,789.43	358,028,889.16
Subtotal of Current Assets		41,322,493,378.20	37,623,410,155.76
Non-current Assets:			
Financial assets available for sale		1,760,112,101.28	1,611,232,101.28
Hold-to-maturity investments			
Long-term accounts receivable			
Long-term equity investments	14.3	6,300,721,352.43	6,173,064,538.05
Investment property		4,014,821,795.10	2,556,918,455.71
Fixed assets		7,738,720.98	701,537,888.76
Construction in progress		3,300,150,095.97	4,889,835,131.95
Biological assets			
Oil and gas assets			
Intangible assets		3,689,786,387.57	6,372,757,383.70
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		175,303.30	171,308.82
Other non-current assets		2,469,032,708.79	507,017,468.77
Subtotal of Non-current Assets		21,542,539,375.42	21,612,532,285.04
Total Assets		62,865,032,753.62	59,235,942,440.80

(Notes are considered to be an irreducible constituent of the financial statements.)

Person in Charge:

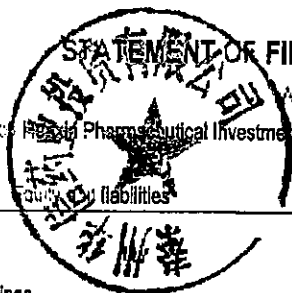


Accounting Supervisor:



Fiscal Principal:








STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2018

Prepared by: Taizhou Pharmaceutical Investment Co., Ltd. (Unless otherwise stated, the amount of Unit for RMB)

	Note 14	31/12/2018	31/12/2017
Current Liabilities:			
Short-term borrowings		886,000,000.00	450,000,000.00
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable and accounts payable		1,263,554,479.66	962,313,524.99
Accounts received in advance		14,836,873.06	14,414,376.78
Accrued payroll			
Taxes payable		116,124,596.03	165,056,908.28
Other payables		11,969,882,389.49	7,975,337,771.97
Classified as available for sale liabilities			
Non-current liabilities due within one year		6,492,199,487.51	10,421,558,120.16
Other current liabilities		1,561,830,000.00	
Subtotal of Current Liabilities		22,304,427,825.75	19,988,680,702.18
Non-current Liabilities:			
Long-term borrowings		12,811,677,023.29	11,584,846,037.89
Bonds payable		5,193,131,841.76	9,163,677,778.72
Including: Preferred stocks			
Including: Perpetual bonds			
Long-term accounts payable		17,500,000.00	17,500,000.00
Estimated liabilities			
Deferred income		22,381,000.00	
Deferred income tax liabilities			
Other non-current liabilities			
Subtotal of Non-current Liabilities		18,044,689,865.05	20,766,023,816.61
Total Liabilities		40,349,117,690.80	40,754,704,518.79
Owners' Equity (or Shareholders' Equity):			
Paid-in capital		5,328,511,554.00	5,328,511,554.00
Other equity instruments		1,500,000,000.00	1,500,000,000.00
Including: Preferred stocks			
Including: Perpetual bonds		1,500,000,000.00	1,500,000,000.00
Capital reserves		13,291,818,876.51	9,530,218,876.51
Less: Treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserves		170,372,896.44	142,206,181.36
Retained earnings		2,225,211,736.87	1,980,301,310.14
Subtotal of Owners' Equity		22,515,915,062.82	18,481,237,922.01
Total Equity and Liabilities		62,865,032,753.62	59,235,942,440.80

(Notes are considered to be an Irreducible constituent of the financial statements.)

Person in Charge:  Accounting Supervisor:  Fiscal Principal: 

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

Prepared by: Taiwan Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

	Notes 14	Year ended 31-Dec-2018	Year ended 31-Dec-2017
1. Operating income	14.4	339,071,458.71	418,994,038.17
Less: Operating cost	14.4	128,237,333.75	202,889,593.60
Taxes and surcharges		75,241,504.50	50,346,021.22
Marketing costs		31,971,388.00	42,058,960.31
General and administrative costs			
Research and development expenses		47,112,084.17	34,044,244.31
Financial costs			
Including: Interest expenses			
Interest income		15,977.89	120,752.25
Losses of asset impairments		327,247,800.00	322,712,159.74
Add: Other income		202,489.38	-966,530.95
Investment income (loss is marked with "-")	14.5		
Including: Investment income from affiliated enterprise and joint venture			
Gains from changes in fair value (losses are marked with "-")		-367,435.78	-15,870.42
Asset disposal income (loss is marked with "-")		383,576,024.00	411,264,224.85
2. Operating profit (loss is marked with "-")		1,496.45	1,070,010.21
Add: Non-operating income		53,661.59	1,240,000.00
Less: Non-operating expenses		383,529,868.86	411,094,235.06
3. Total profit (total loss is marked with "-")		101,866,728.05	103,061,182.40
Less: Income tax expenses		281,667,140.81	308,033,052.66
4. Net profit (net loss is marked with "-")		281,667,140.81	308,033,052.66
4.1 Net profit from continuing operations (net loss is marked with "-")			
4.2 Termination of operating net profit (net loss is marked with "-")			
5. Other comprehensive income, net of tax			
5.1 Other comprehensive income that can not be reclassified later into profit or loss			
5.1.1 Recalculate changes in net liabilities or net assets of the beneficiary plan			
5.1.2 The share of other comprehensive income that can not be reclassified into profit or loss under the equity method			
5.1.3			
5.2 Other comprehensive income that can be reclassified later into profit or loss			
5.2.1 The share of other comprehensive income that will be reclassified into profit or loss under the equity method			
5.2.2 Gains and losses from changes in fair value of available-for-sale financial assets			
5.2.3 Held-to-maturity investments are reclassified as gains and losses from available-for-sale financial assets			
5.2.4 Effective portion of cash flow hedge gains and losses			
5.2.5 Foreign currency translation of financial statements			
5.2.6 Disposal of subsidiaries in a package, investment income generated before loss of control			
5.2.7 Conversion of other assets into investment real estate measured by fair value model			
5.2.8			
6. Total comprehensive income		281,667,140.81	308,033,052.66
7. Earning Per Share:			
7.1 Basic EPS			
7.2 Diluted EPS			

(Notes are considered to be an irrevocable constituent of the financial statements.)

Person in Charge:



Accounting Supervisor:



Fiscal Principal:



STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

Prepared by: Talzhou H. Pharmaceutical Investment Co., Ltd.

(Unless otherwise stated, the amount of Unit for RMB)

	Note 14	Year ended 31-Dec-2018	Year ended 31-Dec-2017
1. Cash Flow from Operating Activities:			
Cash received from sales of goods or rendering services		883,088,402.91	954,607,977.74
Refunds of taxes			
Cash received relating to other operating activities		1,613,248,276.77	3,953,485,383.41
Subtotal of cash inflows from operating activities		2,496,336,679.68	4,908,093,341.15
Cash paid for goods or receiving services		2,237,636,292.82	1,998,480,053.33
Cash paid to and on behalf of employees		6,868,230.45	7,867,083.36
Tax payments		224,203,993.83	229,583,300.88
Cash paid relating to other operating activities		1,046,781,255.59	651,590,586.89
Subtotal of cash outflows from operating activities		3,515,489,772.29	2,887,501,024.66
Net Cash Flow from Operating Activities		-1,019,153,092.61	2,020,592,316.49
2. Cash Flow from Investing Activities:			
Cash received from disposal of investments			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Cash received of disposal subsidiaries and other operating units			
Cash received relating to other investing activities		5,000,000.00	896,847,777.77
Subtotal of cash inflows from investing activities		5,000,000.00	896,847,777.77
Cash paid to acquire fixed assets, intangible assets and other long-term assets		872,940,895.05	816,511,666.28
Cash paid to acquire investments		300,000,000.00	2,480,566,069.00
Cash payments relating to purchasing of subsidiaries or other enterprises			
Cash payments relating to other investing activities			600,000,000.00
Subtotal of cash outflows from investing activities		1,172,940,895.05	3,897,077,735.26
Net Cash Flow from Investing Activities		-1,167,940,895.05	-3,000,229,957.49
3. Cash Flow from Financing Activities:			
Cash received by investors		500,000,000.00	1,000,000,000.00
Cash received from borrowings		11,133,176,870.75	11,831,000,000.00
Cash received relating to other financing activities		4,201,502,171.07	2,518,075,444.00
Subtotal of cash inflows from financing activities		15,834,679,041.82	16,349,075,444.00
Repayments of borrowings		12,375,587,103.64	9,712,816,580.29
Dividends paid, profit distributed or interest paid		2,177,353,785.67	2,310,842,928.40
Cash paid relating to other financing activities		1,174,818,378.01	
Subtotal of cash outflows from financing activities		15,727,759,277.32	12,023,458,508.69
Net Cash Flow from Financing Activities		106,919,764.50	3,325,616,937.31
4. Effect of Foreign Currency Translation			
5. Net Increase (Decrease) in Cash and Cash Equivalents		-2,080,184,223.16	2,345,979,286.31
Add: Cash and cash equivalents at the beginning of the year		5,537,295,637.60	3,191,316,341.29
6. Cash and cash equivalents at the end of the year		3,457,111,414.44	5,537,295,637.60

(Notes are considered to be an irreducible constituent of the financial statements.)

Person in Charge:



Accounting Supervisor:



Fiscal Principal:

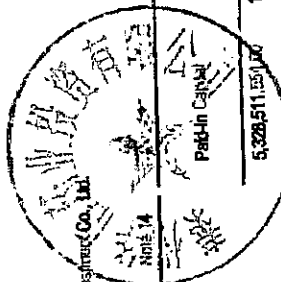


STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

(Unless otherwise stated, the amount of Unit for RMB)

项目	Year ended 31-Deco-2018						Total owners' equity
	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Capital reserves	Less: Treasury stock	
1. Balance at the end of last year	1,500,000,000.00	8,530,218,878.51	1,600,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	18,481,237,922.01
2. Balance at the beginning of current year	5,328,511,554.00	9,530,218,878.51	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	18,481,237,922.01
3. Increase(decrease) in profit during the year							
3.1 Total comprehensive income							
3.2 Capital increased or decreased by the investor							
3.2.1 Capital increased by the investor							
3.2.2 Capital increased by other equity instruments holders							
3.2.3 Owners' equity increased by share-based payments							
3.2.4 Others							
3.3 Profit appropriation							
3.3.1 Appropriation of surplus reserves							
3.3.2 Profit available for owners' distribution							
3.3.3 Others							
3.4 Internal transferring of owners' equity							
3.4.1 Capitalizing of capital reserves							
3.4.2 Capitalizing of surplus reserves							
3.4.3 Covering the deficit by using of surplus reserves							
3.4.4 Carry forward the changes in the net liabilities or net assets of the beneficiary plan							
3.4.5 Others							
3.5 Special reserves							
3.5.1 Current extraction							
3.5.2 Current use							
3.5 Others							
4. Balance at the end of current period	5,328,511,554.00	13,281,518,878.51	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	1,500,000,000.00	22,515,918,062.82



Prepared by: Teichou Huenan Pharmaceutical Investment Co., Ltd.

(Notes are considered to be an inalienable constituent of the financial statements.)



Person in Charge:

Accounting Supervisor:

11



Fiscal Printout:



STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

(Unless otherwise stated, the amount of Unit for RMB)

项目	Year ended 31-Dec-2017					
	Equity Capital	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
1. Balance at the end of last year	5,328,511,554.00	500,000,000.00	9,530,218,876.51	111,402,876.09	1,713,151,552.75	17,183,284,869.35
Add: Increase/(decrease) in profit due to changes in accounting						
Accounting Error Correction for last year						
Others						
2. Balance at the beginning of current year	5,328,511,554.00	500,000,000.00	9,530,218,876.51	111,402,876.09	1,713,151,552.75	17,183,284,869.35
3. Increase/(decrease) in profit during the year						
3.1 Total comprehensive income		1,000,000,000.00			308,033,052.66	1,308,033,052.66
3.2 Capital increased or decreased by the investor		1,000,000,000.00			308,033,052.66	1,000,000,000.00
3.2.1 Capital increased by the investor						
3.2.2 Capital increased by other equity instruments holders						
3.2.3 Owners' equity increased by share-based payments						
3.2.4 Others						
3.3 Profit appropriation						
3.3.1 Appropriation of surplus reserves						
3.3.2 Profit available for owners' distribution						
3.3.3 Others						
3.4 Internal transferring of owners' equity						
3.4.1 Capitalizing of capital reserves						
3.4.2 Capitalizing of surplus reserves						
3.4.3 Covering the deficit by using of surplus reserves						
3.4.4 Carry forward the changes in the net liabilities or net assets of the subsidiary plan						
3.4.5 Others						
3.5 Special reserves						
3.5.1 Current extraction						
3.5.2 Current use						
3.6 Others						
4. Balance at the end of current period	5,328,511,554.00	1,500,000,000.00	9,530,218,876.51	111,402,876.09	2,021,184,615.41	18,491,317,922.01

(Notes are considered to be an ineliminable constituent of the financial statements)

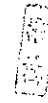
Person in Charge:



Accounting Supervisor:



Fiscal Principal:



Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

I. GENERAL INFORMATION

1.1 Company history, registered address and headquarters address

1.1.1 Company history

Taizhou Huaxin Pharmaceutical Investment Co., Ltd. (hereinafter "the Company") was established on 28 December 2005 which approved by Taizhou Administration for Industry & Commerce. The Company obtained the Business License for Enterprise as a Legal Person with the registration number 321200000002790. And now the Company holds a Certificate of uniform social credit code of 91321291782712917Y.

(1) The original registered capital of the Company is RMB ¥100,000,000.00. Among them, Taizhou Huatai Industrial Holdings Limited (泰州市华泰工业控股经营有限公司) invested RMB ¥92,677,300.00, using land use right and monetary funds as the amount of capital contribution, accounted for 92.7% of the original registered capital; and Taizhou Haihua Industrial Construction and Development Co., Ltd. (泰州海华工业建设发展有限公司) invested RMB ¥7,322,700.00, using road and bridge as a physical capital contribution, accounted for 7.3% of the original registered capital.

The original registered capital was paid in three phases as follows. The first phase of investment of RMB ¥52,000,000.00, including: Taizhou Huatai Industrial Holdings Limited (泰州市华泰工业控股经营有限公司) invested RMB ¥44,677,300.00, using land use right and monetary funds as the amount of capital contribution whereas Taizhou Haihua Industrial Construction and Development Co., Ltd. (泰州海华工业建设发展有限公司) invested RMB ¥7,322,700.00, using road and bridge as a physical capital contribution, Jiangsu Zhongxinhua Certified Public Accountants has published its report on verification of capital on SZXYZ(2005) No.D070. The Second phase of investment of RMB ¥35,000,000.00, which was contributed by monetary funds and Jiangsu Zhongxinhua Certified Public Accountants has published its report on verification of capital on SZXYZ(2006) No.D041. And the last phase of investment of RMB ¥13,000,000.00, which was contributed by monetary funds and Jiangsu Zhongxinhua Certified Public Accountants has published its report on verification of capital on SZXYZ(2006) No.D047.

(2) The Company increased its registered capital of RMB ¥17,000,000.00 on 14th June 2006 by

its original shareholders with monetary funds and Jiangsu Zhongxinhua Certified Public Accountants Taizhou Development Zone Branch has published its report on verification of capital on ZXFYZ(2006) No.D047-1. The registered capital after modification is RMB ¥117,000,000.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
Taizhou Huatai Industrial Holdings Limited 泰州市华泰工业控股经营有限公司	10,967.73	93.7%
Taizhou Haihua Industrial Construction and Development Co., Ltd. 泰州海华工业建设发展有限公司	732.27	6.3%
Total	11,700.00	100.00%

(3) The Company increased its registered capital of RMB ¥50,000,000.00 on 4th June 2007 by its original shareholders with monetary funds and Jiangsu Zhongxinhua Certified Public Accountants Taizhou Branch has published its report on verification of capital on SZXFYZ(2007) No.D015. The registered capital after modification is RMB ¥167,000,000.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount (RMB 10-thousand)	Percent%
Taizhou Huatai Industrial Holdings Limited 泰州市华泰工业控股经营有限公司	15,967.73	95.6%
Taizhou Haihua Industrial Construction and Development Co., Ltd. 泰州海华工业建设发展有限公司	732.27	4.4%
Total	16,700.00	100.00%

(4) The Company increased its registered capital of RMB ¥50,000,000.00 on 13th June 2007 by its original shareholders with monetary funds and Jiangsu Zhongxinhua Certified Public Accountants Taizhou Branch has published its report on verification of capital on SZXFYZ(2007)No.D018. The registered capital after modification is RMB ¥217,000,000.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Taizhou Huatai Industrial Holdings Limited 泰州市华泰工业控股经营有限公司	20,967.73	96.6%
Taizhou Haihua Industrial Construction and Development Co., Ltd. 泰州海华工业建设发展有限公司	732.27	3.4%
Total	21,700.00	100.00%

(5) On 6th September 2007, approved by State-owned Assets Supervision and Administration Commission(SASAC) of Taizhou, Taizhou Haihua Industrial Construction and Development Co., Ltd. (泰州海华工业建设发展有限公司) transferred all its shares of the Company to Taizhou Huatai Industrial Holdings Limited (泰州市华泰工业控股经营有限公司). The Company changed to sole proprietorship after the equity transfer is completed. On 23 November 2007, pursuant to <Notice on the recovery of entire share capital of Huaxin Company held by Huatai Company> released by Taizhou Municipal People's Government (TZF[2007] No. 229), the Company's investor changed from Taizhou Huatai Industrial Holdings Limited to Taizhou Municipal People's Government, and Taizhou SASAC was designated to perform the duties of investment as investor.

(6) The Company increased its registered capital of RMB ¥571,511,554.00 on 29 May 2008 by Taizhou Municipal People's Government, using land use right as a physical capital contribution and Jiangsu Zhongxinhua Certified Public Accountants Taizhou Branch has published its report on verification of capital on SZXFYZ(2008) No.D022. The registered capital after modification is RMB ¥788,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Taizhou Municipal People's Government	78,851.1554	100.00%
泰州市人民政府		
Total	78,851.1554	100.00%

(7) The Company increased its registered capital of RMB ¥100,000,000.00 on 29 December 2008 by Taizhou Municipal People's Government with monetary funds and Jiangsu Zhongxinhua Certified Public Accountants Taizhou Branch has published its report on verification of capital on SZXFYZ(2008) No.D171. The registered capital after modification is RMB ¥888,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Taizhou Municipal People's Government	88,851.1554	100.00%
泰州市人民政府		
Total	88,851.1554	100.00%

(8) The Company increased its registered capital of RMB ¥1,000,000,000.00 on 6 August 2014 by Taizhou Municipal People's Government with monetary funds and Jiangsu Zhongxinhua

Certified Public Accountants Taizhou Branch has published its report on verification of capital on SZXFYZ(2014) No.005. The registered capital after modification is RMB ¥1,888,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	188,851.1554	100.00%
Total	188,851.1554	100.00%

(9) The Company increased its registered capital of RMB ¥400,000,000.00 on 18 June 2015 by Taizhou Municipal People's Government with monetary funds and Jiangsu Jingwei Certified Public Accountants has published its report on verification of capital on JWY(2015) No.1005. The registered capital after modification is RMB ¥2,288,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	228,851.1554	100.00%
Total	228,851.1554	100.00%

(10) The Company increased its registered capital of RMB ¥300,000,000.00 on 6 August 2015 by Taizhou Municipal People's Government with monetary funds and Jiangsu Zhongxin Certified Public Accountants Taizhou Development Zone Branch has published its report on verification of capital on ZXFYZ(2015) No.0027. The registered capital after modification is RMB ¥2,588,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	258,851.1554	100.00%
Total	258,851.1554	100.00%

(11) The Company increased its registered capital of RMB ¥300,000,000.00 on 28 September 2015 by Taizhou Municipal People's Government with monetary funds and Jiangsu Zhongxin Certified Public Accountants Taizhou Development Zone Branch has published its report on verification of capital on ZXFYZ(2015) No.0006. The registered capital after modification is RMB ¥2,888,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	288,851.1554	100.00%

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Total	288,851.1554	100.00%

(12)The Company increased its registered capital of RMB ¥900,000,000.00 on 18 December 2015 by Taizhou Municipal People's Government with monetary funds and Jiangsu Jingwei Certified Public Accountants has published its report on verification of capital on JWY(2015) No.1014. The registered capital after modification is RMB ¥3,788,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	378,851.1554	100.00%
Total	378,851.1554	100.00%

(13)The Company increased its registered capital of RMB ¥40,000,000.00 on 21 January 2016 by CDB (China Development Bank) Development Fund with monetary funds. The registered capital after modification is RMB ¥3,828,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	378,851.1554	98.96%
CDB Development Fund 国开发展基金有限公司	4,000.0000	1.04%
Total	382,851.1554	100.00%

(14)The Company increased its registered capital of RMB ¥1,500,000,000.00 on 30 March 2016 by Fuanda Asset Management (Shanghai) Co., Ltd. with monetary funds and Jiangsu Lixin Certified Public Accountants Co., Ltd. has published its report on verification of capital on SLX(2016) No.T006. The registered capital after modification is RMB ¥5,328,511,554.00 and the Company's shareholding structure is as follows.

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Taizhou Municipal People's Government 泰州市人民政府	378,851.1554	71.10%
CDB Development Fund 国开发展基金有限公司	4,000.0000	0.75%
Fuanda Asset Management (Shanghai) Co., Ltd. 富安达资产管理(上海)有限公司	150,000.0000	28.15%

Name of shareholder(investor)	Investment Amount(RMB 10-thousand)	Percent%
Total	532,851.5554	100.00%

After the change of equity over the years, as of 31 December 2018, the registered capital of the Company was RMB¥532,851.5554 million yuan.

Registered address of the Company is Hailing South Road West, East side of Room 413, 4th Floor, Planning Road North (Business Building 1) of China Medical City, Taizhou.

Headquarters' address is Hailing South Road West, East side of Room 413, 4th Floor, Planning Road North (Business Building 1) of China Medical City, Taizhou.

The parent company is the Taizhou Municipal People's Government (泰州市人民政府) .

1.1.2 Nature of business and main business activities

The Company is designated to the investment industry controlled and operated by the government itself. And the main function of the Company is to fulfill external financing and investment responsibilities of Taizhou Pharmaceutical High-tech Industry Development Zone, on the other hand, as a major investment projects and loan projects established by High-tech Zone, the Company is responsible for liaising with banks and implementing repayment work. Other main business activities including undertaking infrastructure investment, housing development and construction, rental business for plant and machinery. According to construction project investment plan, the Company is responsible for commissioning the design, tender, and construction of the projects.

The Company's development business is divided into two parts: self-development and entrusted development. Among them, self-development means functional development such as developing non-industrial use of land, real estate development and construction projects; on the other hand, entrusted development is mainly engaged in developing industrial use of land, accepting the commission of the Industrial Park Administrative Committee and developing the land requisitioned and purchased by CMC Land Bureau to achieve "Eight availables and Two Accessibles" level (i.e. water, electricity, heat, gas, sewage, post, telecommunications, and closed circuit TV are available and you are accessible to the paved roads and leveled ground.)

After the completion of entrusted development of the land, CMC repurchased the land and is responsible for the transfer business, and in accordance with the the transfer schedule and the price of the agreement to settle the land development projects.

1.1.3 Approval of financial statements

The financial statements are approved by all directors of the Company on 25 April, 2019.

2. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

There are 11 entities in the scope of consolidated financial statements in the current period, including:

Name of subsidiaries	Type of subsidiary	Level	Shareholding ratio (%)	Voting ratio (%)
Taizhou Huasheng Investment Development Co., Ltd. 泰州华盛投资开发有限公司	Holding subsidiary	2	51.28	100
Taizhou China Medical City Asset Management Co., Ltd. 泰州中国医药城资产管理有限公司	Wholly-owned	2	100	100
Taizhou Huakang Investment Co., Ltd. 泰州华康投资有限公司	Wholly-owned	2	100	100
Taizhou Pharmaceutical High-tech Co., Ltd. 泰州医药高新股份有限公司	Holding subsidiary	2	86.36	86.36
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd. 江苏华为医药物流有限公司	Holding subsidiary	3	86.36	86.36
Jiangsu Huaye Medical Devices Co., Ltd. 江苏华晖医疗器械有限公司	Holding subsidiary	3	86.36	86.36
Taizhou China Medical City New Drug Fund Management Co., Ltd. 泰州中国医药城新药基金管理有限公司	Holding subsidiary	3	86.36	86.36
Taizhou China Medical City high-tech commercial factoring Limited. 泰州中国医药城高新商业保理有限公司	Wholly-owned	2	100.00	100.00
Huaxin Pharmaceutical (Hong Kong) Co., Limited. 华信药业(香港)有限公司	Wholly-owned	2	100.00	100.00
Taizhou Xinkang Construction Co., Ltd. 泰州信康建设有限公司	Holding subsidiary	3	100.00	100.00
Taizhou Huajiang Pharmaceutical Investment Development Co., Ltd. 泰州华江医药投资发展有限公司	Holding subsidiary	3	60.00	60.00

For the reasons why the shareholding ratio of the subsidiary is different from the proportion of voting rights, and the basis for holding the voting rights of half or less but still controlling the invested entity, please refer to "Note 8. INTERESTS IN OTHER ACCOUNTING ENTITIES 8.1 Interests in Subsidiaries".

Compared with the previous period, the number of subsidiaries included in the scope of the consolidated financial statements decreased by one household, of which:

- Subsidiaries, special-purpose entities that are no longer included in the scope of consolidation, operating entities that lose control by entrusted operations or leases

Name	变更原因
Jiangsu Huaxuan Electronic Commerce Limited. 江苏华轩电子商务有限公司	Transfer or change of equity

For details of the change in the scope of consolidation, please refer to "Note 7. CHANGES IN THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS".

3. BASIS OF PREPARATION

3.1 Preparation basis

The Company is based on the actual transactions and events, in accordance with the "Enterprise Accounting Standards - Basic Standards" promulgated by the Ministry of Finance and specific corporate accounting standards, application guidelines for business accounting standards, corporate accounting standards interpretation and other relevant provisions (collectively known as "the Accounting Standards for Business Enterprise") for recognition and measurement. On this basis, the financial statements are prepared in conjunction with the provisions of the "Regulations on the Information Disclosure and Compilation of Companies That Offer Securities to the Public No. 15 – General Provisions on Financial Reporting" (2014 Revision) issued by the China Securities Regulatory Commission.

3.2 Going concern basis

The Company has evaluated the continuing operating capacity for the 12 months from the end of the reporting period and has not found any significant suspicions or circumstances regarding the continuing operation capacity. Accordingly, the financial statements are prepared on the going concern basis.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

4.1 Statement of compliance

The financial statements prepared by the company are in compliance with the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the company's financial status, operating results, cash flow and other relevant information during the reporting period.

4.2 Accounting period

The accounting period of the Company is the calendar year.

4.3 Business cycle

The business cycle is 12 months.

4.4 Functional currency

The functional currency of the Company is Renminbi Yuan(RMB).

4.5 Account treatment of business combination under common control and not under common control

4.5.1 When a business combination is achieved in stages, if the terms, conditions and economic effects of the transactions are in compliance with one or more of the following transactions, accounting for a number of transactions as a package transaction.

- (1) These transactions are made at the same time or in consideration of each other's influence;

- (2) these transactions are made at the same time or in consideration of each other's influence, the whole of these transactions can reach a complete business results;
- (3) the occurrence of a transaction depends on the occurrence of at least one other transaction;
- (4) single transaction is uneconomical, but it is economical to consider with other transactions.

4.5.2 Business combination under common control

The assets and liabilities acquired by the Company in the business combination are measured at the carrying amount of the consolidated financial statements in the final controlling party in accordance with the merger date and the liabilities of the merged party's assets and liabilities (including the goodwill acquired by the ultimate controlling party). The difference between the carrying amount of the net assets obtained in the merger and the carrying amount of the consideration paid (or the total nominal value of the issued shares), adjust the capital premium in the capital reserve, capital reserve is insufficient, adjust the retained earnings.

If there is a consideration or need to confirm the estimated liabilities or assets, the difference between the expected liabilities or the amount of assets and the amount of follow-up or consideration, adjust the capital reserve (capital premium or share premium), capital reserve is insufficient, adjust the retained earnings.

For transactions that are finally merged through multiple transactions and belong to a package transaction, the transactions are accounted for as a transaction with control. If the transaction is not included in the package, adjust the capital reserve with the difference between the carrying amount of the long-term equity investment before the merger and the book value of the newly paid consideration for the merger date. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For the equity investment held prior to the merger date, other comprehensive income recognized by the use of the equity method or the recognition and measurement of financial instruments shall not be subject to accounting treatment until the disposal of the investment is carried out with the direct disposal of the investee. Assets or liabilities of the same basis for the accounting treatment; due to the use of equity method to confirm the net assets of the investee net profit and loss, other comprehensive income and profit distribution other than the owner of the other changes, not for accounting treatment. The investment is transferred to the current profits and losses.

4.5.3 Business combination not under common control

The purchase date refers to the date on which the company actually obtains control of the purchased party, that is, the date on which the purchaser's net assets or control of production and operation decisions are transferred to the company. When the following conditions are met at the same time, the company generally believes that the transfer of control rights is realized:

- a) The business combination contract or agreement has been approved by the internal authority of the company.

- b) The business combination needs to be approved by the relevant competent authorities of the state and has been approved.
- c) The necessary transfer of property rights has been completed.
- d) The company has paid most of the combined price and has the ability and plan to pay the remaining amount.
- e) The company has actually controlled the financial and operating policies of the purchased party and has the corresponding benefits and corresponding risks.

The difference between the fair value and its book value is recognized at the fair value at the date of purchase, and the liabilities incurred or incurred as a result of the merger of the enterprise are recognized in profit or loss for the current period.

The positive difference between the fair value of the Company and the fair value of the acquiree's identifiable net assets obtained from the merger is recognized as goodwill. The negative difference between the cost of the merger and the fair value of the acquiree's identifiable net assets obtained from the merger is recognized in the current profit or loss after review.

For transactions that are finally merged through multiple transactions and belong to a package transaction, the transactions are accounted for as a transaction with control. If the transaction is not included in the package, the equity investment held prior to the merger date is calculated using the equity method, the sum of the book value of the equity investment held by the acquiree prior to the acquisition date and the new investment cost of the purchase date as the initial investment cost of the investment; The other consolidated income recognized by the equity method for the equity investment is accounted for using the same basis as the investee's disposal of the relevant assets or liabilities in the disposal of the investment. The equity investment held prior to the merger date shall be calculated using the recognition and measurement standard of the financial instrument, and the fair value of the equity investment on the date of consolidation plus the sum of the new investment costs shall be taken as the initial investment cost of the merger date. The difference between the fair value and the book value of the original holding equity and the accumulated fair value change originally recorded in the other comprehensive income shall be transferred to the investment income of the current date.

4.5.4 Costs incurred for the business combination

The transaction costs of auditing, legal services, assessment consulting and other directly related expenses incurred in connection with the business combination shall be recorded into the current profits and losses at the time of occurrence. The transaction fee for the issuance of equity securities for the business combination can be directly attributable to the equity transaction interest deduction.

4.6 The preparation of consolidated financial statements

4.6.1 Scope of consolidation

The consolidated scope of the consolidated financial statements of the Company is determined on the basis of control and all subsidiaries (including the individual entities controlled by the Company) are included in the consolidated financial statements.

4.6.2 Process of consolidation

The Company prepares the consolidated financial statements based on the financial statements of the Company and its subsidiaries in accordance with other relevant information. The Company compiles the consolidated financial statements and regards the whole enterprise group as an accounting entity. According to the unified accounting policies, it reflects the overall financial status, operating results and cash flow of the group as a whole.

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidated financial statements are in line with the Company. If it is inconsistent with the Company, when the consolidated financial statements are prepared, accounting policy and the accounting period of the subsidiaries shall make the necessary adjustments.

When the financial statements are consolidated, the impact of the internal transactions between the Company and individual subsidiary, among individual subsidiaries on the consolidated balance sheet, consolidated profit statement, consolidated cash flow statement and consolidated shareholders' equity changes are recorded. If the group merges the financial statements from the perspective of the company or subsidiary for the accounting subject of the same transaction is not the same time, from the perspective of the group as a whole to adjust the transaction.

The equity of the subsidiaries, the net profit or loss of the current period and the share of the minority shareholders in the current consolidated income are presented separately under the net profit items and the consolidated income items under the consolidated equity items under the owner's equity items in the consolidated balance sheet. The current loss of the minority shareholders of the subsidiary is more than the balance formed by the minority shareholders' share of the owner's equity at the beginning of the subsidiary, and the minority shareholders' equity is reduced.

For the subsidiaries acquired under common control, the financial statements shall be adjusted on the basis of the carrying amount of the assets and liabilities (including the goodwill formed by the ultimate controlling party's acquisition of the subsidiary) in the final controlling party's financial statements.

For subsidiaries acquired by business combination not under common control, the financial statements shall be adjusted on the basis of the fair value of the identifiable net assets at the acquisition date.

(1) Addition of the subsidiary or business

During the reporting period, if the newly increased subsidiary or business is consolidated under the same control, the beginning balance of the consolidated balance sheet shall be adjusted; the income, expenses and profit of the subsidiary or business combination from the beginning of the current period to the end of the reporting period shall be included in the consolidated income statement ; the cash flow of the subsidiaries or business combination from the beginning of the current period to the end of the reporting period is included in the consolidated cash flow statement, and the relevant items of the comparative report are adjusted as the subject of the consolidated report has existed since the time when the final controlling party begins to control.

Due to additional investment and other reasons to be under the same control of the investee to implement control, as the parties involved in the merger in the final control of the beginning of control when the current state of existence to adjust. The equity income held prior to the acquisition of the controlling right of the merged party has confirmed the relevant gains and losses between the date of the same control and the date of merger and the merged party and the merged party to the date of merger, and the other comprehensive income. As well as other changes in net assets, respectively, compared with the beginning of the reporting period retained earnings or current profits and losses.

During the reporting period, if the newly increased subsidiary or business is not included in the merger under the same control, the balance sheet shall not be adjusted at the beginning of the consolidated balance sheet; the income, expenses and profits of the subsidiary or business from the date of purchase to the end of the reporting period and the cash flow of the subsidiary or business from the date of purchase to the end of the reporting period is included in the consolidated cash flow statement.

The Company shall be subject to the fair value of the equity interest at the date of purchase, and the fair value of the Company shall be re-measured at the fair value of the acquisition date for the equity interest held by the acquirer held prior to the date of purchase if the investment is controlled under the same control due to additional investment. The difference between the book value is included in the current investment income. Other equity income and other comprehensive benefits related to changes in other owners' equity other than net profit or loss, other comprehensive income and profit distribution, other equity interests in the equity interests held by the acquirer prior to the acquisition date, the change of the equity interest to the current investment income of the acquisition date, except for the other comprehensive income arising from the re-measurement of the net profit or net asset change of the beneficiary plan.

(2) Disposition of the subsidiary or business

1) General handling method

During the reporting period, the Company disposed of its subsidiaries or business, the income, expenses and profits of the subsidiary or business period from the beginning date till the date of disposal to be included in the consolidated income statement; the cash flow from the beginning date till the date of disposal of the subsidiary or the business to be included in the consolidated cash flow table.

When the disposal of part of the equity investment or other reasons for the loss of control of the investee, the Company in accordance with its loss of control at the fair value of the re-measurement for the disposal of the remaining equity investment. The difference between the fair value of the disposal price and the fair value of the remaining equity shall be calculated by subtracting the difference between the share of the net assets and the sum of the goodwill that the original subsidiary shall continue to calculate from the original date of purchase or the date of merger into the loss of control of the current investment income. Other changes in owners' equity related to other comprehensive income or net profit or loss, other comprehensive income and profit distribution related to the equity investment of the original subsidiaries shall be converted into current investment income when the control is lost since the investee is re-measured except for other consolidated income arising from changes in net liabilities or net assets of the benefit plan.

2) Step-by-step disposal of subsidiaries

Through a number of transactions step by step disposal of equity investment in subsidiaries until the loss of control, the terms, conditions and economic effects of the transactions dealing with the equity investments of the subsidiaries are one or more of the following situations, it is generally stated that multiple transactions should be accounted for as a transaction.

- A. These transactions are made at the same time or in consideration of each other's influence;
- B. The whole of these transactions can reach a complete business results;
- C. The occurrence of a transaction depends on the occurrence of at least one other transaction;
- D. A transaction is uneconomical, but it is economical to consider with other transactions.

The disposal of the equity investment of the subsidiary until the loss of control of the transaction is a package of transactions, the company will deal as a disposal of subsidiaries and loss of control transactions for accounting treatment; However, before

the loss of control, the difference between the disposal price and the disposal of the corresponding net assets of the subsidiary occurred each time is recognized as other comprehensive income in the consolidated financial statements and transferred to the loss or loss of control in the current period.

The disposal of the equity investment of the subsidiary until the loss of control of the transaction does not belong to a package of transactions, before the loss of control, treating as without loss of control in the case of part of the disposal of the subsidiary's equity investment accounting policy; whereas treating as loss of control according to the disposal of subsidiaries of the general approach to accounting treatment.

(3) **Purchasing minority interest in subsidiaries**

The difference between the long-term equity investment acquired by the Company for the acquisition of minority interests and the share of the net assets that the subsidiary will continue to calculate from the date of purchase (or the merger date) shall be adjusted in the consolidated balance sheet of the capital reserve in the capital premium, capital surplus in the capital premium is insufficient to offset, adjust the retained earnings.

(4) **Partial disposal of the equity investment of the subsidiary without loss of control**

The disposal price of the long-term equity investment in the part of the disposal of the long-term equity investment in the case of no loss of control and the difference between the disposal of the long-term equity investment and the share of the net assets of the subsidiary from the date of purchase or the date of consolidation, adjust the equity premium in the capital reserve in the consolidated balance sheet, and if the share premium in the capital reserve is insufficient to offset, adjust the retained earnings.

4.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4.8 Foreign currency transactions and foreign currency translation

4.8.1 Foreign currency transactions

When the foreign currency business transaction is initially confirmed, it is converted into RMB bookkeeping using the exchange rate at the beginning of the month in which the transaction occurs.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a

foreign currency are not retranslated.

Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate at the date when the fair value is determined. The resulting exchange difference is recognized as profit or loss for the fair value. In the case of foreign currency non-monetary items available for sale, the resulting exchange difference is included in other comprehensive income.

4.8.2 Foreign currency translation

Assets and liabilities in the balance sheet are translated at the spot exchange rate on the balance sheet date; except for the "undistributed profit/retained earnings" item, other items are converted at the spot exchange rate at the time of occurrence. The income and expense items in the income statement are translated using the exchange rate at the beginning of the month in which the transaction occurred. The foreign currency financial statement translation difference arising from the above conversion is included in other comprehensive income.

When disposing of an overseas operation, the translation difference of the foreign currency financial statements related to the foreign operation listed in other comprehensive income items in the balance sheet is transferred from the other comprehensive income items to the current profit and loss; when the disposal of part of the equity investment or other reasons leads to a decrease in the proportion of foreign-invested equity, but does not lose control over the overseas operation, the foreign currency statement translation difference related to the foreign operation and disposal part will be attributed to the minority shareholders' equity and will not be transferred to the current profit and loss. When disposing of a part of the equity of an overseas enterprise or a joint venture, the translation difference of the foreign currency statement related to the foreign operation is transferred to the disposal of the current profit and loss according to the proportion of the disposal of the foreign operation.

4.9 Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

4.9.1 Classifications

The Company combines the acquisition of financial assets and financial liabilities in accordance with the contractual terms of the financial instruments issued and the economic substance it reflects, rather than only in legal form. Financial assets and financial liabilities are classified into different categories at initial recognition: financial assets (or financial liabilities) measured at fair value through profit or loss; receivables; available-for-sale financial assets; other financial liabilities, etc.

4.9.2 Recognition and measurement

(1) Financial assets/liabilities 'at fair value through profit or loss' (FVTPL)

Financial assets or financial liabilities at fair value through profit or loss, including transactional financial assets or financial liabilities, and financial assets or financial liabilities

that are directly designated as measured at fair value through profit or loss.

Transactional financial assets or financial liabilities are financial assets or financial liabilities that meet one of the following conditions:

- 1) The purpose of obtaining the financial asset or financial liability is to sell, repurchase or redeem in a short period of time;
- 2) It is part of a portfolio of identifiable financial instruments that are centrally managed, and there is objective evidence that the company has recently managed the portfolio using short-term profitability;
- 3) Derivatives that are derivative financial instruments, but are designated as effective hedging instruments, derivatives that are financial guarantee contracts, and those that are not quoted in an active market and whose fair value cannot be reliably measured, and must be delivered except for derivatives that are settled by equity instruments.

A financial asset or financial liability other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- 1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 2) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- 3) a mixture of one or more embedded derivatives unless the embedded derivative does not significantly alter the cash flow of the mixing tool or the embedded derivative should not be removed from the associated mixing tool;
- 4) contains a hybrid tool that requires spin-off but can not be individually measured at the time of acquisition or subsequent balance sheet date.

The Company's financial assets or financial liabilities at fair value through profit or loss are recognized at fair value (net of declared or unpaid cash dividends or interest on bonds that have not yet been received) as the initial confirmation amount, the relevant transaction costs are included in the current profits and losses. The interest or cash dividend that will be obtained during the holding period is recognized as investment income at the end of the period, the fair value change is included in the current profit and loss. At the time of disposal, the difference between the fair value and the initial recorded amount is recognized as investment income, and the fair value gains and losses are adjusted at the same time.

(2) Receivables

Receivables refer to non-derivative financial assets that are not quoted in an active market and have a fixed or determinable recovery amount.

The company's external sales of goods or the provision of labor services, and the claims of other companies held by the company (excluding debt instruments that have quotations in active markets), which including accounts receivable, other receivables, notes receivable, etc., to the initial confirmation amount of the contract or agreement price receivable from the buyer; if it has the nature of financing, it will be initially confirmed according to its present value.

When recovering or disposing, the difference between the price obtained and the book value of the receivable is included in the current profit and loss.

(3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets designated as available for sale at the time of initial recognition and financial assets other than other financial asset classes.

The initial recognition amount of available-for-sale financial assets at the fair value (excluding the cash dividends that have been declared but not yet paid or have been paid but not yet received) and the related transaction costs. Interest earned during the holding period or cash dividend is recognized as investment income. Gains or losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in other comprehensive income, except for impairment losses and exchange differences arising from foreign currency monetary financial assets. When the disposal of available-for-sale financial assets, the difference between the price obtained and the carrying amount of the financial assets shall be recorded into the investment gains and losses. At the same time, the amount of the accumulated amount of the fair value of the other comprehensive income shall be directly transferred, included in the investment gains and losses.

The Company invests in equity instruments that are not quoted in an active market and whose fair value can not be reliably measured, as well as derivative financial assets that are linked to the equity instrument and are settled by delivery of the equity instrument, at cost.

(4) Other financial liabilities

According to its fair value and related transaction costs as the initial confirmation amount. Using amortized cost for subsequent measurement.

4.9.3 Recognition and measurement of financial asset transfer

In the event of a transfer of financial assets, the financial asset is derecognised if almost all of the risks and rewards of ownership of the financial asset are transferred to the transferee; if the risk and remuneration of the financial asset is retained, Terminate the recognition of the financial asset. In determining whether the transfer of financial assets to meet the above-mentioned conditions for the termination of financial assets, the use of the principle of substance over form. The Company divides the transfer of financial assets into the overall transfer and partial transfer of financial assets. Where the overall transfer of financial assets satisfies the conditions for derecognition, the

difference between the following two amounts shall be recorded into the current profits and losses:

- (1) The carrying amount of the transferred financial asset;
- (2) The sum of the fair value changes accumulated in the owner's equity, which relates to the transfer of financial assets to the available-for-sale financial assets.

Where the financial assets are partially transferred to meet the conditions for derecognition, the book value of the transferred financial assets as a whole shall be apportioned between the derecognized portion and the non-derecognised portion at their respective relative fair values and the difference between the following two amounts in profit or loss:

- (1) The book value of the derecognized portion;
- (2) The sum of the consideration for the derecognised portion and the accumulated amount of the fair value change that is directly included in the owner's equity (the case where the transferred financial asset is the available-for-sale financial asset).

If the transfer of financial assets does not meet the conditions for derecognition, the financial asset shall be recognized and the consideration received shall be recognized as a financial liability.

4.9.4 Termination of financial liabilities

If the current obligation of the financial liability has been discharged in whole or in part, the financial liability shall be derecognised or a part thereof; if the Company has an agreement with the creditor to replace the existing financial liability with the new financial liability, the new financial liability and the existing financial liability of the terms of the contract are substantially different, the existing financial liabilities are derecognised and the new financial liabilities are recognized at the same time.

If a substantial change is made to all or part of the terms of the existing financial liability, the existing financial liability or part thereof shall be derecognised and the financial liability after the amendment shall be recognized as a new financial liability.

When the financial liability is terminated in whole or in part, the difference between the carrying amount of the recognized financial liability and the consideration paid (including the transferred non-cash asset or the new financial liability) is recognized in the current profits and losses.

If the Company repurchases part of the financial liabilities, the book value of the financial liabilities shall be distributed at the repurchase date in accordance with the relative fair value of the continuing recognition and termination confirmation. The difference between the carrying amount assigned to the derecognised portion and the consideration paid (including the transferred non-cash asset or the new financial liability) is recognized in profit or loss for the current period.

4.9.5 Recognition of fair value of financial assets and financial liabilities

Financial assets or financial liabilities in an active market, and their fair value is determined by quoted prices in an active market; quoted prices in active markets include easy and regular quotations of relevant assets or liabilities from exchanges, dealers, brokers, industry groups,

pricing agencies or regulators, and can represent actual and frequently occurring markets based on fair trade transaction.

Financial assets initially acquired or derived or financial liabilities assumed are based on market transaction prices as the basis for determining their fair value.

Where there is no active financial assets or financial liabilities, the use of valuation technology to determine its fair value. At the time of valuation, the Company uses valuation techniques that are applicable in the current circumstances and are sufficiently available to support the use of data and other information, and are selected to be consistent with the asset or liability characteristics considered by the market participants in the transactions of the underlying asset or liability and use the relevant observable input values as much as possible. Unacceptable input values are used where the relevant observable input value is not available or is not practicable.

4.9.6 Provision for impairment of financial assets (excluding receivables)

At the balance sheet date, the carrying amount of the financial assets other than the financial assets measured at fair value through profit or loss shall be inspected. If there is objective evidence that the financial asset is impaired, provision for impairment shall be made.

Exclusive evidence of impairment of financial assets, including but not limited to:

- (1) The issuer or the debtor has serious financial difficulties;
- (2) The debtor violates the terms of the contract, such as the payment of interest or principal default or overdue;
- (3) The creditor makes concessions to the debtor who is financially difficult, taking into account economic or legal considerations;
- (4) The debtor is likely to close down or carry out other financial restructuring;
- (5) The financial assets can not be traded in the active market due to significant financial difficulties;
- (6) It is not possible to identify whether the cash flow of an asset in a set of financial assets has been reduced but the overall assessment of the financial assets based on the published data reveals that the estimated future cash flows of the group's financial assets since the initial recognition have been reduced and measurable, such as the gradual deterioration of the debtor's ability to pay the financial assets of the group, or the increase in the unemployment rate in the country or region where the debtor is located, the price of the collateral in its area is significantly reduced, and the industry downturn;
- (7) Significant adverse changes in the technical, market, economic or legal environment in which the issuer operates, so that the equity instrument investor may not be able to recover the investment cost;
- (8) The fair value of the equity instrument investment has experienced a serious or non-temporary decrease.

The specific impairment of financial assets is as follows,

(1) Impairment of available-for-sale financial assets

The Company checks separately for each available-for-sale equity instrument investment on the balance sheet date, if the fair value of the equity instrument investment on the balance sheet date is less than 50% (including 50%) or less than its cost. If the duration lasts longer than one year (including one year), it indicates that it is impaired. If the fair value of the equity instrument invested on the balance sheet date is less than 20% (including 20%) but not yet 50% of the cost, the Company will consider other relevant factors such as price volatility to determine whether the equity instrument investment is impaired.

The cost stated in the preceding paragraph is determined by the initial acquisition cost of the available-for-sale equity instrument investment, net of the recovered principal and amortized amount, and the impairment loss previously recognised in profit or loss; the fair value of an available-for-sale equity instrument investment that does not exist in an active market is determined by the present value determined by the current market yield of similar financial assets to discount the future cash flows; the fair value of an available-for-sale equity instrument investment that is quoted in an active market is determined based on the closing price of the stock exchange at the end of the period, unless there is a restricted period for the available-for-sale equity instrument investment. For an available-for-sale equity instrument investment with a restricted period of sale, it is determined based on the closing price of the stock exchange at the closing price of the stock exchange, which is required by the market participants to bear the risk of not being able to sell the equity instrument in the open market within the specified period.

When the available-for-sale financial assets are impaired, the Company shall transfer the accumulated losses arising from the decrease in the fair value of the other comprehensive income directly from other comprehensive income, if the financial asset is not derecognised. The accumulated loss of the transfer is equal to the initial acquisition cost of the available-for-sale financial asset after deducting the balance between the principal and the amortized amount, the current fair value and the original impairment loss.

For the available-for-sale debt instruments that have been recognized for impairment losses, the fair value has increased in the subsequent accounting period and is objectively related to the event occurring after the recognition of the original impairment loss. The original recognized impairment loss is transferred back to the current period profit and loss; impairment losses on investments in available-for-sale equity instruments are reversed through equity when the value of the equity instrument is reversed. However, impairment charges arising from investments in equity instruments that are not quoted in an active market and whose fair value can not be reliably measured or which are linked to the equity instrument

and which are to be settled through the delivery of the equity instrument shall not be reversed.

(2) Impairment of held-to-maturity investments

For held-to-maturity investments, if there is objective evidence that the impairment has occurred, the impairment loss is recognized based on the difference between the carrying amount of the book value and the expected future cash flow. If there is evidence that the value has been recovered, the original recognized impairment loss may be reversed and credited to the current profits and losses, but the carrying amount of the reversal does not exceed the assumption that the financial asset is not included in the provision for impairment.

4.9.7 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other. However, the net amount after offsetting the following conditions is met in the balance sheet:

- (1) The Company has the legal right to offset the recognized amount and that such legal rights are currently enforceable;
- (2) The Company plans to settle the net assets or settle the financial assets at the same time.

4.10 Receivables

4.10.1 Receivables with significant single amount and provision for bad debts individually

Confirmation criteria for receivables with significant single amount and provision for bad debts individually: Accounts receivable at the end of the balance of more than 100 million (inclusive), other receivables at the end of the balance of more than 500,000 yuan (inclusive).

The provision for bad debts of receivables with significant single amount is: the impairment test shall be conducted separately, and if the bad debts are incurred, it shall be borne by the government.

4.10.2 Accounts receivable with provision for bad debts according to the combination of credit risk characteristics

(1) The Basis of Determining the Combination of Credit Risk

For receivables with insignificant amounts, the accounts receivable with insignificant individual amount are divided into several combinations according to the credit risk characteristics, together with the receivables with significant single amount which have not been impaired after the individual test, based on the actual loss rate of the receivables with similar credit risk characteristics in the previous year, the provision for bad debts shall be determined in the light of the current situation.

Determine the basis of the combination

Name	Method	Basis of the combination
Group 1 Aging analysis	Aging analysis	The Company makes the best estimate based on the past historical experience and the proportion of the receivables, and refers to the age of the receivables to classify the credit risk.

(2) Method adopted according to the combination of credit risk characteristics.

① Provision for bad debts with aging analysis method

Aging	Accounts receivable provision(%)	Other receivables provision(%)
Within 1 year	0	0
1-2 year	10	10
2-3 year	20	20
3-4 year	30	30
4-5 year	50	50
Above 5 years	100	100

4.10.3 The amount of individual receivables which are not significant but are individually prepared for bad debts

The reason for the provision for bad debts is: there is objective evidence that the Company will not be able to recover the original terms of the receivables.

The provision for bad debts is based on the difference between the present value of the expected future cash flow of accounts receivable and the book value.

4.10.4 Other method of presentation

The company does not make bad debt provision for dealings with related parties and government departments.

4.11 Inventories

4.11.1 Classifications

Inventories refer to the finished products or commodities that the company holds for sale in its daily activities, the products in the production process, the materials and materials used in the production process or the provision of labor services. It mainly includes development costs, proposed land development, the development of products, turnover housing, finished goods, and turnover materials.

The development cost refers to the property that has not yet been completed and is for sale purpose. The proposed land is the land purchased and has decided to develop into the land for the finished product development. The developed product refers to the property which has been built and is for sale. When the project is developed as a whole, the land to be developed will be transferred to the development cost. When the project is developed in phases, the development land will be transferred to the development cost. The undeveloped land will remain in the land to be developed.

4.11.2 Measurements

When inventory is acquired, it is initially measured at cost, including procurement costs, processing costs, and other costs.

When the inventories are issued, they are valued according to the individual identification method and the individual identification method according to the batch.

4.11.3 Recognition criteria of net realizable value of inventories and provision for impairment of inventories

At the end of the period, the inventories shall be withdrawn or adjusted according to the lower of the cost of inventories and the net realizable value. Finished goods, stocks of goods and materials used for sale, etc., in the normal production and operation process, the estimated price of the inventory minus the estimated sales costs and related taxes after the amount to determine its net realizable value. Need to be processed materials inventory, in the normal production and operation process, to produce the finished product of the estimated price minus the estimated completion of the cost will be incurred, the estimated sales costs and the amount of the relevant taxes and fees to determine its net real value. Need to be processed materials inventory, in the normal production and operation process, to produce the finished product of the estimated price minus the estimated completion of the cost will be incurred, the estimated sales costs and the amount of the relevant taxes and fees to determine its net real value. The net realizable value of inventories held for the purpose of executing a sales contract or a labor contract is calculated on the basis of the contract price. If the quantity of the stock is more than the quantity ordered in the sales contract, the net realizable value of the excess based on the calculation.

At the end of the period, the inventory depreciation reserve is accrued according to the individual inventory items; however, for a large number of inventories with lower unit prices, the inventory depreciation reserve is accrued according to the inventory category. Inventories related to product lines produced and sold in the same region, having the same or similar end uses or purposes, and difficult to measure separately from other projects, are combined for provision for inventory depreciation.

If the influencing factors of the write-down of inventory value have disappeared, the amount of write-down will be restored and will be reversed within the amount of the provision for decline in value of the inventory that has been accrued. The amount of the reversal is included in the current profit and loss.

4.11.4 Inventory system

Perpetual inventory system have been adopted.

4.11.5 Amortization method for low value consumables and packaging

- (1) low-value consumables using one-off amortization method;
- (2) packaging using one-off amortization method;
- (3) other turnover materials using one-off amortization method.

4.11.6 Accounting methods for developing land

Pure land development projects, the cost of its own constitute a separate land development costs;

Together with the overall development of the project, the cost can distinguish between the burden of the object, generally according to the actual area of the cost of housing into the real estate.

4.11.7 Method of accounting for public facilities

Can not be paid for the transfer of public facilities: according to the proportion of benefits to determine the standard assigned to the cost of housing;

Can be paid for the transfer of public facilities: the facilities to the project as a cost accounting object, the cost of the collection.

4.11.8 Method of accounting for maintenance fund

According to the relevant provisions of the development project location, the maintenance fund in the development of product sales (pre - sale), to the purchase of the purchase or by the company included in the development of the relevant product development costs, and unified payment of maintenance fund management.

4.11.9 Method of accounting for quality deposit/warranties

The quality deposit shall be reserved from the construction unit according to the construction contract. In the development of product warranty period occurred in the maintenance costs, the quality of deposit reduction; in the development of products agreed upon the expiry of the warranty period, the quality margin balance returned to the construction unit.

4.12 Long-term equity investment

4.12.1 Determination of investment costs

- (1) Accounting treatment methods for business combination under common control and not under common control (see Note 4.5).
- (2) Other ways to obtain long-term equity investment

The long-term equity investment obtained by way of cash payment shall be regarded as the initial investment cost according to the purchase price actually paid. Initial investment costs include expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investments.

The long-term equity investment obtained from the issuance of equity securities shall be the initial investment cost in accordance with the fair value of the issuance of equity securities. The transaction costs incurred when the issue or acquisition of its own equity instruments may be directly attributable to the deduction of interest from equity.

The long-term equity investment in the exchange of non-monetary assets shall be determined based on the fair value of the assets transferred out of the non-monetary assets with the commercial substance and the fair value of the assets transferred or the assets transferred out can be reliably measured Investment costs, unless there is conclusive evidence that the fair value of the assets into the more reliable. Does not meet the above premise of the non-monetary assets exchange to exchange the book value of assets and should pay the

relevant taxes and fees into the long-term equity investment in the initial investment costs.

The initial investment cost of the long-term equity investment obtained through debt restructuring is determined on the basis of the fair value.

4.12.2 Subsequent measurement and profit and loss recognition

(1) Cost method

The long-term equity investment that the Company can control the investee shall adopt the cost method and calculate the cost of the long-term equity investment by accruing or withdrawing the investment according to the initial investment cost.

The cash dividends or profits declared by the investee are recognized as current investment income in addition to the cash dividends or profits that have been declared but not yet paid in addition to the actual payment of the price or the consideration.

(2) Equity method

The Company's long-term equity investment in associates and joint ventures is accounted for using the equity method; For the part of the equity investment, through a venture capital firm, a mutual fund, a trust company or an associate of an indirect entity, including the investment insurance fund, is measured at fair value through profit or loss.

The initial investment cost of the long-term equity investment is greater than the difference between the fair value of the identifiable net assets of the investee and the initial investment cost of the long-term equity investment. The difference between the initial investment cost and the fair value of the identifiable net assets of the investee shall be recorded into the current profits and losses.

After the acquisition of the long-term equity investment by the Company, the investment income and other comprehensive income shall be recognized separately in accordance with the net profit or loss and other comprehensive income realized by the investee or share, and the book value of the long-term equity investment shall be adjusted. The unit value of the long-term equity investment shall be reduced by the corresponding part of the profit or cash dividend declared by the investment unit; The book value of the long-term equity investment shall be adjusted and recorded into the owner's equity for other changes in the owner's equity other than the net profit or loss, other comprehensive income and profit distribution of the investee.

The Company shall, after confirming the share of the net profit or loss of the investee, adjust the net profit of the investee after confirming the net profit of the investee based on the fair value of the identifiable assets of the investee. The gains and losses of the unrealized internal transactions between the Company and the associates and the joint ventures shall be offset against the part attributable to the Company in proportion to the share of the Company.

The Company confirms that the losses incurred by the investee shall be shared in the

following order: First, the book value of long-term equity investment is offset. Second, the carrying amount of the long-term equity investment is not sufficient to offset, and the book value of the long-term equity of the investee is calculated as the book value of the long-term equity of the investee. Finally, after the above treatment, in accordance with the investment contract or agreement agreed that the enterprise still bear additional obligations, according to the expected obligations to confirm the estimated liabilities, included in the current investment losses.

If the investee is profitable in the later period, the Company shall, after deducting the unrecognized loss share, handle the book balance in the reverse order of the above and reduce the carrying amount of the recognized liabilities and restore any other net investment in the investee long-term equity and long-term equity investment, the resumption of recognition of investment income.

4.12.3 Conversion of long-term equity investment accounting method

(1) Fair value measurement to equity method

The equity investment held by the Company in respect of the recognition and measurement of financial instruments, which is not subject to control, joint control or significant influence to the investee, due to additional investment and other reasons to the investment unit can exert significant influence or the implementation of joint control but does not constitute control, the initial investment cost of the original equity investment and the initial investment cost calculated by the change of equity method according to the fair value of the original equity investment and the new investment cost as determined by Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

The original equity investment is classified as available-for-sale financial assets, the difference between the fair value and the book value, and the accumulated fair value change recorded in the other comprehensive income shall be transferred to the current profits and losses accounted for under the equity method.

The initial investment cost calculated by the equity method is less than the difference between the fair value of the investee and the identifiable net assets of the investee, which is determined by the new shareholding proportion after the additional investment, and adjust the carrying amount of the long-term equity investment, and included in the current non-operating income.

(2) Fair value measurement or equity method accounting to cost method

The equity investment held by the Company in respect of the recognition and measurement of financial instruments, which is not subject to control, joint control or significant influence to the investee, or the original holding of long-term equity investment in associates and joint ventures, due to additional investment and other reasons to the same control under the control

of the investee units, in the preparation of individual financial statements, in accordance with the original book value of equity investment plus the sum of the new investment costs, as a change to the cost of accounting method of initial investment costs.

The other comprehensive income recognized by the equity method prior to the date of purchase shall be treated on the basis of the same basis as the investee's direct disposal of the relevant assets or liabilities.

The equity investment held prior to the acquisition date is subject to the accounting treatment in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The accumulated fair value change recorded in other comprehensive income is subject to change in the cost method Transferred to the current profits and losses.

(3) Equity method accounting to fair value measurement

If the Company has lost the joint control or significant influence on the investee unit due to the disposal of part of the equity investment and other reasons, the remaining shareholding after disposal shall be reduced according to Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The difference between the fair value and the book value of the date of joint control or significant influence shall be recorded into the current profits and losses.

The other comprehensive income recognized by the equity method for the original equity investment is accounted for using the same basis as the investee's direct disposal of the relevant assets or liabilities at the time of termination of the equity method.

(4) Cost method accounting to equity method

The Company has lost control of the investee unit due to the disposal of part of the equity investment and other reasons, in the preparation of individual financial statements, the remaining shares after the disposal of the investee to implement joint control or exert a significant impact, according to the equity method of accounting, and the remaining equity as self-obtained by the use of equity method to adjust.

(5) Cost method accounting to fair value measurement

The Company has lost control of the investee due to the disposal of part of the equity investment. When the individual financial statements are prepared, the residual equity after the disposal can not be jointly controlled or exerted a significant influence on the investee, the difference between the fair value and the book value at the date of loss of control shall be recorded into the current profits and losses in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

4.12.4 Disposal of long-term equity investment

The difference between the carrying amount of the long-term equity investment and the actual acquisition price shall be recorded into the current profits and losses when disposing long-term equity investment. The long-term equity investment accounted for using the equity method shall be accounted for using the same basis as the investee's direct disposal of the relevant assets or liabilities at the time of disposal of the investment.

The terms, conditions and economic effects of the transactions to deal with the equity investment of the subsidiary are one or more of the following circumstances, accounting for the transaction as a package transaction:

- (1) these transactions are made at the same time or in the case of mutual influence;
- (2) the whole of these transactions in order to achieve a complete business results;
- (3) the occurrence of a transaction depends on the occurrence of at least one other transaction;
- (4) a transaction is uneconomical, but it is economic when it is considered in conjunction with other transactions.

Due to the disposal of part of the equity investment or other reasons for the loss of the original subsidiary of the control, not a package of transactions, to distinguish between individual financial statements and consolidated financial statements related to accounting treatment:

- (1) In the individual financial statements, the difference between the carrying amount and the actual acquisition price for the disposal of the equity is included in the current profits and losses. After the disposal of the remaining equity to the joint venture to implement joint control or exert significant influence, according to the equity method of accounting, and the remaining shares as the acquisition of the equity method is used to adjust. After the disposal of the remaining equity can not be jointly controlled or exerted significant influence on the investee, it shall be subject to accounting treatment in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The difference between fair value and book value is recognized in profit or loss for the current period.
- (2) In the consolidated financial statements, the difference between the disposal price and the disposal of the long-term equity investment in respect of the transactions prior to the loss of control of the subsidiary to the share of the net assets held by the subsidiary from the date of purchase or the date of consolidation, adjust the capital reserve (share premium), the capital reserve is insufficient to offset, adjust the retained earnings. In the event of loss of control of the subsidiary, the remaining equity is re-measured at its fair value at the date of loss of control. The difference between the consideration obtained from the disposal of the equity and the fair value of the remaining equity shall be calculated as the difference between the share of the net assets that the original subsidiary shall continue to calculate from the original purchase

date in the proportion of the original shareholding, taking into account the loss of control investment income, while offsetting goodwill. And other comprehensive income related to the original subsidiary equity investment, etc., in the loss of control into the current investment income.

The disposal of the equity investment of the subsidiary until the loss of control of the transaction is a package of transactions, the transaction as a disposal of subsidiaries of the equity investment and loss of control transactions for accounting treatment, distinguishing between individual financial statements and consolidated financial statements for accounting treatment:

- (1) In the individual financial statements, the difference between the disposal price and the book value of the long-term equity investment corresponding to the disposal of the equity before the loss of control is recognized as other comprehensive income and, when the loss of control is transferred into profit and loss.
- (2) In the consolidated financial statements, the difference between the disposal price and the share of the net assets of the subsidiary corresponding to the disposal of the investment before the loss of control is recognized as other comprehensive income and the loss of control is transferred to the loss or loss of control.

4.12.5 Judgment criteria for common control and significant impact

If the Company makes a decision on the activities that have a significant impact on the arrangement's return with the other parties in accordance with the relevant agreement and need to be agreed upon by the participant who has shared the control, it shall be deemed that the Company and the other parties jointly control an arrangement which is a joint venture arrangement.

If the joint venture is negotiated by a separate entity and the Company has the right to judge the net assets of the individual entity in accordance with the relevant agreement, the individual entity shall be deemed to be a joint venture and be accounted for using the equity method. If the Company determines that the Company is not entitled to the net assets of the individual entity in accordance with the relevant stipulations, the individual entity shall, as a co-operation, confirm the items related to the share of common interests and perform accounting treatment in accordance with the relevant accounting standards.

Significant influence refers to the right of the investor to participate in the decision-making of the financial and operating policies of the investee, but it can not control or jointly control the formulation of these policies with other parties. The Company has a material impact on the investee after the adoption of one or more of the following circumstances and taking into account all the facts and circumstances.

- (1) To be represented in the board of directors or similar authority of the investee;
- (2) Participate in the financial and business policy development process of the investee;
- (3) And important transactions occurred between the investor and the investee;

- (4) Send management personnel to the investee;
- (5) Provide key technical information to the investee.

4.13 Investment real estate

Investment real estate refers to real estate held for the purpose of earning rent or capital appreciation, or both, including leased land use rights, land use rights held and prepared for transfer after appreciation, and leased buildings. In addition, if the board of directors holds a vacant building for the purpose of operating the lease, if the board of directors makes a written resolution that clearly indicates that it will be used for operating leases and the intention of the holders will not change in the short term, it will also be reported as an investment real estate.

The Company's investment real estate is based on its cost as the recorded value. The cost of the purchased investment real estate includes the purchase price, the relevant taxes and other expenses that can be directly attributable to the asset; The cost of building an investment real estate by itself is made up of the necessary expenses incurred before the construction of the asset reaches its intended usable condition.

The Company adopts the cost model for subsequent measurement of investment real estate, and depreciates or amortizes buildings and land use rights according to their estimated service life and net residual value rate. The estimated useful lives, net residual value and annual depreciation (amortization) rate of investment real estate are as follows:

Category	Useful lives (year)	Estimated residual value ratio (%)	Annual Dep'n/Amortisation ratio (%)
Land use right	50	3%-5%	1.90%-1.94%
Buildings	20-40	3%-5%	2.38%-4.85%

When the use of investment real estate is changed to its own use, the Company converts the investment real estate into fixed assets or intangible assets from the date of change. When the use of real estate is changed to earn rent or capital appreciation, the Company converts fixed assets or intangible assets into investment real estate from the date of change. When the conversion occurs, the book value before the conversion is converted into the recorded value.

When the investment real estate is disposed of, or permanently withdrawn from use and is expected to be unable to obtain economic benefits from its disposal, the recognition of the investment real estate. The amount of income from disposal, transfer, disposal or disposal of investment real estate after deducting its book value and related taxes is recognized in profit or loss for the current period.

4.14 Fixed assets

4.14.1 Recognition criteria

Fixed assets are tangible assets held for the purpose of producing goods, providing services, leasing or operating management and having a useful life of more than one fiscal year. Fixed

assets are recognized when the following conditions are met:

- (1) The economic benefits associated with the fixed assets are likely to flow into the enterprise;
- (2) The cost of the fixed asset can be measured reliably.

4.14.2 Initial measurement

The fixed assets of the Company are initially measured at cost.

- (1) The cost of purchased fixed assets includes the purchase price, import duties and other related taxes and fees, and other expenses directly attributable to the assets before the fixed assets are ready for their intended use.
- (2) The cost of self-constructed fixed assets consists of the necessary expenses incurred before the construction of the asset reaches its intended usable condition.
- (3) The fixed assets invested by investors shall be recorded at the value agreed in the investment contract or agreement, but the contract or agreement stipulates that the value is not fair and is recorded at fair value.
- (4) If the purchase price of a fixed asset is delayed beyond the normal credit conditions and is of financing nature, the cost of the fixed asset is determined on the basis of the present value of the purchase price. The difference between the actual payment and the present value of the purchase price shall be included in the current profit and loss in the credit period, except for the capitalization.

4.14.3 Subsequent measurement and disposal of fixed assets

(1) Depreciation

Depreciation of fixed assets is accrued over the estimated useful lives based on the recorded value less the estimated residual value. For fixed assets with impairment provision, the depreciation amount is determined based on the book value after deducting the impairment provision and the remaining useful life in the future period; the fixed assets that have been fully depreciated and continue to be used are not depreciated.

The company determines the service life and estimated net residual value of fixed assets based on the nature and use of fixed assets. At the end of the year, the service life of the fixed assets, the estimated net residual value and the depreciation method are reviewed. If there is a difference from the original estimate, the corresponding adjustments are made.

Depreciation method, depreciation period and annual depreciation rate of various types of fixed assets are as follows:

Category	Dep'n method	Useful lives (year)	Residual value ratio (%)	Annual Dep'n ratio (%)
Buildings	Straight-line method	20-40	5	2.375-4.75
Machinery equipment	Straight-line method	10	5	9.5
Electric equipment	Straight-line method	3-5	3-5	19.00-32.33
Vehicles	Straight-line method	5	5	19.00

Category	Dep'n method	Useful lives (year)	Residual value ratio (%)	Annual Dep'n ratio (%)
Others	Straight-line method	3-5	3-5	19.00-32.33

(2) Follow-up expenditure on fixed assets

Subsequent expenditures related to fixed assets, if they meet the conditions for recognition of fixed assets, are included in the cost of fixed assets; if they do not meet the conditions for recognition of fixed assets, they are recognised in profit or loss.

(3) Disposal of fixed assets

When a fixed asset is disposed of, or is expected to generate economic benefits through use or disposal, the fixed asset is derecognised. The disposal income from the sale, transfer, retirement or damage of fixed assets, net of its carrying amount and related taxes and expenses, is recognised in profit or loss for the current period.

4.14.4 Recognition basis, valuation and depreciation method for financing leased fixed assets

When the fixed assets leased by the company meet one or more of the following criteria, they are recognized as fixed assets for financing lease:

- (1) At the end of the lease term, the ownership of the leased asset is transferred to the Company;
- (2) The Company has the option to purchase the leased asset, and the purchase price is expected to be much lower than the fair value of the leased asset when exercising the option. Therefore, it is reasonable to determine that the Company will exercise this option at the beginning of the lease;
- (3) Even if the ownership of the asset is not transferred, the lease term accounts for the majority of the useful life of the leased asset;
- (4) The present value of the minimum lease payments of the Company at the beginning of the lease is almost equivalent to the fair value of the leased assets at the beginning of the lease;
- (5) Leasing assets of a special nature, if not for a major transformation, only the company can use.

The minimum value of the fixed assets leased under finance leases is the lower of the fair value of the leased asset and the present value of the minimum lease payment as the recorded value. The minimum lease payments are recorded as long-term payables, and the difference is recognized as unrecognized financing costs. The initial direct costs incurred in the process of leasing negotiations and signing of the lease contract, such as fees, attorneys' fees, travel expenses and stamp duty attributable to the leasing project, are included in the value of the leased asset. Unrecognized financing costs are apportioned using the effective interest method during each period of the lease term.

The Company adopts the depreciation policy consistent with its own fixed assets to recoup the depreciation of fixed assets. If it is possible to reasonably determine the ownership of the leased

asset at the end of the lease term, the depreciation shall be made within the useful life of the leased asset. If it is not possible to reasonably determine the ownership of the leased asset at the end of the lease term, depreciation shall be made within a shorter period between the lease term and the useful life of the leased asset.

4.15 Construction in progress

4.15.1 Initial recognition

The construction in progress of the Company's own construction is valued at the actual cost, and the actual cost is constituted by the necessary expenses incurred before the construction of the asset reaches the intended usable condition, which including engineering materials costs, labor costs, related taxes and fees, borrowing costs that should be capitalized, and indirect costs that should be apportioned.

4.15.2 Standards and time points for the construction in progress to be carried over to fixed assets

The total expenditure incurred before the construction project is constructed to reach the intended usable condition shall be recorded as the value of the fixed assets. If the construction in progress has been made to the intended use status but has not yet completed the final accounts, the project will be transferred to the fixed assets according to the estimated value according to the project budget, the cost or the actual cost of the project, and depreciation of fixed assets shall be made according to the depreciation policy of fixed assets of the Company. After the completion of the final accounts, the original estimated value shall be adjusted according to the actual cost, but the original depreciation amount shall not be adjusted.

4.16 Borrowing costs

4.16.1 Recognition criteria of capitalization of borrowing costs

If the borrowing costs incurred by the Company can be directly attributable to the acquisition, construction or production of assets eligible for capitalization, they shall be capitalized and included in the cost of the relevant assets; other borrowing costs are recognized as expenses at the time of occurrence and are recognised in profit or loss.

Assets eligible for capitalization refer to assets such as fixed assets, investment real estate and inventories that require a substantial period of acquisition, construction or production activities to achieve the intended use or sale status.

Capitalization begins when the borrowing costs meet the following conditions:

- (1) Assets expenditure has occurred, including expenditure incurred in the form of cash, transfer of non-cash assets or interest-bearing debt for the acquisition or construction of assets eligible for capitalization;
- (2) Borrowing costs have already occurred;
- (3) The purchase and construction or production activities necessary for the asset to reach the

intended use or saleable status.

4.16.2 Capitalization period

During the period of capitalization, the period during which the borrowing costs are suspended from capitalization is not included during the period from the point of time when the borrowing costs are capitalized to the point where the capitalization is stopped.

The borrowing costs shall cease to be capitalized when the assets acquired or produced meet the conditions for capitalization are ready for use or sold.

When part of the assets purchased or produced in accordance with the capitalization conditions are completed and can be used alone, the part of the asset borrowing costs to stop capitalization.

The parts of the assets purchased or produced are completed separately, but must wait until the whole is completed or can be sold abroad. The capitalization of the borrowing costs shall be stopped when the asset is completed as a whole.

4.16.3 Suspension of capitalization period

If the assets that meet the capitalization conditions are interrupted abnormally during the construction or production process and the interruption time lasts for more than 3 months, the borrowing costs shall be suspended. The borrowing costs continue to be capitalized if the assets purchased or produced in accordance with the capitalization conditions are required to achieve the intended use or the state of sale. The borrowing costs incurred during the interruption are recognized as profit or loss for the current period and the borrowing costs continue to be capitalized until the asset is purchased or the activity is resumed.

4.16.4 Accounting method of capitalization amount of borrowing costs

Interest expense on borrowings (excluding interest income from borrowed funds that have not yet been used by banks or investment income from temporary investments) and ancillary costs Assets that are eligible for capitalization of the assets acquired or produced or can be sold before the state, to be capitalized.

The amount of interest that should be capitalized for general borrowings is calculated by multiplying the simple average weighted average at the end of the year by the simple average weighted average of the accumulated asset expenditures over the special borrowings. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

If there is a discount or premium on the loan, the discount or premium amount to be amortized in each accounting period shall be determined according to the actual interest rate method, and the interest amount of each period shall be adjusted.

4.17 Intangible assets

Intangible assets refer to identifiable non-monetary assets without physical form owned or controlled by the Company, including land use rights and software.

4.17.1 Initial measurement of intangible assets

The cost of outsourcing intangible assets, including purchase price, related taxes and other expenses directly attributable to the asset to the intended use. The purchase price of intangible assets exceeds the normal credit terms deferred payment, in essence, the nature of the financing, the cost of intangible assets to determine the value of the purchase price.

The difference between the carrying amount of the reorganized debt and the fair value of the intangible asset used for the debt shall be recognized in the current period based on the fair value of the intangible asset, profit and loss.

In the non-monetary assets exchange with commercial substance and into the assets or the assets of the fair value can be reliably measured under the premise, the intangible assets exchanged for non-monetary assets are determined based on the fair value of the assets surrendered unless there is conclusive evidence that the fair value of the transferred assets is more reliable. Does not meet the above premise of the non-monetary assets exchange to exchange the book value of assets and should pay the relevant taxes and fees into the cost of intangible assets, not recognized gains and losses.

The intangible assets acquired by the merger and acquisition under the same control shall be determined according to the book value of the merged party. The intangible assets acquired by the enterprise under the same control shall be determined according to the fair value.

Internal costs of intangible assets, including: the consumption of materials used in the development of the intangible assets, labor costs, registration fees, other patents and concessions used in the development process and the interest rate to meet the capitalization conditions and other direct costs incurred prior to the intended use of the intangible asset.

4.17.2 Subsequent measurement of intangible assets

When the Company obtains intangible assets, it analyzes the service life of the intangible assets and divides it into intangible assets with limited service life and uncertain service life.

(1) Intangible assets with limited useful life

For intangible assets with limited useful life, it is amortized on a straight-line basis over the term of economic benefits for the enterprise. The estimated life expectancy of intangible assets with limited useful life is as follows:

Item	Useful lives (year)	Basis of estimation
Software	10	Determined by the update of software
Land use right	50	Determined by the land use right certificate

At the end of each period, the service life and amortization method of intangible assets with limited service life shall be reviewed. If there is any difference from the original estimate, the corresponding adjustment shall be made.

After review, the useful life and amortization method of intangible assets at the end of the

period are not different from previous estimates.

(2) Intangible assets with uncertain useful life

It is not foreseeable that intangible assets bring economic benefits to the enterprise and are regarded as intangible assets with uncertain service life.

For intangible assets with uncertain service life, it is not amortized during the holding period, and the life of intangible assets is reviewed at the end of each period. If the end of the re-review is still uncertain, in each accounting period to continue the impairment test.

4.18 Long-term asset impairment

At the balance sheet date, the Company determines whether there is any indication that long-term assets are likely to be impaired. If there is evidence of impairment of long-term assets, the recoverable amount is estimated on the basis of individual assets. Where it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the asset belongs.

The estimate of the recoverable amount of the asset is determined by the higher of the net amount of the fair value less the disposal expenses and the present value of the expected future cash flow of the asset.

If the recoverable amount of the long-term assets is lower than its book value, the carrying amount of the long-term assets shall be reduced to the recoverable amount, and the amount of the write-down shall be recognized as impairment loss of the assets, at the same time, the provision for impairment of assets is made. Once the asset impairment loss is confirmed, it shall not be reversed in the subsequent accounting period.

After the asset impairment loss is recognized, the depreciation or amortization expenses of the impairment asset are adjusted accordingly in the future period so that the asset is systematically assessed the book value of the adjusted assets (net of the estimated net residual value) within the remaining useful life.

Goodwill arising from business combinations and intangible assets with indefinite useful lives are tested for impairment annually, regardless of whether there is any indication of impairment.

In the impairment test of goodwill, the book value of goodwill is allocated to the asset group or asset group combination that is expected to benefit from the synergy of the business combination.

When performing impairment test on the relevant asset group or asset group combination containing goodwill, if there is any sign of impairment of the asset group or asset group combination related to goodwill, firstly, the asset group or asset group combination that does not contain goodwill. An impairment test is carried out to calculate the recoverable amount and compare it with the relevant book value to confirm the corresponding impairment loss. The asset group or asset group combination containing goodwill is tested for impairment, and the book value of these related asset groups or asset group combinations (including the book value portion of the

assessed goodwill) and its recoverable amount, such as the relevant asset group, are compared. If the recoverable amount of the asset group combination is lower than its book value, the impairment loss of goodwill is recognized.

4.19 Employee benefits

Employee benefits refer to the various forms of remuneration or compensation given by the Company to obtain the services provided by the employees or to terminate the labor relationship. Employee benefits include short-term remuneration, post-employment benefits, dismissal benefits and other long-term employee benefits.

4.19.1 Short-term remuneration

Short-term remuneration refers to the remuneration of employees who are required to be paid in the twelve months after the end of the annual report period for employees to provide related services, except for after-service benefits and dismissal benefits. In the accounting period in which the employees provide services, the Company recognizes the short-term salary payable as liabilities and takes into account the cost and expenses of the relevant assets according to the beneficiaries of the services provided by the employees.

4.19.2 Post-employment benefits

Post-employment benefits refer to various forms of remuneration and benefits provided by the company after the employee retires or terminates the labor relationship with the enterprise for the services provided by the employee, except for short-term remuneration and termination benefits.

The company's post-employment benefit plan is classified as a defined contribution plan.

The post-employment benefit setting plan is mainly for participating in social basic pension insurance and unemployment insurance organized by local labor and social security institutions; during the accounting period in which employees provide services to the Company, the amount of the deposits calculated based on the defined contribution plan is recognized as a liability and recognised in profit or loss or related asset costs.

After the company regularly pays the above-mentioned funds in accordance with the standards set by the state, there are no other payment obligations.

4.19.3 Dismissal benefits

The dismissal benefit means that the Company relieves the employee's labor relationship before the employee's labor contract expires or compensates the employee for encouraging the employee to voluntarily accept the reduction, in the event that the Company can not unilaterally withdraw the termination of the labor relations plan or the reduction proposal and confirm the costs associated with the reorganization involving the payment of the dismissal benefits, as soon as possible, to recognize the liabilities arising from the discharge of compensation for the labor relationship with the employee, which included in the current profits and losses.

4.20 Preferred shares, permanent debts and other financial instruments

In accordance with the provisions of the Financial Instruments Standards, the Company shall, in accordance with the terms of the contractual instruments of the issued financial instruments such as preferred shares and perpetual debts and the economic nature of the financial instruments, rather than the legal form or the definition of financial liabilities and equity instruments. The financial instrument or its components are classified as financial liabilities or equity instruments at the time of initial recognition.

4.20.1 Meet one of the following conditions, the financial instruments will be classified as financial liabilities

- (1) The obligation to pay cash or other financial assets to other parties;
- (2) In the potential adverse conditions, with other parties to exchange financial assets or financial liabilities of the contractual obligations;
- (3) A non-derivative contract to be settled in the future using the enterprise's own equity instrument and the enterprise will deliver a variable number of its own equity instruments under the contract;
- (4) In the future, a derivative contract for the settlement of a fixed amount of cash or other financial assets with a fixed number of own equity instruments is required, except in the case of a derivative contract.

4.20.2 At the same time meet the following conditions, the financial instruments will be classified as equity instruments

- (1) The financial instrument does not include the obligation to deliver cash or other financial assets to other parties or to exchange financial assets or financial liabilities with other parties under potential adverse conditions;
- (2) In the future, the financial instrument shall be settled or available by the company's own equity instrument, if the financial instrument is a non-derivative instrument, and does not include a contractual obligation to deliver a variable amount of its own equity instrument for settlement; in the case of derivatives, an enterprise can only settle the financial instrument by exchanging a fixed amount of cash or other financial assets with a fixed amount of its own equity instruments.

4.20.3 Accounting treatment

For the financial instruments classified as equity instruments, the interest expense or dividend distribution shall be used as the distribution of profits of the issuing enterprise, and the repurchase and cancellation of the transaction shall be deducted from the equity as the transaction of the change of the equity, the handling fee and the commission.

For financial instruments classified as financial liabilities, their interest expense or dividend distribution is, in principle, treated in accordance with the borrowing costs, and the proceeds or

losses arising from repurchase or redemption shall be included in the initial measurement of the current profits and losses, fees, commissions and other transaction costs included in the issued instruments.

4.21 Revenue

4.21.1 Specific judging standards for the timing of revenue recognition

- (1) The Company has transferred the major risks and rewards of the ownership of the goods to the purchaser;
- (2) The company neither retains the continuing management rights associated with ownership, nor does it have effective control over the goods that have been sold;
- (3) The amount of income can be measured reliably;
- (4) The relevant economic benefits are likely to flow into the enterprise;
- (5) Related to the cost of occurrence or will be able to reliably measured, to confirm the realization of sales of goods.

Where the contract or agreement price is collected in a deferred manner and is substantially of a financing nature, the amount of the sales proceeds shall be determined at the fair value of the contract or agreement price receivable.

4.21.2 Confirming the basis for the transfer of the right to use the asset

The economic benefits associated with the transaction are likely to flow into the enterprise, the amount of income can be measured reliably, according to the following different circumstances to determine the amount of the right to use the transfer of assets:

- (1) The amount of interest income shall be calculated according to the time and actual interest rate of the enterprise's monetary funds;
- (2) The amount of royalties used shall be calculated and determined according to the time and method stipulated in the relevant contract or agreement.

4.21.3 Recognition criteria for the revenue of service providing

If the results of the labor service transaction can be reliably estimated at the balance sheet date, the income percentage shall be recognized by the percentage of completion method. The progress of the completion of the labor service transaction is determined based on the measurement of the completed work.

The result of providing a labor service transaction can be reliably estimated to mean that the following conditions are met:

- (1) The amount of income can be measured reliably;
- (2) The relevant economic benefits are likely to flow into the enterprise;
- (3) The completion of the transaction can be reliably determined;
- (4) The costs incurred and incurred in the transaction can be measured reliably.

The total amount of labor services provided shall be determined in accordance with the price of

the contract or agreement received or receivable, except that the price of the contract or agreement receivable or receivable is unfair. At the balance sheet date, the total amount of labor income is determined by the completion schedule after deducting the amount of accumulated income from the previous accounting period, confirm the amount of labor income. At the same time, in accordance with the estimated total cost of labor services determined by the completion of the progress, after deducting the previous accounting period has been confirmed the amount of labor costs, carry forward the current labor costs.

If the results of the labor service transaction can not be reliably estimated at the balance sheet date, the following cases shall be dealt with separately:

- (1) If the cost of labor services incurred is expected to be compensated, the income of labor services shall be recognized in accordance with the amount of labor costs incurred and the labor costs shall be carried forward at the same amount.
- (2) If the labor costs incurred are not expected to be compensated, the cost of labor services incurred shall be recorded into the current profits and losses, and the income from providing labor services shall not be confirmed.

When the company contracts or agreements with other enterprises, including the sale of goods and the provision of labor services, part of the sale of goods and the provision of labor services can distinguish and can be measured separately, part of the sale of goods as a sales of goods processing, will provide services as part of the provision of labor services. The sale of goods and the provision of labor services can not be part of the distinction, but can distinguish but can not be measured separately, the sales of goods and the provision of labor services as part of the sale of all goods.

The company's income types include land transfer, goods sales, housing sales, leasing, construction management fees and other income. For the land transfer, according to the land ownership transfer point of time to confirm the income; Sales of goods to receive the other goods when the receipt of goods to confirm the income; Housing sales income in the signing of an irreversible sales contract, the property contract with the agreed terms of delivery, made the buyer agreed to pay the real estate sales agreement to confirm the sales revenue to achieve, whereas housing rental income in accordance with the contract agreed to confirm the income during the lease period, the park for the financial platform rental income under the contract agreed to confirm the income; For the construction side management fees, according to the contract to confirm revenue.

4.22 Government subsidy

4.22.1 Categories

Government subsidy is the monetary assets and non-monetary assets obtained by the Company from the government free of charge, but does not include the capital invested by the government

as the owner of the enterprise. According to the relevant government documents provided by the subsidy object, the government subsidies are divided into asset-related government subsidies and income-related government subsidies.

Asset-related government subsidies are government grants obtained by the Company for the acquisition, construction or otherwise formation of long-term assets. Revenue-related government grants refer to government grants other than government-related government subsidies.

4.22.2 Recognition criteria

If there is evidence at the end of the period that the company can meet the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds, the government subsidy shall be recognized according to the amount receivable. In addition, government grants are recognized when they are actually received.

If the government subsidy is monetary assets, it shall be measured according to the amount received or receivable. Where the government subsidy is a non - monetary asset, it shall be measured at the fair value. If the fair value can not be reliably obtained, it is measured at the nominal amount (RMB ¥1.00). Government grants measured in nominal terms are directly included in the current profits and losses.

4.22.3 Accounting treatment

The government subsidies related to the assets are recognized as deferred income and are included in the non-operating income according to the period of use of the assets used or purchased;

Revenue related government subsidies are used to compensate the relevant expenses or losses which will be incurred in the subsequent period of the enterprise and are recognized as deferred income and are included in current profits and losses during the period when the relevant expenses are recognized. Used to compensate for the relevant costs or losses which have already incurred by the enterprise, and are directly included in current profits and losses.

Government subsidies related to daily activities of the enterprise are included in other benefits; whereas those subsidies which unrelated to daily activities of the enterprise are included in non-operating income/expenses.

Receive government subsidies related to policy preferential loan interest subsidies to offset related borrowing costs; if the policy preferential interest rate loan provided by the loan bank is obtained, the actual borrowing amount received shall be taken as the book value of the loan, and the relevant borrowing costs shall be calculated according to the loan principal and the policy preferential interest rate.

When the confirmed government subsidy needs to be returned, the book value of the relevant assets is offset at the initial confirmation, and the book value of the asset is adjusted; if there is a related deferred income balance, the book balance of the deferred income is written off, and the excess is included in the profit or loss for the current period; if there is no related deferred income,

it is directly recognised in profit or loss.

4.23 Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are recognised based on the difference between the tax basis of assets and liabilities and their carrying amount (temporary differences). On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to recover the asset or settle the liability.

4.23.1 Recognition criteria of deferred income tax assets

The Company is likely to obtain the amount of taxable income that is used to offset deductible temporary differences and be able to carry forward the deductible losses and tax credits for subsequent years, and confirm that the deductible temporary differences as deferred tax assets. However, deferred income tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics are not recognized:

- (1) The transaction is not a business combination;
 - (2) The transaction does not affect the accounting profit nor the taxable income or deductible loss.
- For deductible temporary differences related to the investment of associates, the following deferred income tax assets are recognized when the following conditions are met:

- (1) Temporary differences are likely to turn back in the foreseeable future, and
- (2) It is likely that future taxable income will be used to offset deductible temporary differences.

4.23.2 Recognition criteria of deferred income tax liabilities

The Company shall recognize the taxable temporary difference between the current and the previous period as deferred income tax liabilities. But does not include:

- (1) The temporary difference between the initial recognition of goodwill;
- (2) Non-business combination of the formation of transactions or matters, and the transaction or event does not affect the accounting profit, nor does it affect the taxable income (or deductible loss) formed by the temporary differences;
- (3) For temporary differences in taxes payable to subsidiaries, associates, the timing of the temporary discrepancy can be controlled and the temporary difference is likely to not be reversed in the foreseeable future.

4.23.3 At the same time when the following conditions are met, the deferred income tax assets and the deferred income tax liabilities are stated in the net after offsetting each others:

- (1) The enterprise has the legal right to settle the current income tax assets and the current income tax liabilities on a net basis;
- (2) Deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection and management department on the same taxpayer or related to different taxpayers. However, in the future of each of the important deferred income tax assets and deferred income tax liabilities back to the period, the main body of the taxpayer

concerned shall settle the current income tax assets and the current income tax liabilities at the same time or collect the assets at the same time and settle the debts.

4.24 Leasing

If the lease term transfers substantially all of the risks and rewards associated with the ownership of the leased asset to the lessee, the lease is a finance lease and the other lease is an operating lease.

4.24.1 Operating leasing accounting treatment

(1) Operating lease-in assets

The lease fee paid by the company for renting assets shall be apportioned on a straight-line basis over the entire lease term without deduction of the rent-free period and included in the current expenses. The initial direct costs associated with the lease transaction paid by the company are included in the current expenses.

When the lessor of the asset bears the expenses related to the lease that should be borne by the company, the company deducts the part of the expenses from the total rent. The deducted rental expenses are apportioned during the lease term and included in the current expenses.

(2) Operating lease-out assets

The rental fee charged by the company for leasing assets is apportioned on a straight-line basis over the entire lease term without deduction of the rent-free period, and is recognized as rental income. The initial direct expenses related to the lease transaction paid by the company are included in the current expenses; if the amount is large, it is capitalized and included in the current income in the same period as the lease income is recognized throughout the lease period.

When the company assumes the lease-related expenses that should be borne by the lessee, the company deducts the part of the expenses from the total rental income, and distributes the deducted rental expenses during the lease term.

4.24.2 Financial leasing accounting treatment

(1) Financing lease-in assets

On the date of the lease start, the company regards the lower of the fair value of the leased asset and the present value of the minimum lease payment as the book value of the leased asset, and the minimum lease payment amount as the book value of the long-term payable, the difference is regarded as unconfirmed financing costs. The identification basis, valuation and depreciation method of the finance leased assets are detailed in the fixed assets of Note 4.14 Fixed assets.

The company uses the effective interest rate method to amortize the unrecognized financing expenses during the asset lease period and include them in financial expenses.

(2) Financing lease-out assets

On the lease start date, the company recognizes the difference between the sum of the unrecognized residual value and its present value as unrealized financing income, and recognizes it as rental income in each period in which the rent is received in the future. The initial direct costs incurred by the company in connection with the lease transaction are included in the initial measurement of the finance lease receivables and reduce the amount of revenue recognized during the lease term.

4.25 Significant changes in accounting policies and accounting estimates

4.25.1 Changes in accounting policies

During the reporting period, there was no change in important accounting policies.

4.25.2 Changes in accounting estimates

During the reporting period, the main accounting estimates have not changed.

4.26 Description of changes in the presentation of financial statements

On 15 June 2018, the Ministry of Finance issued the "Notice on Amending the 2018 Annual Financial Statements of General Enterprises" (Cai Kuai [2018] No.15), which revised the financial statement format of general enterprises, merged part of the balance sheet items, and split some of the income statement items. And on 7 September 2018, the "Interpretation of Issues Concerning the Format of Financial Statements for General Enterprises in 2018" was released, it is expressly required that the withholding of personal income tax fees will be reported in "other income", and the actual government subsidies received, whether related to assets or related to income, when preparing the cash flow statement, it is presented as cash flow generated from operating activities. The company has prepared financial statements in accordance with the requirements of the new corporate financial statement format, and the presentation of the financial statements has been changed. The comparative data of the comparable period has been adjusted in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements".

The impact on the presentation of items and amounts in the financial statements for comparable periods is as follows:

Item	Amount reported before 31 December 2017	Amount of influence	Amount after re-listing on 1 January 2018	Remarks
Notes receivables	2,022,343.87	-2,022,343.87		
Accounts receivable	3,715,702,117.28	-3,715,702,117.28		
Notes receivable and accounts receivable		3,717,724,461.15	3,717,724,461.15	
Notes payable	1,900,000.00	-1,900,000.00		
Accounts payable	1,429,797,224.48	-1,429,797,224.48		
Notes payable and		1,431,697,224.48	1,431,697,224.48	

Item	Amount reported before 31 December 2017	Amount of influence	Amount after re-listing on 1 January 2018	Remarks
accounts payable				
Interests payable	70,658,478.16	-70,658,478.16		
Other payables	4,072,772,718.15	70,658,478.16	4,143,431,196.31	
Long-term payables		17,500,000.00	17,500,000.00	
Special payable	17,500,000.00	-17,500,000.00		

5. TAXATION

5.1 Main taxes and tax rates

Category	Tax Base	Tax Ratio %	Remarks
VAT	Sales of goods, taxable services income and taxable services income, intangible assets or real estate	5%,6%,10%,11%,16%,17%	
Urban maintenance and construction tax	Payable turnover tax	7%	
Education surtax	Payable turnover tax	5%	
Enterprise income tax	Taxable income	25%	
Property tax	According to 70% of the original value of the property (or rental income) for the tax base	1.2%/12%	
Land holding tax	Land area	4-12RMB Yuan/Square Meter	

Note 1: According to the "Notice on Adjusting the Value-Added Tax Rate" issued by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2018] No. 32), since 1 May 2018, the Company has incurred VAT taxable sales or imported goods. The original tax rate was 17% and 11%, and the tax rates were adjusted to 16% and 10% respectively.

Description of income tax rate for different taxpayers:

Name of taxpayer	Income tax rate %
Huaxin Pharmaceutical (Hong Kong) Co., Limited. 华信药业(香港)有限公司	16.5%

6. NOTES TO MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB except for explicit annotations)

6.1 Cash and bank balance

Item	31/12/2018	31/12/2017
Cash on hand	9,024.16	21,156.61
Cash at bank	7,281,194,284.38	9,221,324,699.52
Other monetary funds	882,752,955.14	744,599,247.39
Total	8,163,956,263.68	9,965,945,103.52
Of which: the total amount of money deposited abroad	23,733,409.28	1,751,679.84

6.1.1 Details of the restricted monetary funds at the end of the period are as follows.

Item	31/12/2018	31/12/2017
Banks acceptance bill (BAB) deposit	56,646,000.00	1,900,000.00
Deposit loan	780,000,000.00	706,500,000.00
Provident fund deposit	46,106,955.14	36,199,247.39
Total	882,752,955.14	744,599,247.39

6.2 Notes receivable and accounts receivable

Item	31/12/2018	31/12/2017
Notes receivable	3,266,425.73	2,022,343.87
Accounts receivable	3,522,574,077.48	3,715,702,117.28
Total	3,525,840,503.21	3,717,724,461.15

6.2.1 Notes receivable

6.2.1.1 Classifications

Item	31/12/2018	31/12/2017
Banks acceptance bill	3,266,425.73	2,022,343.87
Total	3,266,425.73	2,022,343.87

6.2.1.2 Notes receivables that have been endorsed or discounted at the end of the period and have not yet expired on the balance sheet date

Item	Amount being terminated at the end of the period	Amount not yet being terminated at the end of the period
Banks acceptance bill	100,000,000.00	
Commercial acceptance bill	4,000,000.00	
Total	104,000,000.00	

6.2.2 Accounts receivable

6.2.2.1 Classifications

Category	31/12/2018				
	Book balance		Provision for bad debts		NBV
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Individual accounts receivable with significant amount and provision for bad debts separately	3,486,592,683.78	97.77	40,614,375.62	1.16	3,445,978,308.16
Accounts receivable with provision for bad debts according to the combination of credit risk characteristics	79,486,892.11	2.23	2,891,122.79	3.64	76,595,769.32
Individual accounts receivable with insignificant but separate provision for bad debts					
Total	3,566,079,575.89	100.00	43,505,498.41		3,522,574,077.48

Continued.

Category	31/12/2017				
	Book balance		Provision for bad debts		NBV
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Individual accounts receivable with significant amount and provision for bad debts separately	3,610,283,963.53	95.83	49,014,748.23	1.36	3,561,269,215.30
Accounts receivable with provision for bad debts according to the combination of credit risk characteristics	157,277,563.18	4.17	2,844,661.20	1.81	154,432,901.98
Individual accounts receivable with insignificant but separate provision for bad debts					
Total	3,767,561,526.71	100.00	51,859,409.43		3,715,702,117.28

6.2.2.2 Description of classifications

(1) In the combination, accounts receivable for bad debt provision by aging analysis

Aging	31/12/2018		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Within 1 year	68,911,682.87		0.00
1-2 years	6,639,450.58	663,944.82	10.00
2-3 years	1,706,558.77	341,311.84	20.00
3-4 years	188,866.98	56,660.09	30.00

Aging	31/12/2018		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
4—5 years	422,253.74	211,126.87	50.00
Above 5 years	1,618,079.17	1,618,079.17	100.00
Total	79,486,892.11	2,891,122.79	

6.2.2.3 Provision for bad debts, withdrawn or transferred back during the period

Provision for bad debts in the current period amounted to RMB ¥8,353,911.02.

6.2.2.4 Top five accounts receivable at the end of the period are as follows.

Company name	31/12/2018	Percentage of accounts receivable at the end of the period (%)	Provision for bad debts
Taizhou Pharmaceutical High-tech Industrial Park Management Committee 泰州医药高新技术产业园区管理委员会	2,642,082,964.48	74.09	
Jiangsu Run'he Real Estate Co., Ltd. 江苏润和置业有限公司	340,000,000.00	9.53	
Jiangsu San'tai Construction Engineering Co., Ltd. 江苏三泰建设工程有限公司	110,000,000.00	3.08	
Jiangsu Convac Biological Technology Co., Ltd. 江苏康淮生物科技有限公司	68,298,300.00	1.92	
Jiangsu Deng'ke Pharmaceutical Technology Co., Ltd. 江苏登科医药科技有限公司	24,000,000.00	0.67	
Total	3,184,381,264.48	89.30	

6.3 Accounts Prepayment

6.3.1 Aging analysis

Aging	31/12/2018		31/12/2017	
	Amount	proportion (%)	Amount	proportion (%)
Within 1 year	141,136,299.78	87.34	1,839,720,916.51	40.94
1—2 years	2,910,119.47	1.80	767,903,754.62	17.09
2—3 years	5,116,087.30	3.17	446,033,664.27	9.93
Above 3 years	12,431,899.74	7.69	1,439,604,742.69	32.04
Total	161,594,406.29	100.00	4,493,263,078.09	100.00

6.3.2 Reasons for accounts prepayment with important amount that have not been settled in time for more than one year.

Company name	31/12/2018	Aging	Reason
Taizhou Xin'tai Construction Development Co., Ltd. 泰州市新泰建设发展有限公司	12,431,899.74	Above 3 years	Not yet overdue
Hong Kong New Cooperative Electronic Commerce Ltd. 香港新合作电子商务有限公司	4,670,174.94	2-3 year	Not yet overdue
Nanjing Central Shopping Center (Group) Co., Ltd. 南京中央商场(集团)股份有限公司	1,338,788.16	1-2 year RMB¥926,093.3 2-3 year RMB¥412,694.86	Not yet overdue
Total	18,440,862.84		

6.3.3 Top five balances of accounts prepayment at the end of the period are as follows.

Company name	31/12/2018	Proportion of total prepayments (%)	Aging	Unsettled reason
Taizhou New District Construction Service Co., Ltd. 泰州新区建设服务有限公司	122,513,760.77	75.82	Within 1 year	Not yet overdue
Taizhou Xin'tai Construction Development Co., Ltd. 泰州市新泰建设发展有限公司	12,431,899.74	7.69	Above 3 years	Not yet overdue
Hong Kong New Cooperative E-Commerce Co., Ltd 香港新合作电子商务有限公司	4,670,174.94	2.89	2-3 year	Not yet overdue
Taizhou Medical City Property Management Co., Ltd. 泰州市医药城物业管理有限公司	3,621,476.82	2.24	Within 1 year	Not yet overdue
ADA(HK) MEDICINE TRADING LIMITED	1,969,833.49	1.22	Within 1 year	Not yet overdue
Total	145,207,145.76	89.86		

6.4 Other receivables

Item	31/12/2018	31/12/2017
Other receivables	8,033,760,924.71	3,914,954,365.17
Total	8,033,760,924.71	3,914,954,365.17

Note: The other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

6.4.1 Classifications

Category	31/12/2018				NBV
	Book balance		Provision for bad debts		
	Amount	proportion (%)	Amount	Provision ratio (%)	
Other receivables with significant individual amounts and separate provision for bad debts	7,869,728,799.86	97.91			7,869,728,799.86
Other receivables with provision for bad debts in combination with credit risk characteristics	168,106,967.36	2.09	4,074,842.51	2.42	164,032,124.85
Other receivables with no insignificant amounts but with separate provision for bad debts					
Total	8,037,835,767.22	100.00	4,074,842.51		8,033,760,924.71

Continued.

Category	31/12/2017				NBV
	Book balance		Provision for bad debts		
	Amount	proportion (%)	Amount	Provision ratio (%)	
Other receivables with significant individual amounts and separate provision for bad debts	3,904,317,669.73	99.63			3,904,317,669.73
Other receivables with provision for bad debts in combination with credit risk characteristics	14,685,410.42	0.37	4,048,714.98	27.57	10,636,695.44
Other receivables with no insignificant amounts but with separate provision for bad debts					
Total	3,919,003,080.15	100.00	4,048,714.98		3,914,954,365.17

6.4.2 Description of classifications

(1) In the combination, Other receivables for bad debt provision by aging analysis

Aging	31/12/2018		
	Other receivables	Provision for bad debts	Provision ratio (%)
Within 1 year	160,630,837.74		0.00
1—2 years	2,739,397.89	273,939.79	10.00
2—3 years	672,791.02	134,558.20	20.00
3—4 years	320,000.00	96,000.00	30.00
4—5 years	347,192.39	173,596.20	50.00
Above 5 years	3,396,748.32	3,396,748.32	100.00
Total	168,106,967.36	4,074,842.51	

6.4.3 Provision for bad debts, withdrawn or transferred back during the period.

Provision for bad debts in the current period amounted to RMB ¥26,127.53.

6.4.4 Top five balances of the other receivables at the end of the period.

Company name	Nature of payment	31/12/2018	Aging	Proportion of the balance (%)	Provision for bad debts as at 31/12/2018
Taizhou Pharmaceutical High-tech Industrial Park Management Committee 泰州医药高新技术产业园区管理委员会	Open credit	5,879,457,423.67	Within 1 year RMB ¥4,134,242,626.89; 1-2 year RMB ¥141,358,912.99; 2-3 year RMB ¥602,160,055.91; 3-4 year RMB ¥800,708,018.92; 4-5 year RMB ¥47,234,863.56; Above 5 years RMB ¥153,752,945.40	73.15	
Taizhou Hua'cheng Medical Investment Group Co., Ltd. 泰州华诚医学投资集团有限公司	Open credit	526,921,717.30	Within 1 year	6.56	
Taizhou Dong'fang Medical City Holding Group Co., Ltd. 泰州东方医药城控股集团有限公司	Open credit	452,097,130.31	Within 1 year RMB ¥399,139,223.3; 4-5 year RMB ¥3,758,413.10 元; Above 5 years RMB ¥49,199,493.91	5.62	
Jiangsu Huachuang Pharmaceutical R & D Platform Co., Ltd. 江苏华创医药研发平台有限公司	Open credit	117,149,659.91	1-2 year RMB ¥3,599,999.80; 2-3 year RMB ¥3,600,000.00; 3-4 year RMB ¥1,350,000.00; 4-5 year RMB ¥108,599,660.11	1.46	
Taizhou Puji Hospital Co., Ltd. 泰州市普济医院有限公司	Funds lending	82,574,944.21	Within 1 year RMB ¥7,249,890.82; 1-2 year RMB ¥75,325,053.39	1.03	
Total		7,058,200,875.40		87.81	

Taizhou Houxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

6.5 Inventories

6.5.1 Classifications

Item	31/12/2018			31/12/2017		
	Book balance	Provision	NBV	Book balance	Provision	NBV
Finished goods	103,141,645.42		103,141,645.42	162,083,151.05		162,083,151.05
Development costs	26,500,885,542.36		26,500,885,542.36	19,538,285,804.24		19,538,285,804.24
Development product	1,177,073,008.95		1,177,073,008.95	2,633,453,386.49		2,633,453,386.49
Total	27,781,100,196.73		27,781,100,196.73	22,333,822,341.78		22,333,822,341.78

6.5.2 Details of the pledged inventory at the end of the period are as follows

Category	Warrants No.	Book value	Start Date of Mortgage	Expiry date of Mortgage	Mortgage Bank
Land	2014 No.18398	272,187,679.80	2014.12.30	2019.12.30	China Construction Bank (Syndicate) (建设银行)
Land	2014 No.18401	338,172,572.20	2014.12.30	2019.12.30	China Construction Bank (Syndicate) (建设银行)
Land	2014 No.18402	431,416,750.83	2014.12.30	2019.12.30	China Construction Bank (Syndicate) (建设银行)
Land	2014 No.18403	64,475,818.17	2014.12.30	2019.12.30	China Construction Bank (Syndicate) (建设银行)
Land	2015 No.1494	125,804,996.20	2014.12.30	2019.12.30	China Construction Bank (Syndicate) (建设银行)
Land	2015 No.9885	348,304,717.80	2015.10.20	2019.10.19	Taiping Petrochemical Financial Leasing Co., Ltd. 太平石化
Land	2015 No.8489	223,070,018.00	2014.10.28	2039.10.27	China Development Bank Jiangsu Branch 国开行江苏分行
Land	2015 No.1504	194,875,662.00	2014.12.30	2019.12.30	China Construction Bank (Syndicate) (建设银行)
Land	2015 No.7129	50,607,410.00	2016.6.12	2021.6.11	China Everbright Bank Nanjing Branch 光大银行南京分行
Land	2015 No.16330	412,383,459.60	2016.06.12	2021.06.11	China Everbright Bank Nanjing Branch 光大银行南京分行

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
 Notes to the financial statements
 For the year ended 31 December, 2018

Category	Warrants No.	Book value	Start Date of Mortgage	Expiry date of Mortgage	Mortgage Bank
Land	SU (2016) TZBDCQ No. 0022761	120,642,253.60	2014.10.28	2039.10.27	China Development Bank Jiangsu Branch 同开行江苏省分行
Land	SU (2016) TZBDCQ No. 0022762	288,665,687.60	2016.06.12	2021.06.11	China Everbright Bank Nanjing Branch 光大银行南京分行
Land	SU (2017) TZBDCQ No. 0002253	427,098,349.37	2017.12.26	2032.11.30	Agricultural Bank of China (Syndicate) 农行 (银团)
Land	SU (2017) TZBDCQ No. 0002254	853,357,292.23	2017.12.26	2032.11.30	Agricultural Bank of China (Syndicate) 农行 (银团)
	Total	4,151,062,667.40			

6.6 Other current assets

Item	31/12/2018	31/12/2017
VAT allowance	187,220,578.88	199,632,676.83
Prepaid business tax	181,102,211.07	181,102,211.07
Prepaid city maintenance and construction tax	13,760,029.81	14,341,256.89
Prepaid education surcharge	9,828,206.99	10,243,369.17
Prepaid land value added tax	170,283,307.59	120,940,669.59
Prepaid individual income tax		40,077.93
Prepaid property tax		1,723,470.98
Prepaid deed tax		4,300,928.57
Prepaid land use right tax		1,175,877.50
Pending damage property	27,080.91	
Total	562,221,415.25	533,500,538.53

6.7 Financial assets available for sale

6.7.1 Classifications

Item	31/12/2018			31/12/2017		
	Book balance	Provision	NBV	Book balance	Provision	NBV
Available for sale of equity instruments	239,232,101.28		239,232,101.28	236,232,101.28		236,232,101.28
Measured by cost	239,232,101.28		239,232,101.28	236,232,101.28		236,232,101.28
Fund investment	1,548,880,000.00		1,548,880,000.00	1,400,000,000.00		1,400,000,000.00
Total	1,788,112,101.28		1,788,112,101.28	1,636,232,101.28		1,636,232,101.28

6.7.2 Details of equity instruments measured at cost at the end of period are as follows.

Invested entity	Shareholding Ratio (%)	31/12/2017	Book balance		
			Additions	Reductions	31/12/2018
Jiangsu Qinhebi Biotechnology Co., Ltd 江苏亲和力生物技术有限公司	10.00	1,000,000.00			1,000,000.00
Taizhou Fudan Zhangjiang Pharmaceutical Co., Ltd 泰州复旦张江药业有限公司	30.23	61,232,101.28			61,232,101.28
Taizhou Rural Commercial Bank 泰州市农村商业银行	5.00	174,000,000.00			174,000,000.00
Taizhou China Medical City Class I New Drug R&D Investment Fund Partnership Enterprise Investment Enterprise (Limited Partnership) 泰州中国医药城一类新药研发投资基金合伙企业投资企业(有限合伙)	2.00		3,000,000.00		3,000,000.00
Total		236,232,101.28	3,000,000.00		239,232,101.28

6.8 Long-term equity investments

Invested unit	31/12/2017	Additional investment	Changes in current period		
			Reduce investment	Gains and losses recognized under the equity method	Other comprehensive income adjustment
1. Associated company					
Taizhou Wan Tuo Town Reconstruction Development Co., Ltd 泰州万拓城镇改造开发有限公司	30,000,000.00			61,760.14	
Taizhou Shuangxing Construction Co., Ltd 泰州双兴建设有限公司	22,000,000.00			-11,782.98	
Taizhou Medical City State Chemical Biopharmaceutical Technology Co., Ltd 泰州医药城国科化物生物医药科技有限公司	3,033,180.78			108,634.70	
Taizhou Lianxin Construction Co. Ltd. 泰州联信建设有限公司	5,000,288.27			-1,797.48	
Total	60,033,469.05			156,814.38	

Continued.

Invested unit	Changes in current period				31/12/2018	Closing bal. of provision for impairment
	Other changes in equity	Declare a cash dividend or profit	Provision for impairment	Others		
2. Associated company						
Taizhou Wan Tuo Town Reconstruction Development Co., Ltd 泰州万拓城镇改造开发有限公司					30,061,760.14	
Taizhou Shuangxing Construction Co., Ltd 泰州双兴建设有限公司					21,988,217.02	
Taizhou Medical City State Chemical Biopharmaceutical Technology Co., Ltd 泰州医药城国科化物生物医药科技有限公司					3,141,815.48	
Taizhou Lianxin Construction Co. Ltd. 泰州联信建设有限公司					4,998,490.79	
Total					60,190,283.43	

6.9 Investment property

6.9.1 Classifications

Item	Buildings	Land use rights	Total
A. Cost			
1. 31/12/2017	4,632,134,832.92	1,471,778,796.10	6,103,913,629.02
2. Additions	738,626,481.78	826,605,460.82	1,565,231,942.60
Inventory \ fixed assets \ construction in progress transferred	738,626,481.78	826,605,460.82	1,565,231,942.60
3. Reductions	351,436.05		351,436.05
Others	351,436.05		351,436.05
4. 31/12/2018	5,370,409,878.65	2,298,384,256.92	7,668,794,135.57
B. Accumulated Dep'n/amortization			
1. 31/12/2017	693,106,390.63	231,706,897.48	924,813,288.11
2. Additions	137,558,648.58	41,245,663.05	178,804,311.63
Accrued or amortized	137,558,648.58	41,245,663.05	178,804,311.63
3. Reductions			
Others			
4. 31/12/2018	830,665,039.21	272,952,560.53	1,103,617,599.74
C. Provision for impairment			
1. 31/12/2017			
2. Additions			
Provision			
3. Reductions			
Dispose of			
4. 31/12/2018			
D. Net Book Value			
1. As at 31/12/2018	4,539,744,839.44	2,025,431,696.39	6,565,176,535.83
2. As at 31/12/2017	3,939,028,442.29	1,240,071,898.62	5,179,100,340.91

6.9.2 Details of the investment properties mortgaged at the end of the period are as follows.

Category	Warrants No.	Book value	Date of Mortgage	Date of Expiration	Mortgagee
Buildings	TFQKKEZ No. S0007711	88,179,500.87	2014.03.20	2021.10.31	Bank of China (Syndicate) 中行 (银团)
Buildings	TFQKKEZ No. S0007251	218,515,212.88	2014.03.20	2021.10.31	Bank of China (Syndicate) 中行 (银团)
Buildings	TFQKKEZ No. S0000010	139,140,575.43	2014.10.28	2039.10.27	China Development Bank Jiangsu Branch 国家开发银行江苏分行
Buildings	TFQKKEZ No. S0006704	678,621,370.47	2011.12.30	2022.12.29	China Development Bank Jiangsu Branch(Syndicate) 国家开发银行江苏省分行 (银团)
Buildings	TFQKKEZ No. S0007255	161,488,805.32	2015.12.28	2020.12.19	Bank of Jiangsu Taizhou New District Branch 江苏银行泰州新区支行
Land use right	TZGY (2007) No. 0006	24,738,480.00	2017.03.28	2023.03.27	China Development Bank Jiangsu Branch 国家开发银行江苏分行
Land use right	TZGY (2009) No. 7318	8,435,624.13	2014.10.28	2039.10.27	China Development Bank Jiangsu Branch 国家开发银行江苏分行
Land use right	TZGY (2009) No. 7319	11,179,041.33	2017.03.28	2023.03.27	China Development Bank Jiangsu Branch 国家开发银行江苏分行
Land use right	TZGY (2010) No. 14353	176,630,974.77	2011.12.30	2022.12.29	China Development Bank Jiangsu Branch(Syndicate) 国家开发银行江苏省分行 (银团)
Land use right	TZGY (2010) No. 12050	40,954,363.38	2017.03.28	2023.03.27	China Development Bank Jiangsu Branch 国家开发银行江苏分行
Land use right	TZGY (2013) No. 5955	18,557,748.00	2015.12.28	2020.12.19	Bank of Jiangsu Taizhou New District Branch 江苏银行泰州新区支行
Land use right	TZGY (2005) No. 0627-1	8,440,218.00	2015.12.28	2020.12.19	Bank of Jiangsu Taizhou New District Branch 江苏银行泰州新区支行

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Category	Warrants No.	Book value	Date of Mortgage	Date of Expiration	Mortgagee
Land and buildings	SU (2017) TZBDCQ No. 0000737	711,637,748.17	2018.2.27	2027.12.31	Bank of Communications Taizhou Branch 交通銀行泰州分行
Land and buildings	SU (2016) TZBDCQ No. 0064091	848,883,355.16	2018.6.21 2018.11.13	2021.9.21 2019.11.13	China Minsheng Bank Taizhou Branch 民生銀行泰州分行
Total		3,135,403,017.91			

6.10 Fixed assets

Item	31/12/2018	31/12/2017
Fixed assets	18,578,620.18	717,240,655.93
Total	18,578,620.18	717,240,655.93

Note: The fixed assets in the above table refer to the fixed assets after deducting the "Disposal of fixed assets".

6.10.1 Fixed assets

6.10.1.1 Classifications

Item	Buildings	Infrastructure	Mechanical equipment	Transportation equipment	Electronic equipment	Others	Total
A. Costs							
1. Balance as at 31/12/2017	14,324,600.00	692,790,510.81	25,454,942.78	7,988,209.94	7,749,198.14	10,754,577.41	759,062,039.08

Taizhou Huanxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Item	Buildings	Infrastructure	Mechanical equipment	Transportation equipment	Electronic equipment	Others	Total
2. Additions			23,418.80	253,210.34	1,617,545.12	387,301.87	2,281,476.13
Purchasing			23,418.80	253,210.34	1,617,545.12	369,975.87	2,264,150.13
Transferred from construction in progress						17,326.00	17,326.00
Others						55,309.00	701,246,150.55
3. Reductions		692,790,510.81	2,970,037.74	4,260,762.00	1,169,531.00		
Disposed of or scrapped				4,243,436.00	1,044,562.00		5,287,998.00
Others		692,790,510.81	2,970,037.74	17,326.00	124,969.00	55,309.00	695,958,152.55
4. Balance as at 31/12/2018	14,324,600.00		22,508,323.84	3,980,658.28	8,197,212.26	11,086,570.28	60,097,364.66
B. Accumulated depreciation							
1. Balance as at 31/12/2017	8,691,160.85		15,172,584.82	6,736,627.05	5,040,718.99	6,180,291.44	41,821,383.15
2. Additions	694,800.36		1,766,054.02	70,717.95	741,942.98	1,220,140.78	4,493,656.09
Provision	694,800.36		1,764,225.17	70,717.95	741,942.98	1,220,140.78	4,491,827.24
Others			1,828.85				1,828.85
3. Reductions			523,539.20	3,127,655.16	1,092,556.85	52,543.55	4,796,294.76
Disposed of or scrapped				3,125,826.31	990,910.41		4,116,736.72
Others			523,539.20	1,828.85	101,646.44	52,543.55	679,558.04
4. Balance as at 31/12/2018	9,385,961.21		16,415,099.64	3,679,689.84	4,690,105.12	7,347,888.67	41,518,744.48
C. Provision for impairment							
1. Balance as at 31/12/2017							
2. Additions							
Provision							

Taizhou Huarin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Item	Buildings	Infrastructure	Mechanical equipment	Transportation equipment	Electronic equipment	Others	Total
3. Reductions							
Disposed of or scrapped							
4. Balance as at 31/12/2018							
D.Net Book Value							
1. As at 31/12/2018	4,938,638.79		6,093,224.20	300,968.44	3,507,107.14	3,738,681.61	18,578,620.18
2. As at 31/12/2017	5,633,439.15	692,790,510.81	10,282,357.96	1,251,582.89	2,708,479.15	4,574,285.97	717,240,655.93

6.11 Construction in progress

Item	31/12/2018	31/12/2017
Construction in progress	3,303,478,818.42	4,694,859,585.72
Total	3,303,478,818.42	4,694,859,585.72

Note: The construction in progress in the above table refers to the construction in progress after deducting the construction materials.

6.11.1 Construction in progress

6.11.1.1 Classifications

Item	31/12/2018		31/12/2017	
	Book value	Provisions	Book value	Provisions
Sixth plant 六期厂房	164,191,863.93		17,105,157.57	
Medical City Industrial Neighborhood Center 医药城工业邻里中心	534,921,975.81		22,157,104.26	
CMC project	597,005,020.37		764,193,434.40	
				NBV
				17,105,157.57
				22,157,104.26
				764,193,434.40

Taizhou Huixin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Item	31/12/2018			31/12/2017		
	Book value	Provisions	NBV	Book value	Provisions	NBV
Exhibition Center Phase II 会展中心二期	1,180,969,319.30		1,180,969,319.30	1,137,157,964.34		1,137,157,964.34
Kangju community 康居社区				1,528,755,623.74		1,528,755,623.74
Resettlement housing situated at east side of Kanghe School 康和学校东侧安置房				304,712,042.70		304,712,042.70
Taizhou No.1 Foreign Language School 泰州市第一外国语学校				171,658,091.06		171,658,091.06
Others	826,390,639.01		826,390,639.01	749,120,167.65		749,120,167.65
Total	3,303,478,818.42		3,303,478,818.42	4,694,859,585.72		4,694,859,585.72

6.11.1.2 Significant changes in current projects under construction

Project name	31/12/2017	Additions	Transferred to investment properties	Other Reductions	31/12/2018
Sixth plant 六期厂房	17,105,157.57	147,086,706.36			164,191,863.93
Medical City Industrial Neighborhood Center 医药城工业邻里中心	22,157,104.26	512,764,871.55			534,921,975.81
CMC project	764,193,434.40	30,195,766.37	197,384,180.40		597,005,020.37
Kangju community 康居社区	1,528,755,623.74	173,324,994.97		1,702,080,618.71	
Resettlement housing situated at east side of Kanghe School 康和学校东侧安置房	304,712,042.70	177,956,861.88		482,668,904.58	
Taizhou No.1 Foreign Language School 泰州市第一外国语学校	171,658,091.06	26,657,902.17	198,315,993.23		
Exhibition Center Phase II 会展中心二期	1,137,157,964.34	43,811,354.96			1,180,969,319.30
Total	3,945,739,418.07	1,111,798,458.26	395,700,173.63	2,184,749,523.29	2,477,088,179.41

Taizhou Huixin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Continued.

Project name	Budget (RMB Yuan)	Project investment accounted for the proportion of the budget (%)	Project progress (%)	Accumulated interest capitalization	Incl. Capitalization of interest in current period	Interest rate of capitalization in this period (%)	Sources of funds
Sixth plant 六期厂房	74,530.41	22.03	4.00	89,551,973.59	85,179,404.14	57.91	Self-financing and loans
Medical City Industrial Neighborhood Center 医药城工业邻里中心	44,641.00	119.83	90.00	115,812,822.97	110,796,071.45	21.61	Self-financing and loans
CMC project	70,126.80	85.13	98.00	201,303,575.42	29,180,725.01	96.64	Self-financing and loans
Kangju community 康居社区	153,810.00	110.66	96.00	114,962,691.83	46,053,895.10	26.57	Self-financing and loans
Resettlement housing situated at east side of Kanghe School 康和学校东侧安置房	57,600.00	83.80	85.00	50,549,678.58	42,898,900.83	24.11	Self-financing and loans
Taizhou No.1 Foreign Language School 泰州市第一外国语学校	41,255.00	48.07	44.00	13,715,183.33	13,133,308.33	49.27	Self-financing and loans
Exhibition Center Phase II 会展中心二期	100,000.00	118.10	42.00	179,668,567.66	25,371,600.21	57.91	Self-financing and loans
Total				765,564,493.38	352,613,905.07		

6.12 Intangible assets

6.12.1 Classifications

Item	Land use rights	Software	Total
A. Costs			
1. Balance as at 31/12/2017	5,802,374,366.20	976,669.24	5,803,351,035.44
2. Additions		472,243.08	472,243.08
Purchasing		472,243.08	472,243.08
3. Reductions	1,578,719,863.80		1,578,719,863.80
Others	1,578,719,863.80		1,578,719,863.80
4. Balance as at 31/12/2018	4,223,654,502.40	1,448,912.32	4,225,103,414.72
B. Amortization			
1. Balance as at 31/12/2017	415,417,445.69	555,568.55	415,973,014.24
2. Additions	203,076,123.78	178,273.60	203,254,397.38
Provision	203,076,123.78	178,273.60	203,254,397.38
3. Reductions	98,513,316.20		98,513,316.20
Others	98,513,316.20		98,513,316.20
4. Balance as at 31/12/2018	519,980,253.27	733,842.15	520,714,095.42
C. Provision for impairment			
1. Balance as at 31/12/2017			
2. Additions			
Provision			
3. Reductions			
Others			
4. Balance as at 31/12/2018			
D. Net Book Value			
1. As at 31/12/2018	3,703,674,249.13	715,070.17	3,704,389,319.30
2. As at 31/12/2017	5,386,956,920.51	421,100.69	5,387,378,021.20

6.12.2 Details of intangible assets mortgaged at the end of the period are as follows.

Category	Warrants No.	Book value	Date of Mortgage	Date of Expiration	Mortgagee
Land use right	TZGY (2009) No.7306	517,509,954.00	2011.12.30	2022.12.29	China Development Bank Jiangsu Branch (Syndicate) 国家开发银行江苏省分行 (银团)
Land use right	TZGY (2012) No.15525	285,604,278.67	2017.03.28	2023.03.27	China Development Bank Jiangsu Branch 国家开发银行江苏省分行

Category	Warrants No.	Book value	Date of Mortgage	Date of Expiration	Mortgagee
Land use right	TZGY (2012) No.15534	95,913,920.67	2017.03.28	2023.03.27	China Development Bank Jiangsu Branch 国家开发银行江苏省分行
Land use right	TZGY (2012) No.15551	347,352,002.00	2017.03.28	2023.03.27	China Development Bank Jiangsu Branch 国家开发银行江苏省分行
Land use right	TZGY(2014)No.98	208,775,188.44	2014.01.09	2021.10.31	Bank of China (Syndicate) 中行(银团)
Land use right	TZGY (2014) No.13244	122,437,692.22	2013.3.28	2023.3.27	China Development Bank Jiangsu Branch 国家开发银行江苏省分行
Land use right	TZGY (2013) No.17917	289,424,707.84	2018.6.12	2020.6.11	Bank of Dalian Shanghai Branch 大连银行上海分行
Land use right	TZGY (2013) No.17915	45,616,443.31	2015.12.28	2020.12.19	Bank of Jiangsu Taizhou New District Branch 江苏银行泰州新区支行
Total		1,912,634,187.15			

6.13 Long-term deferred expenses

Item	12/31/2017	Additions	Amortisations	Other reductions	12/31/2018
Decoration service fee	159,654.81	610,843.85	117,124.78		653,373.88
Engineering funds	1,947,885.37	2,411,646.78	553,084.66		3,806,447.49
Total	2,107,540.18	3,022,490.63	670,209.44		4,459,821.37

6.14 Deferred income tax assets

6.14.1 Deferred income tax assets without offset

Item	31/12/2018		31/12/2017	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Impairment of assets	47,550,879.08	11,887,719.77	55,898,453.41	13,974,613.35
Deductible losses	165,600,225.31	41,400,056.33	210,391,432.71	52,597,858.19
Total	213,151,104.39	53,287,776.10	266,289,886.12	66,572,471.54

6.15 Other non-current assets

Category and content	31/12/2018	31/12/2017
Prepayments for the projects	140,338,988.48	210,501,884.80
Asset management plan	300,000,000.00	300,000,000.00
Prepaid taxes	9,030,065.07	

Category and content	31/12/2018	31/12/2017
Land income right	2,024,156,257.06	
Commercial factoring borrowing		400,000,000.00
Total	2,473,525,310.61	910,501,884.80

6.16 Short-term borrowings

6.16.1 Classifications

Item	31/12/2018	31/12/2017
Mortgage loan	564,122,123.77	
Guaranteed borrowing	1,425,990,000.00	825,000,000.00
Credit loan		200,000,000.00
Commercial acceptance bill	4,000,000.00	100,000,000.00
Bank acceptance bill	100,000,000.00	
Total	2,094,112,123.77	1,125,000,000.00

6.17 Notes payable and accounts payable

Item	31/12/2018	31/12/2017
Notes payable	307,646,000.00	1,900,000.00
Accounts payable	1,787,291,274.83	1,429,797,224.48
Total	2,094,937,274.83	1,431,697,224.48

6.17.1 Notes payable

Category	31/12/2018	31/12/2017
Bank acceptance bill	202,646,000.00	1,900,000.00
Commercial acceptance bill	105,000,000.00	
Total	307,646,000.00	1,900,000.00

6.17.2 Accounts payable

Item	31/12/2018	31/12/2017
Materials payable	235,847,542.33	468,524,426.57
Project payable	1,551,443,732.50	961,272,797.91
Total	1,787,291,274.83	1,429,797,224.48

6.18 Accounts received in advance

6.18.1 Classifications

Item	31/12/2018	31/12/2017
Advance receipts – rental income	16,223,716.47	12,322,395.27
Advance receipts - sale of real estate	328,685,811.00	242,119,646.00

Item	31/12/2018	31/12/2017
Advance receipts- sale of goods	3,245,541.50	10,005,484.28
Advance receipts - engineering project	86,815,630.00	41,553,075.00
Total	434,970,698.97	306,000,600.55

6.19 Accrued payroll

6.19.1 Classifications

Item	12/31/2017	Additions	Reductions	12/31/2018
Short-term remunerations	1,207,059.64	33,937,839.44	35,028,899.08	116,000.00
Post-employment benefits		3,053,704.35	3,053,704.35	
Total	1,207,059.64	36,991,543.79	38,082,603.43	116,000.00

6.19.2 Details of short-term remunerations

Item	12/31/2017	Additions	Reductions	12/31/2018
Salaries, bonuses, allowances and subsidies	1,204,534.00	28,855,963.57	29,944,497.57	116,000.00
Employee benefits		1,320,316.73	1,320,316.73	
Social security fee		1,627,600.71	1,627,600.71	
Incl. Basic medical insurance		1,500,458.35	1,500,458.35	
Supplementary medical insurance		63,192.50	63,192.50	
Work injury insurance		61,711.88	61,711.88	
Maternity insurance		2,237.98	2,237.98	
Housing fund		1,691,171.25	1,691,171.25	
Trade union funds and staff education funding	2,525.64	442,787.18	445,312.82	
Total	1,207,059.64	33,937,839.44	35,028,899.08	116,000.00

6.19.3 Details of post-employment benefits

Item	12/31/2017	Additions	Reductions	12/31/2018
Basic retirement insurance		2,980,634.23	2,980,634.23	
Unemployment insurance		73,070.12	73,070.12	
Total		3,053,704.35	3,053,704.35	

6.20 Taxes payable

Tax item	12/31/2018	12/31/2017
VAT	3,920,824.61	4,718,767.62
Enterprise income tax	138,590,141.12	181,039,942.47
Individual income Tax	18,491.27	4,855.55
Urban maintenance and construction tax	981,133.19	1,233,965.44

Tax item	12/31/2018	12/31/2017
Property tax	22,455,608.32	5,569,265.71
Land holding tax	4,382,843.92	1,102,534.23
Education surtax	704,741.47	881,403.88
Stamp tax	1,484,606.25	457,434.17
Total	172,538,390.15	195,008,169.07

6.21 Other payables

Item	12/31/2018	12/31/2017
Interests payable	129,128,241.96	70,658,478.16
Other payables	5,851,693,212.09	4,072,772,718.15
Total	5,980,821,454.05	4,143,431,196.31

Note: Other payables in the above table refer to other payables after deducting interest payable and dividends payable.

6.21.1 Interests payable

Item	12/31/2018	12/31/2017
Term interest on long-term borrowings due in installments	30,203,154.72	70,658,478.16
Bond interests	98,925,087.24	
Total	129,128,241.96	70,658,478.16

6.21.2 Other payables

6.21.2.1 Other payables classified by nature

Nature of payment	12/31/2018	12/31/2017
Open credit	794,509,208.87	362,688,753.91
Deposit	402,453,702.03	144,195,358.67
Borrowings	4,572,420,672.45	3,216,031,370.70
Others (Spare money, social security and etc.)	82,309,628.74	349,857,234.87
Total	5,851,693,212.09	4,072,772,718.15

6.21.2.2 Important other payables aged over one year

Company name	31/12/2018	Reasons of outstanding or carry forward
Taizhou Jianye Investment & Construction Group Co., Ltd 泰州市建业投资建设集团有限公司	3,572,340,000.00	Shed reform project loan and performance bond
Taizhou Xintai Group Co., Ltd. 泰州鑫泰集团有限公司	43,336,293.00	Money lending
Taizhou Wantai Materials Trading Company 泰州万泰物资商贸有限公司	36,743,221.96	Money lending
Total	3,652,419,514.96	

6.22 Non-current liabilities due within one year

Item	12/31/2018	12/31/2017
Long-term borrowings due within one year	3,691,724,564.96	5,157,863,563.62
Long-term bonds payable due within one year	2,884,474,922.55	6,389,149,466.16
Total	6,576,199,487.51	11,547,013,029.78

6.23 Other current liabilities

Item	12/31/2018	12/31/2017
Short-term bonds payable	1,500,000,000.00	
Accrued interest	61,830,000.00	
Total	1,561,830,000.00	

6.23.1 Changes in short-term bonds payable

Name of bond	Face value	Date of issue	Bond term	Issue amount	12/31/2017
18 Tai Hua Xin SCP001	600,000,000.00	2018/8/16	270 days	600,000,000.00	
18 泰华信 SCP001					
18 Tai Hua Xin SCP002	300,000,000.00	2018/8/21	270 days	300,000,000.00	
18 泰华信 SCP002					
18 Tai Hua Xin SCP002	600,000,000.00	2018/8/31	270 days	600,000,000.00	
18 泰华信 SCP003					
Total	1,500,000,000.00			1,500,000,000.00	

Continued.

Name of bond	Issued during the current period	Calculate interest at face value	Premium/discount amortization	Repayment in the current period	12/31/2018
18 Tai Hua Xin SCP001	600,000,000.00	26,100,000.00			626,100,000.00
18 泰华信 SCP001					
18 Tai Hua Xin SCP002	300,000,000.00	11,925,000.00			311,925,000.00
18 泰华信 SCP002					
18 Tai Hua Xin SCP002	600,000,000.00	23,805,000.00			623,805,000.00
18 泰华信 SCP003					
Total	1,500,000,000.00	61,830,000.00			1,561,830,000.00

6.24 Long-term borrowings

Category	12/31/2018	12/31/2017
Pledged loan	125,000,000.00	225,000,000.00
Mortgage loan	2,428,700,000.00	2,928,440,000.00
Guaranteed borrowings	7,006,037,023.29	5,491,900,000.00
Credit loan	2,870,000,000.00	2,480,000,000.00

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Category	12/31/2018	12/31/2017
Mortgage plus guaranteed loan	533,946,389.09	695,506,037.89
Total	12,963,677,023.29	11,820,846,037.89

6.25 Bonds payable

6.25.1 Classifications

Item	12/31/2018	12/31/2017
Other bonds payable	10,302,262,841.82	15,576,905,489.06
Less: Bond payable due within 1 year	2,884,474,922.55	5,605,045,466.16
Total	7,417,787,919.27	9,971,860,022.90

6.25.2 Changes in bonds payable (Excluding other financial instruments, such as preferred shares divided into financial liabilities, permanent debts and other financial instruments)

Name of bond	Face value	Date of issue	Bond term	Issue amount	Transfer to	
					non-current liabilities due within one year	12/31/2017
11 Tai medical high debt 11 泰医高债	1,600,000,000.00	2011/4/26	7 year	1,600,000,000.00	1,658,766,937.27	
15 Tai Hua Xin PPN001 15 泰华信 PPN001	200,000,000.00	2015/4/13	3 year	200,000,000.00	193,437,235.27	
15 Hua Xin 01 15 华信 01	1,000,000,000.00	2015/9/17	5 year	1,000,000,000.00		1,018,772,701.93
15 Hua Xin 02 15 华信 02	1,000,000,000.00	2015/9/24	5 year	1,000,000,000.00		998,177,012.50
The third batch of government replacement bonds of Jiangsu Province for the Year 2015 2015 年江苏省第三批政府置换债券	100,000,000.00	2015/11/6	7 year	100,000,000.00		101,313,210.81
New local government bonds in 2015 2015 年新发地方政府债券	350,000,000.00	2015/9/11	5 year	350,000,000.00		326,107,438.55
The third installment of local government replacement bonds of Jiangsu province (three years) for the Year 2015 2015 年江苏省第三批地方政府置换债券(三年期)	138,720,000.00	2015/11/6	3 year	138,720,000.00	129,550,240.34	
The third installment of local government replacement bonds of Jiangsu province (five years) for the Year 2015 2015 年江苏省第三批地方政府置换债券(五年期)	208,080,000.00	2015/11/6	5 year	208,080,000.00		208,048,912.47
The third installment of local government replacement bonds of Jiangsu province (seven years) for the Year 2015 2015 年江苏省第三批地方政府置换债券(七年期)	208,080,000.00	2015/11/6	7 year	208,080,000.00		208,000,811.78

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
 Notes to the financial statements
 For the year ended 31 December, 2018

Name of bond	Face value	Date of issue	Bond term	Issue amount	Transfer to	
					non-current liabilities	due within one year
					12/31/2017	
The third installment of local government replacement bonds of Jiangsu province (ten years) for the Year 2015 2015年江苏省第三批地方政府置换债券(十年期)	138,720,000.00	2015/11/6	10 year	138,720,000.00	138,720,000.00	
16 Hua Xin Pharmaceutical No. 01 16 华信药业 01	500,000,000.00	2016/1/19	3 year	500,000,000.00	524,036,729.89	
16 Tai Hua Xin PPN001 16 泰华信 PPN001	500,000,000.00	2016/3/4	3 year	500,000,000.00	514,099,490.65	
16 Tai Hua Xin PPN002 16 泰华信 PPN002	500,000,000.00	2016/7/1	3 year	500,000,000.00	511,241,361.06	
2016 Government Treasury Bonds (three-year) 2016 年政府转贷债券(三年期)	30,000,000.00	2016/6/14	3 year	30,000,000.00	29,990,533.56	
2016 Government Treasury Bonds (five-year) 2016 年政府转贷债券(五年期)	45,000,000.00	2016/6/14	5 year	45,000,000.00	44,984,857.19	
2016 Government Treasury Bonds (seven-year) 2016 年政府转贷债券(七年期)	45,000,000.00	2016/6/14	7 year	45,000,000.00	44,983,494.86	
2016 Government Treasury Bonds (ten-year) 2016 年政府转贷债券(十年期)	30,000,000.00	2016/6/14	10 year	30,000,000.00	30,467,198.63	
16 Hua Xin Pharmaceutical 02 16 华信药业 02	300,000,000.00	2016/8/4	2 year	300,000,000.00	304,847,135.47	
16 Tai Gao 01 16 泰高 01	1,000,000,000.00	2016/8/26	3+2 year	1,000,000,000.00	1,013,716,154.61	
2016 No.003 Government Treasury Bonds (three-year) 2016 年 003 号政府转贷债券(三年期)	24,000,000.00	2016/4/28	3 year	24,000,000.00	23,999,529.86	
2016 No.004 Government Treasury Bonds (five-year) 2016 年 004 号政府转贷债券(五年期)	36,000,000.00	2016/4/28	5 year	36,000,000.00	35,999,230.68	

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Name of bond	Face value	Date of issue	Bond term	Issue amount	Transfer to non-current liabilities due within one year	12/31/2017
2016 No.005 Government Treasury Bonds (ten-year) 2016年005号政府转贷债券(十年期)	24,000,000.00	2016/4/28	10 year	24,000,000.00		23,315,963.01
2016 No.005 Government Treasury Bonds (seven-year) 2016年005号政府转贷债券(七年期)	36,000,000.00	2016/4/28	7 year	36,000,000.00		37,080,907.40
The fourth installment of local government replacement bonds of Jiangsu provinces (three-year) for the Year 2016 2016年江苏省第四批政府置换债券(三年期)	160,000,000.00	2016/10/11	3 year	160,000,000.00		159,134,684.93
The fourth installment of local government replacement bonds of Jiangsu provinces (five-year) for the Year 2016 2016年江苏省第四批政府置换债券(五年期)	240,000,000.00	2016/10/11	5 year	240,000,000.00		238,620,904.11
The fourth installment of local government replacement bonds of Jiangsu provinces (seven-year) for the Year 2016 2016年江苏省第四批政府置换债券(七年期)	240,000,000.00	2016/10/11	7 year	240,000,000.00		238,751,497.12
The fourth installment of local government replacement bonds of Jiangsu provinces (ten-year) for the Year 2016 2016年江苏省第四批政府置换债券(十年期)	160,000,000.00	2016/10/11	10 year	160,000,000.00		159,022,915.07
The first installment of local government replacement bonds of Jiangsu provinces (three-year) for the Year 2017 2017年江苏省第一批政府置换债券(三年期)	250,000,000.00	2017/4/10	3 year	250,000,000.00		250,000,000.00
The first installment of local government replacement bonds of Jiangsu provinces (seven-year) for the Year 2017 2017年江苏省第一批政府置换债券(七年期)	250,000,000.00	2017/4/10	7 year	250,000,000.00		250,000,000.00
The second installment of local government replacement bonds of Jiangsu provinces (three-year) for the Year 2017 2017年江苏省第二批政府置换债券(三年期)	37,500,000.00	2017/7/12	3 year	37,500,000.00		37,500,000.00
The second installment of local government replacement bonds of Jiangsu provinces (five-year) for the Year 2017 2017年江苏省第二批政府置换债券(五年期)	37,500,000.00	2017/7/12	5 year	37,500,000.00		37,500,000.00
The second installment of local government replacement bonds of Jiangsu provinces (seven-year) for the Year 2017 2017年江苏省第二批政府置换债券(七年期)	37,500,000.00	2017/7/12	7 year	37,500,000.00		37,500,000.00

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Name of bond	Face value	Date of issue	Bond term	Issue amount	Transfer to	
					non-current liabilities due within one year	12/31/2017
The second installment of local government replacement bonds of Jiangsu province (ten-year) for the Year 2017 2017年江苏省第二批政府债券(十年期)	37,500,000.00	2017/7/12	10 year	37,500,000.00		37,500,000.00
2017 Jiangsu Province Directed Underwriting Bonds (five-year) 2017年江苏省定向承销债券(五年期)	18,000,000.00	2017/5/16	5 year	18,000,000.00		18,000,000.00
2017 Jiangsu Province Directed Underwriting Bonds (ten-year) 2017年江苏省定向承销债券(十年期)	18,000,000.00	2017/5/16	10 year	18,000,000.00		18,000,000.00
17 Tai Hua Xin SCP001 17泰华信 SCP001	1,200,000,000.00	2017/8/25	270 天	1,200,000,000.00	1,222,366,684.93	
17 Tai Hua Xin SCP002 17泰华信 SCP002	300,000,000.00	2017/8/28	270 天	300,000,000.00	305,260,931.51	
17 Tai Hua Xin PPN001 17泰华信 PPN001	500,000,000.00	2017/4/19	3+2 year	500,000,000.00		520,538,450.64
17 Tai Hua Xin PPN002 17泰华信 PPN002	1,000,000,000.00	2017/7/21	1 year	1,000,000,000.00	1,027,241,095.89	
17 Taizhou Huaxin 01 17泰州华信 01	300,000,000.00	2017/9/8	2 year	300,000,000.00		301,375,628.15
17 Tai Hua Xin CP001 17泰华信 CP001	750,000,000.00	2017/9/1	1 year	750,000,000.00	763,575,205.48	
17 Hua Xin 01 17华信 01	1,020,000,000.00	2017/11/21	3+2 year	1,020,000,000.00		1,027,224,537.98
18 Tai Hua Xin PPN001 18泰华信 PPN001		2018/4/2	3+2 year			
18 Tai Tou 01 18泰投 01		2018/4/27	3+2 year			

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Name of bond	Face value	Date of issue	Bond term	Issue amount	Transfer to non-current liabilities due within one year	12/31/2017
18 Taizhou Huaxin 01 18 泰州华信 01		2018/8/10	2 year			
The second installment of local government replacement bonds of Jiangsu province (three-year) for the Year 2018 2018 年第二批江苏省政府债券 (三年期)		2018/5/21	3 year			
The second installment of local government replacement bonds of Jiangsu province (seven-year) for the Year 2018 2018 年第二批江苏省政府债券 (七年期)		2018/5/21	7 year			
2014 Taizhou Pharmaceutical PRN001 2014 泰州医药 PRN001	300,000,000.00	2014/12/30	10 year	300,000,000.00		298,401,900.00
2015 Taizhou Pharmaceutical PRN001 2015 泰州医药 PRN001	500,000,000.00	2015/5/28	5 year	500,000,000.00		509,780,344.18
\$150 million in US dollar bonds	1,029,480,000.00	2018/3/15	3 year	1,029,480,000.00		
\$56 million in US dollar bonds	384,339,200.00	2018/3/29	3 year	384,339,200.00		
Total	16,783,419,200.00			16,783,419,200.00	5,605,045,466.16	9,971,860,022.90

Continued.

Name of bond	Issued during the current period	Calculate interest at face value	Premium/discou nt amortization	Repayment in the current period	Transfer to capital reserve in the current period	Transfer to non-current liabilities due within one year	12/31/2018
11 Tai medical high debt 11 泰医高债		111,360,000.00	-76,537,462.98	1,582,229,474.29			

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Name of bond	Issued during the current period	Calculate interest at face value	Premium/discount amortization	Repayment in the current period	Transfer to capital reserve in the current period	Transfer to non-current liabilities due within one year	12/31/2018
15 Tai Hua Xin PPN001 15 泰华信 PPN001		14,600,000.00	-10,249,361.50	183,187,873.77			
15 Hua Xin 01 15 华信 01		69,000,000.00	15,158,615.65				1,033,931,317.58
15 Hua Xin 02 15 华信 02		67,000,000.00	34,077,130.80				1,032,254,143.30
The third batch of government replacement bonds of Jiangsu Province for the Year 2015 2015 年江苏省第三批政府置换债券			-1,313,210.81		100,000,000.00		
New local government bonds in 2015 2015 年新增加地方政府债券			23,892,561.45		350,000,000.00		
The third installment of local government replacement bonds of Jiangsu province (three years) for the Year 2015 2015 年江苏省第三批地方政府置换债券 (三年期)			9,169,759.66		138,720,000.00		
The third installment of local government replacement bonds of Jiangsu province (five years) for the Year 2015 2015 年江苏省第三批地方政府置换债券 (五年期)			31,087.53		208,080,000.00		
The third installment of local government replacement bonds of Jiangsu province (seven years) for the Year 2015 2015 年江苏省第三批地方政府置换债券 (七年期)			79,188.22		208,080,000.00		

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Name of bond	Issued during the current period	Calculates interest at face value	Premium/discount amortization	Repayment in the current period	Transfer to capital reserve in the current period	Transfer to non-current liabilities due within one year	12/31/2018
The third installment of local government replacement bonds of Jiangsu province (ten years) for the Year 2015							
2015年江苏省第三批地方政府置换债券(十年期)			46,378.72		138,720,000.00		
16 Hua Xin Pharmaceutical No. 01 16 华信药业 01		23,000,000.00	4,516,283.91			528,553,013.80	
16 Tai Hua Xin PPN001 16 泰华信 PPN001		22,500,000.00	6,075,729.55			520,175,220.20	
16 Tai Hua Xin PPN002 16 泰华信 PPN002		22,500,000.00	1,538,349.24			512,779,710.30	
2016 Government Treasury Bonds (three-year)							
2016年政府转贷债券(三年期)			9,466.44		30,000,000.00		
2016 Government Treasury Bonds (five-year)							
2016年政府转贷债券(五年期)			15,142.81		45,000,000.00		
2016 Government Treasury Bonds (seven-year)							
2016年政府转贷债券(七年期)			16,505.14		45,000,000.00		
2016 Government Treasury Bonds (ten-year)							
2016年政府转贷债券(十年期)			-167,198.63		30,000,000.00		
16 Hua Xing Pharmaceutical 02 16 华信药业 02			447,801.56	305,294,937.03			
16 Tai Gao 01 16 泰高 01		40,000,000.00	3,071,681.37			1,016,787,835.98	

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Name of bond	Issued during the current period	Calculate interest at face value	Premium/discount amortization	Repayment in the current period	Transfer to capital reserve in the current period	Transfer to non-current liabilities due within one year
2016 No.003 Government Treasury Bonds (three-year)			470.14		24,000,000.00	12/31/2018
2016年003号政府转贷债券(三年期)						
2016 No.004 Government Treasury Bonds (five-year)			769.32		36,000,000.00	
2016年004号政府转贷债券(五年期)						
2016 No.005 Government Treasury Bonds (ten-year)			684,036.99		24,000,000.00	
2016年005号政府转贷债券(十年期)						
2016 No.005 Government Treasury Bonds (seven-year)			-1,080,907.40		36,000,000.00	
2016年005号政府转贷债券(七年期)						
The fourth installment of local government replacement bonds of Jiangsu province (three-year) for the Year 2016			865,315.07		160,000,000.00	
2016年江苏省第四批政府置换债券(三年期)						
The fourth installment of local government replacement bonds of Jiangsu province (five-year) for the Year 2016			1,379,095.89		240,000,000.00	
2016年江苏省第四批政府置换债券(五年期)						
The fourth installment of local government replacement bonds of Jiangsu province (seven-year) for the Year 2016			1,248,502.88		240,000,000.00	
2016年江苏省第四批政府置换债券(七年期)						

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Name of bond	Issued during the current period	Calculate interest at face value	Premium/discount amortization	Repayment in the current period	Transfer to capital reserve in the current period	Transfer to non-current liabilities due within one year	12/31/2018
The fourth installment of local government replacement bonds of Jiangsu province (ten-year) for the Year 2016 2016年江苏省第四批政府置换债券(十年期)			977,084.93		160,000,000.00		
The first installment of local government replacement bonds of Jiangsu province (three-year) for the Year 2017 2017年江苏省第一批政府置换债券(三年期)					250,000,000.00		
The first installment of local government replacement bonds of Jiangsu province (seven-year) for the Year 2017 2017年江苏省第一批政府置换债券(七年期)					250,000,000.00		
The second installment of local government replacement bonds of Jiangsu province (three-year) for the Year 2017 2017年江苏省第二批政府债券(三年期)					37,500,000.00		
The second installment of local government replacement bonds of Jiangsu province (five-year) for the Year 2017 2017年江苏省第二批政府债券(五年期)					37,500,000.00		
The second installment of local government replacement bonds of Jiangsu province (seven-year) for the Year 2017 2017年江苏省第二批政府债券(七年期)					37,500,000.00		

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Name of bond	Issued during the current period	Calculate interest at face value	Premium/discount amortization	Repayment in the current period	Transfer to capital reserve in the current period	Transfer to non-current liabilities due within one year	12/31/2018
The second installment of local government replacement bonds of Jiangsu province (ten-year) for the Year 2017 2017年江苏省第二批政府债券(十年期)					37,500,000.00		
2017 Jiangsu Province Directed Underwriting Bonds (five-year) 2017年江苏省定向承销债券(五年期)					18,000,000.00		
2017 Jiangsu Province Directed Underwriting Bonds (ten-year) 2017年江苏省定向承销债券(十年期)					18,000,000.00		
17 Tai Hua Xin SCP001 17 泰华信 SCP001		45,182,465.75		1,222,366,684.93			
17 Tai Hua Xin SCP002 17 泰华信 SCP002		11,273,424.66		305,260,931.51			
17 Tai Hua Xin PPN001 17 泰华信 PPN001		28,750,000.00	181,310.86				520,719,761.50
17 Tai Hua Xin PPN002 17 泰华信 PPN002		57,000,000.00	-25,454,794.52	1,001,786,301.37			
17 Taizhou Huaxin 01 17 泰州华信 01		16,050,000.00	4,803,514.12			306,179,142.27	
17 Tai Hua Xin CP001 17 泰华信 CP001		38,700,000.00	-12,829,315.07	750,745,890.41			
17 Hua Xin 01 17 华信 01		63,240,000.00	2,389,782.08				1,029,614,320.06
18 Tai Hua Xin PPN001 18 泰华信 PPN001	500,000,000.00	28,150,684.93	-4,025,856.27				495,974,143.73

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Name of bond	Issued during the current period	Calculate interest at face value	Premium/discount amortization	Repayment in the current period	Transfer to capital reserve in the current period	Transfer to non-current liabilities due within one year	12/31/2018
18 Tai Tou 01 18 泰投 01	790,000,000.00	40,419,863.01	-6,444,321.40				783,555,678.60
18 Taizhou Huaxin 01 18 泰州华信 01	300,000,000.00	2,515,068.49	-2,917,523.01				297,082,476.99
The second installment of local government replacement bonds of Jiangsu province (three-year) for the Year 2018 2018 年第二批江苏省政府债券 (三年期)	184,260,000.00				184,260,000.00		
The second installment of local government replacement bonds of Jiangsu province (seven-year) for the Year 2018 2018 年第二批江苏省政府债券 (七年期)	177,740,000.00				177,740,000.00		
2014 Taizhou Pharmaceutical PRN001 2014 泰州医药 PRN001		25,500,000.00	-228,300.00	25,500,000.00			208,630,200.00
2015 Taizhou Pharmaceutical PRN001 2015 泰州医药 PRN001		35,000,000.00	-2,426,333.33	35,000,000.00			512,206,677.51
\$150 million in US dollar bonds	1,029,480,000.00						1,029,480,000.00
\$56 million in US dollar bonds	384,339,200.00						384,339,200.00
Total	3,365,819,200.00	761,741,506.84	-68,853,068.94	5,411,372,093.31	3,261,600,000.00	2,884,474,922.55	7,417,787,919.27

6.26 Long-term accounts payable

Item	12/31/2018	12/31/2017
Special payables	17,500,000.00	17,500,000.00
Total	17,500,000.00	17,500,000.00

6.26.1 Special payables

Item	31/12/2017	Additions	Reductions	31/12/2018	Supporting documents
Central government grants for the transformation of urban shantytowns	8,000,000.00			8,000,000.00	TJF【2013】No.193、TGXJF【2014】No.5
Central government grants for the transformation of urban shantytowns	4,000,000.00			4,000,000.00	TGXCF【2014】No.59
The first batch of central government grants for the transformation of urban shantytowns	5,500,000.00			5,500,000.00	TGXJF【2015】No.11
Total	17,500,000.00			17,500,000.00	

Note: The cause of the formation is as follows: (1) According to the Notice on the allocation of central government grants for the transformation of urban shantytowns in 2012 and 2013, the Company received a shed money of 12 million yuan in 2014. (2) And in 2015, the Company received the city shantytowns reconstruction funds of 5.5 million yuan.

6.27 Estimated liabilities

Item	31/12/2018	31/12/2017	Cause of formation
Others		28,932.42	Accrued safety production fee
Total		28,932.42	

6.28 Deferred income

Item	31/12/2017	Additions	Reductions	31/12/2018	Cause of formation
Assets-related government subsidies	16,678,151.71	26,901,500.00	1,739,285.11	41,820,366.60	Please refer to 6.28.1
Total	16,678,151.71	—	—	41,820,366.60	

6.28.1 Deferred income related to government grants

Item	31/12/2017	Additions	Transferred to non-operating income	Other Reductions	31/12/2018	Related to assets/earnings
Customs Screening, National Inspection Screening Intercomparison	764,694.00			764,694.00		Asset-related

System Purchasing Integration Project						
Second storage platform subsidy income for China Medical City GSP Lighting project	15,913,457.71		994,591.11		14,918,866.60	Asset-related
		26,901,500.00			26,901,500.00	Asset-related
Total	16,678,151.71	26,901,500.00	994,591.11	764,694.00	41,820,366.60	

6.29 Paid-in capital

Item	31/12/2017	Changes in this period Add (+) Less (-)		31/12/2018
		Other	Subtotal	
Taizhou Municipal People's Government 泰州市人民政府	3,788,511,554.00			3,788,511,554.00
CDB Development Fund 国开发展基金有限公司	40,000,000.00			40,000,000.00
Fuanda Asset Management (Shanghai) Co., Ltd. 富安达资产管理(上海)有限公司	1,500,000,000.00			1,500,000,000.00
Total	5,328,511,554.00			5,328,511,554.00

6.30 Other equity instruments

6.30.1 Details of changes in preferred stock, permanent debts and other financial instruments outstanding at the end of the period.

Issued financial instruments	31/12/2017		Additions		Reductions		31/12/2018	
	Qty	Book value	Qty	Book value	Qty	Book value	Qty	Book value
Permanent debts		1,500,000,000.00						1,500,000,000.00
Total		1,500,000,000.00						1,500,000,000.00

6.30.2 Details of other equity instruments balance at the year end is as follows.

Other equity instruments include the Company's permanent deposit of RMB ¥500 million issued on 22 October 2015 and the Company's renewable debt of RMB ¥1 billion issued on 22 February 2017.

6.30.3 Basis for division of equity instruments

According to the "Distinctions between financial liabilities and equity instruments and relevant accounting treatment requirements" issued by the Ministry of Finance, as there are no fixed deadlines due to the perpetual vote, the issuer may choose whether to redeem. For interest payments, it is the issuer itself to choose whether to dividend or capital reduction, to trigger the

obligation to defer interest payment. In the absence of dividends or capital reduction, interest payments can be deferred. Therefore, we consider that the issuance of a perpetual vote does not constitute an obligation to deliver cash or other financial assets, and the obligation to exchange financial assets or liabilities under potential adverse conditions, as a result, the perpetual vote can be divided into equity instruments.

6.31 Capital reserve

Item	31/12/2017	Additions	Reductions	31/12/2018
Capital premium (Share premium)	2,011,300,224.74			2,011,300,224.74
Other capital reserve	7,504,552,729.38	3,761,600,000.00		11,266,152,729.38
Total	9,515,852,954.12	3,761,600,000.00		13,277,452,954.12

6.31.1 Description of capital reserve

- (1) The increase of capital reserve of RMB ¥3.261 billion yuan in the current period is to include Huaxin Company's "government replacement bond" received in the previous period as the shareholder input of the current period and included in the capital reserve.
- (2) According to the Thai Capital [2018] No. 82 issued by the State-owned Assets Supervision and Administration Commission of Taizhou Municipal Government, the capital increase of 200 million yuan in the current period is injected into the company by the State-owned Assets Supervision and Administration Commission of Taizhou Municipal Government, and is included in the capital reserve.
- (3) According to the shareholder resolution of Huaxin Pharmaceutical Co., Ltd. on 2 November 2018, the 300 million yuan increase in capital reserve in the current period is injected into the company by the State-owned Assets Supervision and Administration Commission of Taizhou Municipal Government, and is included in the capital reserve.

6.32 Surplus reserve

Item	31/12/2017	Additions	Reductions	31/12/2018
Statutory surplus reserve	142,206,181.36	28,166,714.08		170,372,895.44
Total	142,206,181.36	28,166,714.08		170,372,895.44

Explanation of surplus reserve: The statutory surplus reserve is accrued based on 10% of the profit realized in the year.

6.33 Undistributed profit/ retained earnings

Item	Amount	Extract or allocate proportions (%)
Before adjustment the undistributed profits at the end of the last period	2,021,536,793.79	—
Adjust the total amount of undistributed profits at the beginning of the period (Add+, Less-)		—

Item	Amount	Extract or allocate proportions (%)
Adjusted the undistributed profit at the beginning of the period	2,021,536,793.79	—
Add: The net profit attributable to the parent company in the current period	358,933,657.65	—
Less: To extract statutory surplus reserve	28,166,714.08	10.00
To extract discretionary surplus reserve		
To extract general risk provision		
Distribution of common stock dividends	8,590,000.00	
Other profit distribution		
Undistributed profit at the year end	2,343,713,737.36	

6.34 Operating income and operating cost

6.34.1 Classifications

Item	Year ended 31/12/2018		Year ended 31/12/2017	
	Revenue	Cost	Revenue	Cost
Subtotal of main business income	1,889,115,914.77	1,307,599,936.11	2,122,432,845.57	1,578,809,372.37
Merchandising	1,031,795,297.80	705,786,564.33	1,285,563,280.57	921,965,198.13
Housing sales	472,686,725.75	385,194,039.77	387,628,168.45	373,841,506.30
Land transfer			113,287,162.80	113,287,162.80
Leasing	296,590,481.60	182,422,780.81	294,889,584.94	156,124,607.95
Construction management fee	31,103,465.90		16,241,000.00	
Others	56,939,943.72	34,196,551.20	24,823,648.81	13,590,897.19
Subtotal of other business income	56,983,795.40	14,983,658.99	32,581,964.64	11,280,541.42
Transportation fee, platform fee and service fee	25,357,572.36	867,807.18	9,324,640.17	756,307.10
Utility fee	15,849,622.70	14,049,645.81	10,633,857.45	10,524,234.32
Others	15,776,600.34	66,206.00	12,623,467.02	

6.35 Taxes and surcharges

Item	Year ended 31/12/2018	Year ended 31/12/2017
Urban maintenance and construction tax	6,533,934.85	5,506,766.86
Education surtax	4,667,096.42	3,933,428.41
Property tax	69,162,391.42	51,754,965.58
Land holding tax	22,811,868.17	20,230,914.71
Vehicle and vessel tax	1,897.49	5,228.44
Stamp tax	3,755,754.04	4,455,387.73
Environmental protection tax	387,746.94	

Item	Year ended 31/12/2018	Year ended 31/12/2017
Total	107,320,689.33	85,886,691.73

6.36 Marketing costs

Item	Year ended 31/12/2018	Year ended 31/12/2017
Office expenses	477,931.91	716,830.83
Business hospitality	1,010,248.14	1,207,640.23
Employee's salary and benefits	5,619,217.70	5,992,263.44
Consulting fees	219,952,394.42	174,942,246.10
Transportation and travel expenses	539,944.84	852,101.53
Freight costs	1,654,307.25	1,502,487.91
Business promotion fee	30,157,097.45	41,779,169.70
Depreciation	33,446.61	29,285.32
Settling charges caused by sales	55,747,789.96	85,569,154.13
Others	5,012,718.7	5,306,804.5
Total	320,205,096.98	317,897,983.69

6.37 General and administrative expenses

Item	Year ended 31/12/2018	Year ended 31/12/2017
Office expenses	5,545,648.50	5,331,707.84
Business hospitality	974,157.84	841,271.97
Employee's salary and benefits	28,569,858.53	25,113,198.94
Intermediary service fee(audit fee, legal advice etc)	17,392,141.19	7,007,471.20
Tax fees	455,907.97	358,162.01
Transportation and travel expenses	1,137,707.23	1,834,555.51
Depreciation and amortization	5,422,355.42	4,520,335.89
Property costs	7,126,360.68	19,594,688.32
Others	5,307,648.04	8,050,695.71
Total	71,931,785.40	72,652,087.39

6.38 Financial costs

Item	Year ended 31/12/2018	Year ended 31/12/2017
Interest expense	274,215,044.00	326,571,311.63
Less: Interest income	252,049,980.31	265,353,062.18
Exchange gains and losses	2,534.18	-1,044,747.04
Bank fees	2,946,170.71	3,277,192.52
Others	8,104,693.33	5,450,689.00
Total	33,218,461.91	68,901,383.93

6.39 Losses of asset impairment

Item	Year ended 31/12/2018	Year ended 31/12/2017
Bad debt losses	-538,261.71	1,770,823.08
Total	-538,261.71	1,770,823.08

6.40 Other income

6.40.1 Classifications

Sources that generate other income	Year ended 31/12/2018	Year ended 31/12/2017
Government subsidies related to daily activities of the company	418,242,391.11	414,104,676.19
Individual income tax return	544.22	
Total	418,242,935.33	414,104,676.19

6.40.2 Government subsidies included in other income

Item	Appropriation Department	Amount	Assets-related/ Earnings-related
Special guidance funds for building energy conservation 建筑节能专项引导资金	Finance Bureau of Taizhou Medical Hi-tech Industrial Development Zone 泰州医药高新技术产业开发区财政局	650,000.00	Earnings-related
Road construction subsidy fund provided by the Treasury Centralized Payment Center 国库集中支付中心道路建设补助资金	Centralized Payment Center of the Treasury Department of the High-tech Zone 高新区国库处集中支付中心	30,000,000.00	Earnings-related
Funding for the construction of affordable housing in the high-tech zone in 2018 (the resettlement area on the east side of Kanghe School) 2018年度高新区保障性住房建设资金补助(康和学校东侧安置区)	Finance Bureau of Taizhou Medical Hi-tech Industrial Development Zone 泰州医药高新技术产业开发区财政局	44,000,000.00	Earnings-related
Pre-investment subsidies such as manufacturing areas and health care areas 生产制造区、康健医疗区等前期投入补助	Finance Bureau of Taizhou Medical Hi-tech Industrial Development Zone 泰州医药高新技术产业开发区财政局	220,000,000.00	Earnings-related
Special funds for the central government's urban security housing project transferred from the park's finances 园区财政转入中央财政城镇保障性安居工程专项资金	Taizhou Pharmaceutical Hi-tech Industrial Park Management Committee 泰州医药高新技术产业园区管理委员会	32,597,800.00	Earnings-related
Energy construction project 能源建设项目	Taizhou Pharmaceutical Hi-tech Industrial Park Management Committee 泰州医药高新技术产业园区管理委员会	90,000,000.00	Earnings-related
China Medical City GSP Phase II Storage Platform 中国医药城 GSP 二期仓储平台	Taizhou Pharmaceutical Hi-tech Industrial Park Management Committee 泰州医药高新技术产业园区管理委员会	994,591.11	Assets-related
Total		418,242,391.11	

6.41 Investment income

6.41.1 Classifications

Item	Year ended 31/12/2018	Year ended 31/12/2017
Long-term equity investment income recognised by equity method accounting	156,811.38	-966,530.95
Investment income recognised by disposal of long-term equity investment	36,801.29	-13,094.86
Investment income of financial assets measured at fair value through profit or loss during the holding period	115.08	2,833.53
Investment income of available-for-sale financial assets during the holding period	45,675.00	
Total	239,405.75	-976,792.28

6.42 Asset disposal income

Item	Year ended 31/12/2018	Year ended 31/12/2017
Fixed assets disposal gains or losses	-372,090.89	-15,518.09
Total	-372,090.89	-15,518.09

6.43 Non-operating income

Item	Year ended 31/12/2018	Year ended 31/12/2017	Amount included in current non-recurring gains and losses
Government subsidies not related to daily activities	30,000.00	600,000.00	30,000.00
Others	1,092,536.35	3,226,967.28	1,092,536.35
Total	1,122,536.35	3,826,967.28	1,122,536.35

6.43.1 Government subsidy included in current profit and loss

Subsidy project	Year ended 31/12/2018	Year ended 31/12/2017	Assets-related /Earnings-related
Financial special support fund	30,000.00		Earnings-related
Government subsidy		600,000.00	Earnings-related
Total	30,000.00	600,000.00	

6.44 Non-operating expenses

Item	Year ended 31/12/2018	Year ended 31/12/2017	Amount included in current non-recurring gains and losses
External donation	5,000.00	1,080,000.00	5,000.00
Non-current assets damage loss	53,651.59		53,651.59
Late payment fee and fines	8,845.29		8,845.29
Others	14,706.01	575,000.01	14,706.01
Total	82,202.89	1,655,000.01	82,202.89

6.45 Income tax expenses

6.45.1 Classifications

Item	Year ended 31/12/2018	Year ended 31/12/2017
Current income tax expense	132,112,931.32	138,116,489.86
Deferred income tax expense	20,622,540.10	-3,922,177.07
Total	152,735,471.42	134,194,312.79

6.45.2 Accounting profit and income tax adjustment process

Item	Year ended 31/12/2018
Profit before tax	510,528,926.81
Income tax on statutory / applicable tax rates	127,632,231.72
Effect of subsidiaries are subject to different tax rates	-44,455.18
Adjust the impact of previous income tax	2,103,470.40
Effect of non-taxable income	
Non-deductible costs, costs and losses impacts	6,103,459.59
Impact of deductible losses raised from using pre-recognized deferred tax assets	-52,583.67
Impact of deductible temporary differences or deductible losses of deferred tax assets not recognized in the current period	16,993,348.56
Income tax expenses	152,735,471.42

6.46 Supplementary information of cash flow statement

6.46.1 Cash flow statement supplementary information

Item	Year ended 31/12/2018	Year ended 31/12/2017
1. Adjust the net profit to cash flow from operating activities		
Net profit	357,793,455.39	298,905,946.90
Add: Impairment of assets	-538,261.71	1,770,823.08
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	183,412,572.39	158,635,233.52
Amortization of intangible assets	544,062.81	741,119.84
Amortization of long-term deferred expenses	670,209.44	68,158.20
Disposal of fixed assets, intangible assets and other long-term assets (gain as "—" Minus)	372,090.89	15,518.09
Loss of fixed assets (gain as "—" Minus)		
Loss of fair value changes (gain as "—" Minus)		
Financial expenses (gain as "—" Minus)	284,569,677.33	334,693,090.63
Investment loss (gain as "—" Minus)	-239,405.75	976,792.28
Less of deferred tax assets (increase as "—" Minus)	13,171,442.32	-3,766,497.99
Increase in deferred income tax liabilities (decrease as "—" Minus)		

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December 2018

Item	Year ended 31/12/2018	Year ended 31/12/2017
Inventory reduction (increase as "-" Minus)	-6,952,847,082.61	-1,051,213,040.57
Decrease in operating receivables (increase as "-" Minus)	4,455,459,408.99	-3,607,928,758.44
Increase in operating payables (decrease as "-" Minus)	1,754,319,106.51	3,927,770,331.99
Others		
Net cash flow from operating activities	96,687,276.00	60,668,717.53
2. Significant investment and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital	3,389,100,000.00	
Convertible corporate bonds due within one year		
Financing lease of fixed assets		
3. Changes in net cash and cash equivalents		
Cash at the end of the balance	7,281,203,308.54	9,221,345,856.13
Less: Cash at the beginning of the balance	9,221,345,856.13	7,295,583,120.72
Add: The ending balance of the cash equivalents		
Less: Cash equivalents at the beginning of the balance		
Net increase in cash and cash equivalents	-1,940,142,547.59	1,925,762,735.41

6.46.2 Cash and cash equivalents

Item	31/12/2018	31/12/2017
1. Cash	7,281,203,308.54	9,221,345,856.13
Including: Cash	9,024.16	21,156.61
Bank deposits can be used at any time	7,281,194,284.38	9,221,324,699.52
Other monetary funds can be used at any time		
Cash deposited in the central bank can be used to pay		
Inter-bank deposits		
Inter-bank offerings		
2. Cash equivalents		
Including: Bond investment due within three months		
3. Cash and cash equivalents at the end of the period	7,281,203,308.54	9,221,345,856.13
Including: The parent company or subsidiaries within the group use restricted cash and cash equivalents		

6.47 Assets with restricted ownership or use rights

Item	Balance as at 31/12/2018	Restricted reasons
Cash and bank balance	882,752,955.14	Fixed deposits for pledge loans, guarantee deposits for bank acceptance bills, provident Fund Guarantee etc.
Inventories	4,151,062,667.40	Loan by mortgaged property
Investment properties	3,135,403,017.91	Loan by mortgaged property

Item	Balance as at 31/12/2018	Restricted reasons
Intangible assets	1,912,634,187.15	Loan by mortgaged property
Total	10,081,852,827.60	

6.48 Foreign currency monetary items

6.48.1 Classifications

Item	31/12/2018 Foreign Currency	Exchange rate	31/12/2018 RMB Equivalents
Cash and bank balance			1,078,649,292.07
Among: US dollar	157,161,316.39	6.8632	1,078,629,546.65
Among: HK dollar	22,534.73	0.87620	19,744.93
Among: JPY	1.00	0.061887	0.06
Among: GBP	0.05	8.6762	0.43

7. CHANGES IN THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

7.1 Disposal of subsidiaries

7.1.1 A single disposal of the subsidiary's investment and loss of control

Name of subsidiary	Equity disposal price	Equity disposal ratio (%)	Method of disposal	Time of loss of control	Determining the basis for the loss of control	The difference between the disposal price and the share of the subsidiary's net assets at the level of the consolidated financial statement corresponding to the disposal of the investment
Jiangsu Huaxuan Electronic Commerce Co., Ltd 江苏华轩电子商务有限公司	6,500,000.00	65.00	Equity transfer	2018.7	Equity Transfer Agreement, Shareholders' Meeting Resolution	36,801.29

Continued.

Name of subsidiary	Proportion of remaining stocks at the date of loss of control (%)	The book value of the remaining equity at the date of loss of control	The fair value of the remaining equity at the date of loss of control	The amount of other comprehensive income related to the atomic company's equity investment transferred to investment gains and losses
Jiangsu Huaxuan Electronic Commerce Co., Ltd 江苏华轩电子商务有限公司	0.00	0.00	0.00	0.00

8. INTEREST IN OTHER ACCOUNTING ENTITIES

8.1 Interest in subsidiaries

8.1.1 Composition of enterprise groups

Subsidiary name	Main business place	Shareholding ratio (%)		Method of acquisition
		Direct	Indirect	
Taizhou Huasheng Investment Development Co., Ltd	Taizhou Medical City	51.28		Investment establishment

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Subsidiary name	Main business place	Place of Registration	Shareholding ratio (%)	Method of acquisition
泰州华盛投资开发有限公司	Taizhou Medical City	Taizhou	100.00	Investment establishment
Taizhou China Medical City Asset Management Co., Ltd 泰州中国医药城资产管理有限公司	Taizhou Medical City	Taizhou	100.00	Investment establishment
Taizhou Huakang Investment Co., Ltd 泰州华康投资有限公司	Taizhou Medical City	Taizhou	86.36	Investment establishment
Taizhou Pharmaceutical High-tech Co., Ltd 泰州医药高新股份有限公司	Taizhou Medical City	Taizhou		Investment establishment
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	Taizhou Medical City	Taizhou	86.36	Equity transfer
Jiangsu Huaye Medical Instruments Co., Ltd 江苏华晖医疗器械有限公司	Taizhou Medical City	Taizhou	86.36	Investment establishment
Taizhou China Medical City high-tech commercial factoring Limited. 泰州中国医药城高新商业保理有限公司	Taizhou Medical City	Taizhou	51.00	Investment establishment
Huaxin Pharmaceutical (Hong Kong) Co., Limited. 华信药业(香港)有限公司	Taizhou Medical City	Hong Kong	100.00	Investment establishment
Taizhou Xinkang Construction Co., Ltd. 泰州信康建设有限公司	Taizhou Medical City	Taizhou	100.00	Investment establishment
Taizhou Huajiang Pharmaceutical Investment Development Co., Ltd. 泰州华江医药投资发展有限公司	Taizhou Medical City	Taizhou	60.00	Investment establishment
Taizhou China Medical City New Drug Fund Management Co., Ltd. 泰州中国医药城新药基金管理有限公司	Taizhou Medical City	Taizhou	86.36	Investment establishment

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

8.1.2 Important non-wholly owned subsidiaries

Subsidiary name	Minority shareholding ratio (%)	Profit or loss attributable to minority shareholders in the current period	Dividends allocated to minority shareholders in the current period	Ending balance of minority shareholders' equity	Remarks
Taizhou Huasheng Investment Development Co., Ltd 泰州华盛投资开发有限公司	48.72				
Taizhou Pharmaceutical High-tech Co., Ltd 泰州医药高新股份有限公司	13.64	-2,891,416.48		670,349,243.77	
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	13.64	1,843,581.28		3,181,061.39	

9. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS

The Company's operating activities will face a variety of financial risks: credit risk, liquidity risk and market risk (mainly related to exchange rate risk and interest rate risk). The Company's overall risk management plan is aimed at reducing the potential adverse impact on the financial performance of the Company against the unpredictability of financial markets.

9.1 Credit risk

Credit risk refers to the risk that the counterparty will fail to perform its contractual obligations and cause financial losses to the company. The company's credit risk mainly comes from cash and bank balance, notes receivable, accounts receivable, other receivables and available-for-sale financial assets. Management has established appropriate credit policies and continuously monitors exposure to these credit risks.

Cash and bank balance held by the Company are mainly deposited in state-owned holding banks and other large and medium-sized commercial banks and other financial institutions. The management believes that these commercial banks have high credit and asset status and there is no significant credit risk. There will be no significant loss due to breach of contract by the other party. For accounts receivable, other receivables and notes receivable, the Company has set policies to control credit risk exposure. The Company evaluates the customer's credit qualifications and sets the corresponding credit period based on the financial status of the customer, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Company will regularly monitor the customer's credit history. For customers with poor credit history, the company will use written reminders, shorten the credit period or cancel the credit period to ensure that the company's overall credit risk is within the controllable range.

As at 31 December 2018, the accounts receivable of the top five customers of the Company accounted for 89.30% of the total accounts receivable of the Company (2017: 93.96%).

The maximum exposure to credit risk of the Company is the carrying amount of each financial asset (including derivative financial instruments) on the balance sheet. Except for the financial guarantees provided by the Company as set out in Note 11, the Company has not provided any other guarantees that may expose the Company to credit risk.

9.2 Liquidity risk

Liquidity risk refers to the risk that the company cannot obtain sufficient funds in time to meet business development needs or to repay debts due and other payment obligations.

The company's financing department continuously monitors the company's short-term and long-term funding needs to ensure that sufficient cash reserves are maintained; at the same time, continuous monitoring of compliance with the provisions of the loan agreement, from the major financial institutions to obtain sufficient backup funds to meet short-term and long-term funding needs.

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

As of 31 December 2018, the Company's various financial assets and financial liabilities are presented as unrealized contractual cash flows on the maturity date as follows:

Item	31/12/2018					
	Net book value	Original book value	Within 1 year	1-2 year	2-5 year	Above 5 years
Cash and bank balance	8,163,956,263.68	8,163,956,263.68	8,163,956,263.68			
Notes receivable	3,266,425.73	3,266,425.73	3,266,425.73			
Accounts receivable	3,522,574,077.48	3,522,574,077.48	3,522,574,077.48			
Other receivables	9,731,814,377.21	9,731,814,377.21	9,731,814,377.21			
Subtotal of financial assets	21,421,611,144.10	21,421,611,144.10	21,421,611,144.10			
Short-term borrowings	2,094,112,123.77	2,094,112,123.77	2,094,112,123.77			
Notes payable	307,646,000.00	307,646,000.00	307,646,000.00			
Accounts payable	1,787,291,274.83	1,787,291,274.83	1,787,291,274.83			
Interests payable	129,128,241.96	129,128,241.96	129,128,241.96			
Other payables	7,549,746,664.59	7,549,746,664.59	7,549,746,664.59			
Long-term borrowings	16,655,401,588.25	16,655,401,588.25	3,691,724,564.96	7,547,790,000.00	4,715,147,023.29	700,740,000.00
Subtotal of financial liabilities	28,523,325,893.40	28,523,325,893.40	15,559,648,870.11	7,547,790,000.00	4,715,147,023.29	700,740,000.00
Continued.						
Item	31/12/2017					
	Net book value	Original book value	Within 1 year	1-2 year	2-5 year	Above 5 years
Cash and bank balance	9,965,945,103.52	9,965,945,103.52	9,965,945,103.52			
Notes receivable	2,022,343.87	2,022,343.87	2,022,343.87			

Taizhou Hinaxin Pharmaceutical Investment Co., Ltd.
 Notes to the financial statements
 For the year ended 31 December, 2018

Item	31/12/2017					
	Net book value	Original book value	Within 1 year	1-2 year	2-5 year	Above 5 years
Accounts receivable	3,715,702,117.28	3,767,561,526.71	3,767,561,526.71			
Other receivables	3,914,954,565.17	3,919,003,080.15	3,919,003,080.15			
Subtotal of financial assets	17,598,623,929.84	17,654,532,054.25	17,654,532,054.25			
Short-term borrowings	1,125,000,000.00	1,125,000,000.00	1,125,000,000.00			
Notes payable	1,900,000.00	1,900,000.00	1,900,000.00			
Accounts payable	1,429,797,224.48	1,429,797,224.48	1,429,797,224.48			
Interests payable	4,072,772,718.15	4,072,772,718.15	4,072,772,718.15			
Other payables	70,658,478.16	70,658,478.16	70,658,478.16			
Long-term borrowings	16,978,709,601.51	16,978,709,601.51	5,157,863,563.62	4,188,906,037.89	6,919,940,000.00	712,000,000.00
Subtotal of financial liabilities	23,678,838,022.30	23,678,838,022.30	11,857,991,984.41	4,188,906,037.89	6,919,940,000.00	712,000,000.00

9.3 Market risk

9.3.1 Exchange rate risk

The company's main operations are located in China and its main business is settled in RMB. However, the foreign currency assets and liabilities recognized by the Company and future foreign currency transactions (the currency of foreign currency assets and liabilities and foreign currency transactions are mainly USD and HKD) still have exchange rate risk. The company's financing department is responsible for monitoring the size of the company's foreign currency transactions and foreign currency assets and liabilities to minimize the exchange rate risk; for this purpose, the company may sign a forward foreign exchange contract or currency swap contract to achieve the purpose of avoiding exchange rate risk.

- (1) The company did not sign any forward foreign exchange contracts or currency swap contracts during the year.
- (2) As of 31 December 2018, the amount of foreign currency financial assets and foreign currency financial liabilities held by the Company converted into RMB is as follows:

Item	31/12/2018		
	US Dollar	HK Dollar	Total
Foreign currency financial assets:			
Cash and bank balance	1,078,629,546.65	19,744.93	1,078,649,291.58
Subtotal	1,078,629,546.65	19,744.93	1,078,649,291.58
Foreign currency financial liabilities:			
Bonds payable	1,413,819,200.00		1,413,819,200.00
Subtotal	1,413,819,200.00		1,413,819,200.00

Continued.

Item	31/12/2017		
	US Dollar	HK Dollar	Total
Foreign currency financial assets:			
Cash and bank balance	773,010,235.17	24,606.04	773,034,841.22
Subtotal	773,010,235.17	24,606.04	773,034,841.22
Foreign currency financial liabilities:			
Bonds payable	784,104,000.00		784,104,000.00
Subtotal	784,104,000.00		784,104,000.00

9.3.2 Interest rate risk

The company's interest rate risk mainly arises from bank loans and bonds payable. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk. Financial

liabilities with fixed interest rates expose the Company to fair value interest rate risk. The company determines the relative proportion of fixed rate and floating rate contracts based on the market environment at the time.

The financial department of the company continuously monitors the company's interest rate. The rise in interest rates will increase the cost of new interest-bearing debts and the interest expenses of interest-bearing debts that have not been paid by the company at floating interest rates, and have a significant adverse impact on the company's financial results. The management will make timely adjustments based on the latest market conditions. These adjustments may be arranged for interest rate swaps to reduce interest rate risk.

- (1) The company's interest rate swap arrangement for the year is as follows: The company has no interest rate swap arrangement this year.

10. RELATED PARTIES AND RELATED TRANSACTIONS

10.1 Details of parent company

Parent company name	Place of Registration	Nature of Business	Proportion of shareholding (%)	Percentage of voting rights (%)
Taizhou Municipal People's Government 泰州市人民政府	Taizhou	Management of State - owned Assets in Taizhou City	71.10	71.10
CDB Development Fund 开发基金有限公司	Beijing	Investment in non-securities business, Investment management, Consulting business	0.75	0.75
Fuanda Asset Management (Shanghai) Co., Ltd. 富安达资产管理(上海)有限公司	Shanghai	Asset management business	28.15	28.15

10.2 Details of the subsidiaries of the Company are set out in Note 8.1 Interests in subsidiaries

10.3 Details of other related parties

Name	Relationship with the Company
Taizhou Fudan Zhangjiang Pharmaceutical Co., Ltd 泰州复旦张江药业有限公司	Investment relationship

10.4 Related party transactions

10.4.1 Subsidiaries that have a controlling relationship and have been included in the scope of the Company's consolidated financial statements have been offset by mutual transactions and parent-subsidiary transactions.

10.4.2 Details of related guarantee

(1) The Company as a guarantor

Name of the guaranteed company	Reason for providing guarantee	Amount	Start date of Guarantee	Due date of Guarantee
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	Borrowings from Bank of Jiangsu	50,000,000.00	2018/7/5	2019/5/9
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	Borrowings from Bank of Ningbo	20,000,000.00	2018/8/22	2019/8/22
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	Borrowings from Changshu Rural Commercial Bank	49,990,000.00	2018/4/28	2019/4/28
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	Borrowings from Bank of Nanjing	10,000,000.00	2018/9/27	2019/9/26
Jiangsu Huawei Pharmaceutical Logistics Co., Ltd 江苏华为医药物流有限公司	Borrowings from SPD Bank	100,000,000.00	2018/10/30	2019/10/30
Huasheng Investment Development Co., Ltd 泰州华盛投资开发有限公司	Borrowings from Bank of Nanjing	60,000,000.00	2018/12/29	2019/10/28
Total		289,990,000.00		

10.4.3 Details of accounts receivable from and accounts payable to related party

(1) Payable to related parties

Account name	Name of related party	31/12/2018	31/12/2017
Other payables			
	泰州联信建设有限公司	975,068,449.66	

11. COMMITMENT AND CONTINGENCIES

11.1 Significant commitments

The company does not have any important commitments that need to be disclosed.

11.2 Contingent events at the balance sheet date

11.2.1 Contingencies arising from the provision of external debt obligations and their financial implications

For the guarantees provided by related parties, please refer to "Note 10 Related Parties and Related Party Transactions"

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

As of 31 December 2018, the Company provided guarantees to non-related parties as follows:

Sponsored party	Guaranteed balance	Guarantee start date	Guarantee due date	Whether the guarantee has been fulfilled
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	500,000,000.00	2016/7/7	2019/7/7	No
Taizhou Xin bin'jiang Development Co., Ltd. 泰州市新滨江开发有限责任公司	342,000,000.00	2014/7/24	2019/7/22	No
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	500,000,000.00	2016/6/29	2021/6/28	No
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	1,000,000,000.00	2016/8/11	2019/8/11	No
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	473,300,000.00	2016/3/16	2021/3/22	No
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	500,000,000.00	2016/7/29	2019/7/29	No
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	340,000,000.00	2016/1/21	2021/1/20	No
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	155,000,000.00	2016/1/4	2020/12/19	No
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	500,000,000.00	2018/2/12	2020/3/27	No
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	312,500,000.00	2016/3/29	2019/3/28	No
Taizhou Xin bin'jiang Development Co., Ltd. 泰州市新滨江开发有限责任公司	409,000,000.00	2016/4/6	2022/12/31	No
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	335,000,000.00	2016/12/30	2019/12/30	No
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	250,000,000.00	2016/7/29	2021/7/28	No
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	270,000,000.00	2018/1/10	2021/1/9	No

Taizhou Huoxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Sponsored party	Guaranteed balance	Guarantee start date	Guarantee due date	Whether the guarantee has been fulfilled
Taizhou Xin bin'jiang Development Co., Ltd. 泰州市新滨江开发有限责任公司	300,000,000.00	2014/12/10	2019/12/9	No
Taizhou Higher Education Investment Development Co., Ltd 泰州高教投资发展有限公司	275,000,000.00	2016/3/25	2019/3/24	No
Taizhou City Construction Investment Group Co., Ltd. 泰州市城市建设投资集团有限公司	60,000,000.00	2014/12/25	2019/12/24	No
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	170,000,000.00	2017/6/20	2019/6/19	No
Taizhou Second City South Sewage Treatment Co., Ltd. 泰州市第二城南污水处理有限公司	75,000,000.00	2015/5/29	2020/5/28	No
Taizhou Xin bin'jiang Development Co., Ltd. 泰州市新滨江开发有限责任公司	165,000,000.00	2016/7/4	2024/1/4	No
Taizhou Xin bin'jiang Development Co., Ltd. 泰州市新滨江开发有限责任公司	50,000,000.00	2014/8/13	2019/8/13	No
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	115,000,000.00	2015/12/30	2025/12/29	No
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	105,000,000.00	2015/12/29	2025/12/28	No
Taizhou Higher Education Investment Development Co., Ltd 泰州高教投资发展有限公司	108,000,000.00	2017/12/29	2019/12/28	No
Taizhou Xintai Group Co., Ltd 泰州鑫泰集团有限公司	100,000,000.00	2018/1/25	2019/1/25	No
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	96,000,000.00	2016/2/29	2019/2/25	No
Taizhou Xintai Construction Development Co., Ltd. 泰州市鑫泰建设发展有限公司	70,000,000.00	2015/1/17	2021/1/23	No
Jiangsu Deng'ke Packaging Materials Co., Ltd. 江苏登科包装材料有限公司	45,000,000.00	2016/4/29	2021/4/28	No
Taizhou Xin bin'jiang Development Co., Ltd. 泰州市新滨江开发有限责任公司	6,660,000.00	2014/1/23	2019/1/23	No
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd 泰州医药高新技术产业投资发展有限公司	40,000,000.00	2018/1/5	2021/1/5	No

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Sponsored party	Guaranteed balance	Guarantee start date	Guarantee due date	Whether the guarantee has been fulfilled
Taizhou Xinbin Jiang Development Co., Ltd. 泰州市新滨江开发有限责任公司	1,670,000.00	2014/11/21	2019/1/23	No
Taizhou Xintai Group Co., Ltd. 泰州鑫泰集团有限公司	300,000,000.00	2018/7/23	2020/1/22	No
Taizhou Pharmaceutical High-tech Industry Investment and Development Co., Ltd. 泰州医药高新技术产业投资发展有限公司	50,000,000.00	2018/8/21	2019/4/19	No
Jiangsu Urban and Rural Construction Investment Group Co., Ltd. 江苏省城乡建设投资集团有限公司	61,000,000.00	2014/10/29	2029/10/27	No
Jiangsu Urban and Rural Construction Investment Group Co., Ltd. 江苏省城乡建设投资集团有限公司	412,500,000.00	2014/10/29	2029/10/27	No
Taizhou Automobile City Co., Ltd. 泰州汽车城有限公司	167,000,000.00	2018/8/31	2021/8/30	No
Taizhou Xintai Group Co., Ltd. 泰州鑫泰集团有限公司	300,000,000.00	2017/3/22	2020/3/21	No
Taizhou Xintai Group Co., Ltd. 泰州鑫泰集团有限公司	150,000,000.00	2018/9/11	2020/9/11	No
Total	9,119,630,000.00			

Note: Except for the above contingent events, as of 31 December 2018, the Company has no other important contingent issues that should be disclosed.

12. EVENTS AFTER THE BALANCE SHEET DATE

12.1 Important non-adjusting matters

As of the date of approval of the financial report, the Company has no other matters that should disclose the undisclosed major balance sheet date.

13. DESCRIPTION OF OTHER IMPORTANT MATTERS

13.1 Previous accounting errors

During the reporting period, no previous accounting errors using the future applicable method were found.

13.2 Debt restructuring

There were no debt restructuring events during the reporting period.

13.3 Asset replacement

There were no asset exchanges during the reporting period.

13.4 Termination of business

There are no terminations that need to be disclosed.

14. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

14.1 Notes receivable and accounts receivable

Item	31/12/2018	31/12/2017
Notes receivable		158,668.15
Accounts receivable	2,619,050,323.41	3,144,230,160.93
Total	2,619,050,323.41	3,144,388,829.08

14.1.1 Notes receivable

14.1.1.1 Classifications

Item	31/12/2018	31/12/2017
Bank acceptance bill		158,668.15
Total		158,668.15

14.1.2 Accounts receivable

14.1.2.1 Classifications

Category	31/12/2018				NBV
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Individual accounts receivable with significant	2,612,643,752.26	99.75			2,612,643,752.26

Category	31/12/2018				NBV
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
amount and provision for bad debts separately					
Accounts receivable with provision for bad debts according to the combination of credit risk characteristics	6,562,784.15	0.25	156,213.00	2.38	6,406,571.15
Individual accounts receivable with insignificant but separate provision for bad debts					
Total	2,619,206,536.41	100.00	156,213.00		2,619,050,323.41

Continued.

Category	31/12/2017				NBV
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Individual accounts receivable with significant amount and provision for bad debts separately	3,138,576,190.88	99.82			3,138,576,190.88
Accounts receivable with provision for bad debts according to the combination of credit risk characteristics	5,808,722.80	0.18	154,752.75	2.66	5,653,970.05
Individual accounts receivable with insignificant but separate provision for bad debts					
Total	3,144,384,913.68	100.00	154,752.75		3,144,230,160.93

14.1.2.2 Description of classifications

(1) In the combination, accounts receivable for bad debt provision by aging analysis

Aging	31/12/2018		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Within 1 year	5,276,142.16		
1-2 year	1,011,152.40	101,115.00	10.00
2-3 year	275,489.59	55,098.00	20.00
Total	6,562,784.15	156,213.00	

14.1.2.3 Provision for bad debts, withdrawn or transferred back during the period

Provision for bad debts in the current period amounted to RMB ¥1,460.25.

14.1.2.4 Top five accounts receivable at the end of the period are as follows.

Company name	31/12/2018	Percentage of accounts receivable at the end of the period (%)	Provision for bad debts
Taizhou Pharmaceutical High-tech Industrial Park Management Committee 泰州医药高新技术产业园区管理委员会	2,533,567,376.26	96.73	
Jiangsu Kanghuai Biotechnology Co., Ltd. 江苏康淮生物科技有限公司	68,298,300.00	2.61	
Jiangsu Na'hai Biological Technology Co., Ltd. 江苏纳海生物科技有限公司	1,778,076.00	0.07	
State Grid Taizhou Power Supply Company 国网江苏省电力公司泰州供电公司	702,678.10	0.03	
Jiangsu Meishi Medical Technology Co., Ltd. 江苏美时医疗技术有限公司	617,900.00	0.02	
Total	2,604,964,330.36	99.46	

14.2 Other receivables

Item	31/12/2018	31/12/2017
Other receivables	9,395,348,961.97	3,873,385,338.35
Total	9,395,348,961.97	3,873,385,338.35

Note: The other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

14.2.1 Other receivables

14.2.1.1 Classifications

Category	31/12/2018				NBV
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Other receivables with significant individual amounts and separate provision for bad debts	9,395,266,136.49	99.99			9,395,266,136.49
Other receivables with provision for bad debts in combination with credit risk characteristics	627,825.66	0.01	545,000.18	86.81	82,825.48
Other receivables with no insignificant amounts but with separate provision for bad debts					
Total	9,395,893,962.15	100.00	545,000.18		9,395,348,961.97

Continued.

Category	31/12/2017				NBV
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Other receivables with significant individual amounts and separate provision for bad debts	3,873,202,675.32	99.98			3,873,202,675.32
Other receivables with provision for bad debts in combination with credit risk characteristics	713,145.57	0.02	530,482.54	74.39	182,663.03
Other receivables with no insignificant amounts but with separate provision for bad debts					
Total	3,873,915,820.89	100.00	530,482.54		3,873,385,338.35

14.2.1.2 Description of classifications

(1) In the combination, other receivables for bad debt provision by aging analysis

Aging	31/12/2018		
	Other receivables	Provision for bad debts	Provision ratio (%)
Within 1 year	24,680.09		
1-2 year	7,018.00	701.80	10.00
2-3 year	50,000.00	10,000.00	20.00
4-5 year	23,658.39	11,829.20	50.00
Above 5 years	522,469.18	522,469.18	100.00
Total	627,825.66	545,000.18	

14.2.1.3 Provision for bad debts, withdrawn or transferred back during the period

Provision for bad debts in the current period amounted to RMB ¥14,517.64.

14.2.1.4 Top five other receivables at the end of the period are as follows.

Company name	Nature of payment	31/12/2018	Aging	Percentage of Other receivables at the end of the period (%)	Provision for bad debts at the end of the period
Taizhou Pharmaceutical High-tech Industrial Park Management Committee 泰州医药高新技术产业园区管理委员会	Open credit	5,864,407,423.67	Within 1 year RMB ¥4,134,242,626.89 ; 1-2 year RMB ¥141,358,912.99; 2-3 year RMB ¥602,160,055.91; 3-4 year RMB ¥785,658,018.92; 4-5 year RMB	62.41	

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Company name	Nature of payment	31/12/2018	Aging	Percentage of Other receivables at the end of the period (%)	Provision for bad debts at the end of the period
			¥47,234,863.56; Above 5 years RMB ¥153,752,945.40		
Taizhou Huazheng Engineering Management Service Co., Ltd. 泰州华正工程管理服务有限公司	Loan	1,035,053,452.50	Within 1 year	11.02	
Taizhou Huacheng Medical Investment Group Co., Ltd. 泰州华诚医学投资集团有限公司	Open credit	526,921,717.30	Within 1 year	5.61	
Xinjiang Zhao'yin New Investment Tianshan Fund Co., Ltd. 新疆招银新投天山基金有限公司	Equity repurchase	450,000,000.00	RMB ¥300 million within 1 year; RMB ¥150 million in 1-2 years	4.79	
Taizhou Dongfang Medical City Holding Group Co., Ltd. 泰州东方医药城控股集团有限公司	Open credit	399,139,223.30	Within 1 year	4.25	
Total		8,275,521,816.77		88.08	

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

14.3 Long-term equity investment

Nature of payment	31/12/2018		31/12/2017	
	Book balance	Provision	Book balance	Provision
Investments in subsidiaries	6,240,531,069.00		6,113,031,069.00	
Investments in associates	60,190,283.43		60,033,469.05	
Total	6,300,721,352.43		6,173,064,538.05	

14.3.1 Investments in subsidiaries

Invested company	Initial investment cost	31/12/2017		31/12/2018	
		Book balance	Provision	Book balance	Provision
Taizhou China Medical City Asset Management Co., Ltd 泰州中国医药城资产管理公司	300,000,000.00			300,000,000.00	
Taizhou Pharmaceutical High-tech Co., Ltd 泰州医药高新股份有限公司	3,485,465,000.00			3,485,465,000.00	
Taizhou Huasheng Investment Development Co., Ltd 泰州华盛投资开发有限公司	200,000,000.00			200,000,000.00	
Taizhou Huakang Investment Co., Ltd 泰州华康投资有限公司	2,000,000,000.00			2,000,000,000.00	
Taizhou China Medical City high-tech commercial factoring Limited 泰州中国医药城高新商业保理有限公司	127,500,000.00			127,500,000.00	
Huaxin Pharmaceutical (Hong Kong) Co., Limited 華信藥業(香港)有限公司	66,069.00			66,069.00	
Total	6,113,031,069.00			6,113,031,069.00	

14.3.1 Investments in associates

Invested company	31/12/2017	Changes in the reporting period		
		Additional investment	Reduce investment	Gains and losses recognized under the equity method
				Other comprehensive income adjustment
Total	66,069.00	127,500,000.00	127,500,000.00	66,069.00

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.
Notes to the financial statements
For the year ended 31 December, 2018

Invested company	31/12/2017	Changes in the reporting period			Other comprehensive income adjustment
		Additional investment	Reduce investment	Gains and losses recognized under the equity method	
1.Name of associates					
Taizhou Wan Tuo Town Reconstruction Development Co., Ltd 泰州万拓城镇改造开发有限公司	30,000,000.00			61,760.14	
Taizhou Shuangxing Construction Co., Ltd 泰州双兴建设有限公司	22,000,000.00			-11,782.98	
Taizhou Medical City State Branch Chemical Biological Technology Co., Ltd. 泰州医药城国科化物生物医药科技有限公司	3,033,180.78			108,634.70	
Taizhou Lianxin Construction Co., Ltd 泰州联信建设有限公司	5,000,288.27			-1,797.48	
Total	60,033,469.05			156,814.38	

Continued.

Invested company	Changes in the reporting period				31/12/2018
	Other changes in equity	Declare a cash dividend or profit	Provision for impairment	Others	
1.Name of associates					
Taizhou Wan Tuo Town Reconstruction Development Co., Ltd 泰州万拓城镇改造开发有限公司					30,061,760.14
Taizhou Shuangxing Construction Co., Ltd 泰州双兴建设有限公司					21,988,217.02
Taizhou Medical City State Branch Chemical Biological Technology Co., Ltd. 泰州医药城国科化物生物医药科技有限公司					3,141,815.48
Taizhou Lianxin Construction Co., Ltd 泰州联信建设有限公司					4,998,490.79
Total					60,190,283.43

14.4 Operating income and operating cost

14.4.1 Classifications

Item	Year ended 31/12/2018		Year ended 31/12/2017	
	Revenue	Cost	Revenue	Cost
Main business income	116,388,800.54	121,198,526.21	400,207,324.81	196,726,348.26
Other business income	22,682,658.17	7,038,807.54	18,786,713.36	6,163,245.34

14.5 Investment income

Item	Year ended 31/12/2018	Year ended 31/12/2017
Long - term equity investment income by equity method	156,814.38	-966,530.95
The investment income of the available-for-sale financial assets during the holding period	45,675.00	
Total	202,489.38	-966,530.95

15. SUPPLEMENTARY INFORMATION

15.1 Current non-recurring profit and loss statement

Item	Amount	Remarks
Loss on disposal of non - current assets	-372,090.89	
Government subsidy included in current profit and loss (Closely related to the business of the enterprise, except for government subsidies that are fixed or quantitatively enjoyed according to national uniform standards.)	418,272,391.11	
Other non-operating income and expenses other than the above	1,010,877.68	
Other profit and loss items that meet the definition of non-recurring gains and losses		
Less: Income tax impact	104,727,794.48	
Total	314,183,383.42	

TAIZHOU HUAXIN PHARMACEUTICAL INVESTMENT CO., LTD



25 April 2019

APPENDIX A – FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT

FM: BANK OF JIANGSU CO., LTD. TAIZHOU BRANCH (SWIFT: BOJSCNBNXXX)

ADDRESS: NO. 10 DONGJIN EAST ROAD
TAIZHOU CITY, JIANGSU PROVINCE
CHINA

ISSUE DATE: 29 JANUARY 2021

TO BENEFICIARY: CITICORP INTERNATIONAL LIMITED. (THE “**TRUSTEE**”) IN ITS CAPACITY AS TRUSTEE FOR AND ON BEHALF OF ITSELF AND THE HOLDERS (THE “**BONDHOLDERS**”) OF THE USD60,000,000 2.6 PER CENT. CREDIT ENHANCED BONDS DUE 2024 (THE “**BONDS**”) TO BE ISSUED BY HUAXIN PHARMACEUTICAL (HONG KONG) CO., LIMITED (THE “**ISSUER**”) AND TO BE CONSTITUTED BY A TRUST DEED DATED ON 29 JANUARY 2021 (THE “**ISSUE DATE**”) AMONG THE ISSUER, TAIZHOU HUAXIN PHARMACEUTICAL INVESTMENT CO., LTD. (THE “**COMPANY**”) AND THE TRUSTEE (AS AMENDED AND/OR SUPPLEMENTED AND/OR MODIFIED FROM TIME TO TIME, THE “**TRUST DEED**”).

DEAR SIRs,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER]

AT THE REQUEST OF OUR CUSTOMER, THE COMPANY, WE, BANK OF JIANGSU CO., LTD. TAIZHOU BRANCH (THE “**ISSUING BANK**,” “**OUR**,” “**US**” OR “**WE**”), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE ISSUER, IN RESPECT OF AND IN CONNECTION WITH THE TERMS AND CONDITIONS OF THE BONDS SCHEDULED TO THE TRUST DEED (THE “**CONDITIONS**”) AND THE TRUST DEED. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (A “**DEMAND**”) STATING THAT (1) THE ISSUER HAS FAILED TO COMPLY WITH CONDITION 4(B) OF THE CONDITIONS (THE “**PRE-FUNDING CONDITION**”) IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION OR (2) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR ITSELF AND THE BONDHOLDERS, HAS GIVEN NOTICE TO THE ISSUER THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS OR (3) THE ISSUER HAS FAILED TO PAY THE FEES, COSTS, EXPENSES AND/OR OTHER AMOUNTS IT IS OBLIGED TO PAY UNDER THE CONDITIONS IN CONNECTION WITH THE BONDS, THE TRUST DEED, THE AGENCY AGREEMENT (AS DEFINED IN THE TRUST DEED) AND/OR ANY OTHER TRANSACTION DOCUMENTS RELATING TO THE BONDS WHEN DUE AND SUCH FAILURE HAS CONTINUED FOR A PERIOD OF SEVEN DAYS FROM THE DATE OF THE TRUSTEE DELIVERING ITS DEMAND THEREFOR TO THE ISSUER.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON AND AFTER THE ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND BY 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, WE SHALL BY 10:00 A.M. (HONG KONG TIME) ON THE FOURTH BUSINESS DAY AFTER THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND (OR IF SUCH DEMAND IS RECEIVED AFTER 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, THEN ON THE FIFTH BUSINESS DAY AFTER THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND), PAY TO OR TO THE ORDER OF THE BENEFICIARY THE AMOUNT IN U.S. DOLLARS SPECIFIED IN THE DEMAND TO THE ACCOUNT SPECIFIED IN THE DEMAND. “**BUSINESS DAY**” MEANS A DAY

(OTHER THAN A SATURDAY, A SUNDAY OR A PUBLIC HOLIDAY) ON WHICH BANKS AND FOREIGN EXCHANGE MARKETS ARE OPEN FOR BUSINESS IN HONG KONG, BEIJING, NEW YORK CITY AND LONDON.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN U.S. DOLLARS AND SHALL NOT IN ANY CIRCUMSTANCES EXCEED USD61,780,000 (THE “**MAXIMUM LIMIT**”), AN AMOUNT REPRESENTING ONLY (I) THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS PLUS INTEREST PAYABLE FOR ONE INTEREST PERIOD (BEING SIX MONTHS) IN ACCORDANCE WITH THE CONDITIONS AND (II) USD1,000,000 BEING THE MAXIMUM AMOUNT PAYABLE UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT FOR ANY FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS PAYABLE BY THE ISSUER UNDER OR IN CONNECTION WITH THE BONDS, THE TRUST DEED, THE AGENCY AGREEMENT AND/OR ANY OTHER TRANSACTION DOCUMENT RELATING TO THE BONDS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY TO YOU IS UNCONDITIONAL, IRREVOCABLE AND ABSOLUTE AND ANY DEMAND BY YOU UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONOURED WITHOUT ANY FURTHER ENQUIRY AS TO YOUR RIGHTS TO MAKE SUCH DEMAND.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE DATE HEREOF AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 6:00 P.M. (HONG KONG TIME) ON 28 FEBRUARY 2024 (THE “**EXPIRY DATE**”) AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK. AFTER THE EXPIRY DATE, OUR LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT WILL BE IMMEDIATELY DISCHARGED EXCEPT FOR ANY DEMAND VALIDLY PRESENTED UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT BEFORE THE EXPIRY DATE THAT REMAINS UNPAID.

PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WHICH IS PRESENTED ON OR AFTER THE ISSUE DATE AND ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TO BE PRESENTED BY WAY OF AN AUTHENTICATED SWIFT PRESENTED BY OR ON BEHALF OF YOU AS TRUSTEE FOR THE BONDHOLDERS TO US (SWIFT: BOJSCNBNXXX) ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER, PROVIDED THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, YOU (THE BENEFICIARY) MAY INSTEAD PRESENT A COPY OF THE DEMAND TO US VIA FACSIMILE TRANSMISSION AT +86 523 8681 0072 AND SUCH DEMAND SHALL BE SIGNED BY YOU AS TRUSTEE FOR THE BONDHOLDERS AND ACCOMPANIED BY A COPY OF A LIST OF AUTHORISED SIGNATORIES OF THE TRUSTEE, FOLLOWED BY A STATEMENT VIA AUTHENTICATED SWIFT ON THE NEXT BUSINESS DAY ON WHICH THE SWIFT SYSTEM IS AVAILABLE STATING THAT THE LIST OF AUTHORISED SIGNATORIES PROVIDED IS VALID AND EFFECTIVE. IN THE CASE OF A PRESENTATION OF A DEMAND BY WAY OF FACSIMILE TRANSMISSION IN THE CIRCUMSTANCE STATED ABOVE, YOU SHALL ARRANGE FOR THE ORIGINAL DEMAND TO BE DELIVERED AS SOON AS REASONABLY PRACTICABLE THEREAFTER VIA COURIER AT OUR COUNTER AT OUR ADDRESS (AS SPECIFIED ABOVE) DURING OUR NORMAL BRANCH OPENING HOURS ON OR AFTER THE ISSUE DATE AND ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE. FOR THE AVOIDANCE OF DOUBT, THE DEMAND SHALL BE RECEIVED FOR ALL PURPOSES OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND WE SHALL START PROCESSING THE DEMAND UPON RECEIPT OF THE DEMAND SENT TO US BY WAY OF FACSIMILE TRANSMISSION.

ONLY ONE DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS PERMITTED.

ALL CHARGES ARE FOR THE ACCOUNT OF THE ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE BENEFICIARY.

NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN U.S. DOLLARS AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY DEDUCTION OR WITHHOLDING ON ACCOUNT OF TAX, SET-OFF, COUNTER-CLAIM OR OTHERWISE. IN THE EVENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED BY LAW, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE TRUSTEE FOR THE BONDHOLDERS OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN SO REQUIRED BY LAW.

THE BENEFICIARY'S RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE APPOINTED AS CONTEMPLATED IN THE TRUST DEED IN RESPECT OF THE BONDS SUBJECT ONLY TO AT LEAST 15 DAYS' NOTICE HAVING BEEN GIVEN TO US BY OR ON BEHALF OF YOU AS TRUSTEE FOR THE BONDHOLDERS BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON BY LETTER TO US AT OUR ADDRESS (AS SPECIFIED ABOVE), AND ACKNOWLEDGED BY US. WE SHALL PROVIDE SUCH ACKNOWLEDGMENT WITHIN 15 BUSINESS DAYS UPON OUR ACTUAL RECEIPT OF SUCH NOTICE. MULTIPLE TRANSFERS ARE PERMITTED, SUBJECT TO AS PROVIDED IN THIS PARAGRAPH.

OUR OBLIGATIONS AND LIABILITIES UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE INDEPENDENT. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS NOT SUBJECT TO ANY CONTRACT, AGREEMENT, CONDITION OR QUALIFICATION. WE MAY NOT TRANSFER, ASSIGN OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ARTICLE 36 OF UCP600 (AS DEFINED BELOW), IN THE UNEXPECTED EVENT THAT WE ARE CLOSED WHEN YOU WISH TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS ABLE TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT YOU CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT OR BY PRESENTING A COPY OF THE DEMAND VIA FACSIMILE TRANSMISSION AT +86 523 8681 0072 FROM THE DATE OF OUR RESUMPTION OF OUR BUSINESS, PROVIDED THAT IF WE ARE CLOSED ON THE EXPIRY DATE, THE EXPIRY DATE SHALL BE AUTOMATICALLY EXTENDED BY, AND SUCH PRESENTATION SHALL BE MADE WITHIN, FIVE BUSINESS DAYS AFTER THE DATE OF OUR RESUMPTION OF OUR BUSINESS. WE WILL PROMPTLY NOTIFY YOU OF SUCH RESUMPTION OF OUR BUSINESS. IN THE CASE OF A PRESENTATION OF A DEMAND BY WAY OF FACSIMILE TRANSMISSION IN THE CIRCUMSTANCE STATED ABOVE, YOU SHALL ARRANGE FOR THE ORIGINAL DEMAND TO BE DELIVERED AS SOON AS REASONABLY PRACTICABLE THEREAFTER VIA COURIER AT OUR COUNTER AT OUR ADDRESS (AS SPECIFIED ABOVE) DURING OUR NORMAL BRANCH OPENING HOURS. FOR THE AVOIDANCE OF DOUBT, THE DEMAND SHALL BE RECEIVED FOR ALL PURPOSES OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND WE SHALL START PROCESSING THE DEMAND SENT TO US UPON RECEIPT OF THE DEMAND BY WAY OF FACSIMILE TRANSMISSION. THE ABOVE UNEXPECTED EVENT ONLY REFERS TO THE CASE OF FORCE MAJEURE SPECIFIED IN ARTICLE 36 OF UCP 600.

ANY SETTLEMENT OR DISCHARGE BETWEEN US AS ISSUING BANK AND YOU AS TRUSTEE FOR THE BONDHOLDERS AND BENEFICIARY SHALL BE CONDITIONAL UPON NO PAYMENT TO YOU

BY THE ISSUER OR ANY OTHER PERSON ON THE ISSUER'S BEHALF BEING AVOIDED (BY VIRTUE OF ANY LAWS OR REGULATIONS RELATING TO BANKRUPTCY, INSOLVENCY, RECEIVERSHIP, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE) AND, IN THE EVENT OF ANY SUCH PAYMENT BEING SO AVOIDED, YOU SHALL BE ENTITLED TO RECOVER THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED FROM US SUBSEQUENTLY AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600 ("UCP600").

THIS IRREVOCABLE STANDBY LETTER OF CREDIT, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED IN ACCORDANCE WITH, HONG KONG LAW. NO PERSON SHALL HAVE ANY RIGHT TO ENFORCE ANY TERM OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT UNDER THE CONTRACTS (RIGHTS OF THIRD PARTIES) ORDINANCE (CAP. 623). WE AGREE THAT (1) THE COURTS OF HONG KONG SHALL HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND (2) THAT THE COURTS OF HONG KONG ARE THE MOST APPROPRIATE AND CONVENIENT COURTS TO SETTLE ANY DISPUTE AND, ACCORDINGLY, THAT WE WILL NOT ARGUE THAT ANY OTHER COURTS ARE MORE APPROPRIATE OR CONVENIENT. IN CASE OF ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE HAVE APPOINTED COGENCY GLOBAL (HK) LIMITED AT UNIT B, 1/F, LIPPO LEIGHTON TOWER, 103 LEIGHTON ROAD, CAUSEWAY BAY, HONG KONG AS OUR AGENT FOR SERVICE OF PROCESS. IF FOR ANY REASON SUCH AGENT SHALL CEASE TO ACT, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT WITHIN 30 DAYS OF SUCH CESSATION. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

APPENDIX A-1
FORM OF DEMAND

To: BANK OF JIANGSU CO., LTD. TAIZHOU BRANCH (SWIFT: BOJSCNBNXXX)

ADDRESS: NO. 10 DONGJIN EAST ROAD
TAIZHOU CITY, JIANGSU PROVINCE
CHINA

[DATE]

Dear Sirs

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN RESPECT OF THE USD60,000,000 2.6 PER CENT. CREDIT ENHANCED BONDS DUE 2024 (THE “BONDS”) ISSUED BY HUAXIN PHARMACEUTICAL (HONG KONG) CO., LIMITED (THE “ISSUER”)

The undersigned is a duly authorised person of Citicorp International Limited which is hereby making a demand on behalf of Citicorp International Limited as Trustee for itself and on behalf of the Bondholders (the “Beneficiary”) under your Irrevocable Standby Letter of Credit No.[NUMBER] (the “Irrevocable Standby Letter of Credit”). Capitalised terms used herein but not defined shall have the meanings given to them in the Irrevocable Standby Letter of Credit.

1. This Demand is made in connection with the following:

- The Issuer has failed to comply with Condition 4(b) (the “Pre-Funding Condition”) in relation to pre-funding the amount that is required to be pre-funded under the Conditions and/or failed to provide the Required Confirmations (as defined in the Conditions) in accordance with the Pre-Funding Condition.
- An Event of Default (as defined in the Conditions) has occurred and the Beneficiary, as Trustee for the Bondholders, has given notice to the Issuer that the Bonds are due and payable in accordance with the Conditions.
- The Issuer has failed to pay the fees, costs, expenses, indemnity payments and other amounts it is obliged to pay under the Conditions, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Bonds when due and such failure has continued for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer in accordance with the Conditions.

2. We hereby demand you to pay USD[AMOUNT] representing the aggregate of (i) interest accrued up to the date when the Bonds cease to bear interest pursuant to the Conditions, (ii) the principal amount of the outstanding Bonds and (iii) all fees, costs, expenses, indemnity payments and other amounts in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Bonds which is due and now outstanding.

3. We hereby request you to pay the above amounts after you receive this Demand in accordance with the Irrevocable Standby Letter of Credit.

4. The proceeds of the drawing under this Demand are to be credited to the following account:

[Insert account details]

FOR AND BEHALF OF

CITICORP INTERNATIONAL LIMITED AS BENEFICIARY

BY:

NAME:

TITLE:

ISSUER

Huaxin Pharmaceutical (Hong Kong) Co., Limited

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

GUARANTOR

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

Commercial Building One
Yaocheng Road, Hailing District
Taizhou City, Jiangsu Province
People's Republic of China

TRUSTEE

Citicorp International Limited

20/F, Citi Tower, One Bay East
83 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

**LC PROCEEDS ACCOUNT BANK AND PRE-FUNDING
ACCOUNT BANK**

Citibank, N.A., Hong Kong Branch

10/F, Citi Tower, One Bay East
83 Hoi Bun Road, Kwun Tong
Kowloon
Hong Kong

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

Citibank, N.A., London Branch

c/o Citibank N.A., Dublin Branch
1 North Wall Quay
Dublin 1, Ireland

REGISTRAR

Citibank, N.A., London Branch

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

LEGAL ADVISERS TO THE PLACING AGENTS

as to Hong Kong law

Fangda Partners

26/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

as to PRC law

Jingtian & Gongcheng

34th floor, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing, China

LEGAL ADVISERS TO THE TRUSTEE

as to Hong Kong law

Davis Polk & Wardwell LLP

18th Floor, The Hong Kong Club Building
3A Chater Road
Hong Kong