

REGISTERED NUMBER: 10582859 (England and Wales)

Strategic Report, Report of the Directors and  
Financial Statements for the Year Ended 31 December 2021  
for  
Lianheteck Europe Limited

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Lianhetechn Europe Limited (Registered number: 10582859)

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for the Year Ended 31 December 2021

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Lianheteck Europe Limited

Company Information  
for the Year Ended 31 December 2021

**DIRECTORS:**

L P Kingsbury  
M Xu  
J T Lightwing

**REGISTERED OFFICE:**

Seal Sands  
Middlesbrough  
Cleveland  
TS2 1UB

**REGISTERED NUMBER:**

10582859 (England and Wales)

**AUDITORS:**

Shinewing Wilson Accountancy Limited  
Chartered Certified Accountants  
and Statutory Auditors  
9 St Clare Street  
London  
EC3N 1LQ

Lianhete Europe Limited (Registered number: 10582859)

Strategic Report  
for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

**REVIEW OF BUSINESS**

During the year ended 31 December 2021, the business had a loss of £7,433K (2020: loss of £6,319K) in terms of EBITDA (earnings before interest, tax, depreciation and amortisation), the measure used by the Board of directors and investors to track financial performance. Losses in the year have been driven by a reduction in other operating income, which was largely owing to exchange gains during the prior financial year. Revenue for the year has also reduced to £12,828K for the year (2020: £14,716K). The comparable losses are largely driven by impairment on the investment in its subsidiaries in the year under review.

The financial position of the Company as at the year end is net assets of £8,538K (2020: £16,009K).

**Strategy and future outlook**

Apart from providing corporate services to the ultimate parent undertaking, the Company's outlook is that of a holding company dealing with financial and investment transactions. Therefore, the strategy and future outlook of the Company is dependent on the operations of its subsidiaries.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business and the execution of the company's strategy are subject to a number of risks. The main risks and uncertainties are as follows:

- COVID-19: at the outbreak of the COVID-19 pandemic, the business received special dispensation to continue operations as a Site Critical for National Infrastructure and as such we have managed to ensure stable operations and minimise disruption by implementation of strict social distancing measures.
- Brexit: the business has acknowledged supply chain risks surrounding movement of materials in a 'no-deal' Brexit scenario. As such the business has worked with customers and key suppliers to ensure sufficient safety stocks of material are held for business continuity. The company maintains a 'Brexit committee' for on-going assessment of business risk.

Strategic Report  
for the Year Ended 31 December 2021

**SECTION 172(1) STATEMENT**

Section 172 of the Companies Act 2006 requires the directors of the Company to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members.

In doing so section 172 requires a director to have regard to:

S172(1)(A) The likely consequence of any decision in the long term

The Directors understand the business and the environment in which the Company operates, including the challenges of navigating through the fine chemical industry. The Board is ultimately accountable to the Company's shareholders for setting the Company's strategy and for overseeing its financial and operational performance in line with strategic objectives as a holding company. The Directors have taken the decisions they believe best support the Company's long term strategic vision.

S172(1)(B) The interests of the company's employees

The Directors recognise that the employees are essential and core to our operations and for completion of our strategic ambitions. The success of our business is contingent on attracting, retaining and motivating employees. The Directors factor the implications of decisions made by them on employees and the wider workforce, where relevant and possible and also try to ensure that the Company remains a responsible employer in terms of pay, safety and workplace atmosphere.

S172(1)(C) The need to foster the company's business relationships with suppliers, customers and others

The Directors note that achieving our strategy depends on strong mutually beneficial relationships with suppliers, customers and others. The Board actively seeks these mutually beneficial arrangements when entering into any new relationships. The Board also accepts feedback from current relationships and actively promotes the process of improving these relationships.

S172(1)(D) The impact of the company's operations on the community and the environment

The Board believe that this is extremely important and relevant with the industry that the Company operates. Through carrying out operations the Company and its trading subsidiaries Fine Organic Limited and Fine Environmental Services Limited which have a broad environmental permit and similarly has extensive consents in place to allow us to handle a broad range of substances at a range of scales and chemical substance waste management. The business continues to work with its regulators in maintaining compliance and striving for best practice where environmental impact is concerned.

S172(1)(E) The desirability of the company maintaining a reputation for high standards of business conduct

The directors recognise that the business operates within an industry where a high degree of emphasis is placed on ensuring business decisions are economically, environmentally and socially responsible.

The company periodically reviews its policies and principles, as set out in the company Staff Handbook and other guiding documentation for the Company as a holding company also for its subsidiaries, to ensure that these high standards are maintained. This, complemented by the ways the board is informed and monitors compliance with relevant governance standards help assure its decisions are taken and that the company acts in a way that promotes high standards of business conduct.

S172(1)(F) The need to act fairly as between members of the company.

The directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, our directors act fairly as between the Company's members but are not required to balance the Company's interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

Lianheteck Europe Limited (Registered number: 10582859)

Strategic Report  
for the Year Ended 31 December 2021

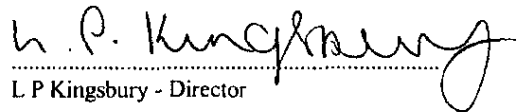
**KEY PERFORMANCE INDICATORS**

The key performance indicators of the company were as follows:

	31 December 2021	31 December 2020	Change
	£'000	£'000	
Turnover	12,828	14,716	12.8%-
Gross profit	675	679	nil
Operating profit / (loss)	(686)	45	16.2x
Net assets	8,538	16,009	46.7%-

Relevant KPIs are adopted by the Company and measured on a regular basis.

**ON BEHALF OF THE BOARD:**

  
.....  
L P Kingsbury - Director

Date: 23/05/2022  
.....

Lianhetech Europe Limited (Registered number: 10582859)

Report of the Directors  
for the Year Ended 31 December 2021

The directors present their report with the financial statements of the company for the year ended 31 December 2021.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of acting as an investment holding company and providing corporate services to the ultimate parent undertaking.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2021.

**RESEARCH AND DEVELOPMENT**

The company's research and development activities are focused on the safe implementation of improving plant efficiency, optimisation of plant productivity, reducing waste and improving environmental performance, satisfying both our customers and all stakeholders.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

L P Kingsbury

M Xu

J T Lightwing

**DISCLOSURE IN THE STRATEGIC REPORT**

The Company has chosen to disclose information regarding the future development opportunities for the Company and financial instrument risk management policies in the strategic report rather than the directors' report.

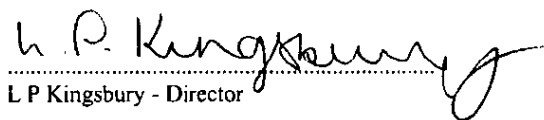
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Shinewing Wilson Accountancy Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

  
L P Kingsbury - Director

Date: 23/05/2022

Liulihetech Europe Limited (Registered number: 10582859)

Statement of Directors' Responsibilities  
for the Year Ended 31 December 2021

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Independent Auditors to the Members of  
Lianheteck Europe Limited

**Opinion**

We have audited the financial statements of Lianheteck Europe Limited (the 'company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material uncertainty related to going concern**

We draw your attention to note 2 in the financial statements, which indicates that the Company incurred a loss before tax of £7,445K (2020: £6,331K) during the year. The Company fully depends on its ultimate parent's financial support, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Strategic Report, the Report of the Directors and the Statement of Directors' Responsibilities, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of  
Lianheteck Europe Limited

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page six, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of 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.

Report of the Independent Auditors to the Members of  
Lianheteck Europe Limited

**Auditors' 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Discussions with and enquiries of management and those charged with governance were held with a view to identifying those laws and regulations that could be expected to have a material impact on the financial statements. During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the entity.

The following laws and regulations were identified as being of significance to the entity:

- Those laws and regulations considered to have a direct effect on the financial statements include UK financial reporting standards, Company Law, Tax and Pensions legislation, and distributable profits legislation.
- Those laws and regulations for which non-compliance may be fundamental to the operating aspects of the business and therefore may have a material effect on the financial statements include environmental regulations, health and safety legislation, employment law, and General Data Protection Regulation (GDPR).

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: inquiries of management and those charged with governance as to whether the entity complies with such laws and regulations; enquiries with the same concerning any actual or potential litigation or claims; inspection of relevant legal correspondence; review of board minutes; testing the appropriateness of entries in the nominal ledger, including journal entries; reviewing transactions around the end of the reporting period; and the performance of analytical procedures to identify unexpected movements in account balances which may be indicative of fraud.


No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

Report of the Independent Auditors to the Members of  
Lianheteck Europe Limited

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Julie Zhuge Wilson (Senior Statutory Auditor)  
for and on behalf of Shinewing Wilson Accountancy Limited  
Chartered Certified Accountants  
and Statutory Auditors  
9 St Clare Street  
London  
EC3N 1LQ

Date: 09/06/2022

Lianheteck Europe Limited (Registered number: 10582859)

Statement of Comprehensive Income  
for the Year Ended 31 December 2021

	Notes	31.12.21 £'000	31.12.20 £'000
<b>TURNOVER</b>	4	12,828	14,716
Cost of sales		<u>12,153</u>	<u>14,037</u>
<b>GROSS PROFIT</b>		675	679
Administrative expenses		<u>1,499</u>	<u>1,693</u>
		(824)	(1,014)
Other operating income		<u>138</u>	<u>1,059</u>
<b>OPERATING (LOSS)/PROFIT</b>		(686)	45
Amounts written off investments	6	<u>6,759</u>	<u>6,376</u>
<b>LOSS BEFORE TAXATION</b>	7	(7,445)	(6,331)
Tax on loss	8	<u>26</u>	<u>30</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		(7,471)	(6,361)
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>(7,471)</u>	<u>(6,361)</u>

The notes form part of these financial statements

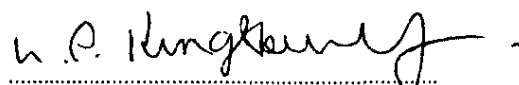
Lianheteck Europe Limited (Registered number: 10582859)

Balance Sheet  
31 December 2021

	Notes	31.12.21 £'000	£'000	31.12.20 £'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	9		257		269
Investments	10		-		6,759
			<u>257</u>		<u>7,028</u>
<b>CURRENT ASSETS</b>					
Debtors	11	14,604		11,880	
Cash at bank		<u>2,946</u>		<u>68</u>	
		17,550		11,948	
<b>CREDITORS</b>					
Amounts falling due within one year	12	<u>9,269</u>		<u>2,967</u>	
<b>NET CURRENT ASSETS</b>			<u>8,281</u>		<u>8,981</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>8,538</u>		<u>16,009</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13		-		-
Share premium			103,596		103,596
Retained earnings			<u>(95,058)</u>		<u>(87,587)</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>8,538</u>		<u>16,009</u>

The financial statements were approved by the Board of Directors and authorised for issue on and were signed on its behalf by:

23/05/2022

  
.....  
L. P. Kingsbury - Director

The notes form part of these financial statements

Lianheteck Europe Limited (Registered number: 10582859)

Statement of Changes in Equity  
for the Year Ended 31 December 2021

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
<b>Balance at 1 January 2020</b>	-	(81,226)	103,596	22,370
<b>Changes in equity</b>				
Total comprehensive income	-	(6,361)	-	(6,361)
<b>Balance at 31 December 2020</b>	-	(87,587)	103,596	16,009
<b>Changes in equity</b>				
Total comprehensive income	-	(7,471)	-	(7,471)
<b>Balance at 31 December 2021</b>	-	(95,058)	103,596	8,538

The notes form part of these financial statements

## **1. STATUTORY INFORMATION**

Lianheteck Europe Limited (the "Company") is a private company incorporated, domiciled and registered in England and Wales, registration number 10582859, the registered address is Seal Sands, Middlesbrough, Cleveland TS2 1UB. The Company acts as an investment holding company.

The presentation currency of the financial statements is the Sterling. All amounts in the financial statements and notes have been rounded off to the nearest thousand Sterling Pound, unless otherwise stated.

## **2. ACCOUNTING POLICIES**

### **Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

### **Consolidation**

The financial statements contain information about Lianheteck Europe Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400(1) of the Companies Act 2006 from the requirements to prepare consolidated financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

### **Going concern**

The Company incurred a loss before tax of £7,451K including an impairment loss of £6,759K during the year. The ultimate parent company has confirmed to financially support the whole UK group for at least 12 months from the date of signing these financial statements. Based on this, the directors have concluded that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

### **Turnover**

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for work provided in the normal course of business, net of discounts, VAT and other sales related taxes.

## **2. ACCOUNTING POLICIES - continued**

### **Tangible fixed assets**

Tangible fixed assets are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold buildings are subsequently carried at cost less accumulated depreciation and impairment. The asset shall not be carried at more than recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Depreciation is provided on freehold property so as to write off their carrying value over their expected useful economic lives. It is provided at the following rate:

Freehold buildings - 4% per annum straight line

An asset should be removed from the statement of financial position on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is the difference between the proceeds and the carrying amount and should be recognised in profit and loss.

### **Financial instruments**

#### Financial assets at amortised cost

The company's financial assets measured at amortised cost comprise trade and other debtors and cash and cash equivalents in the balance sheet. Cash and cash equivalents includes cash in hand, deposits held at call with banks.

#### Financial liabilities

The company does not have any liabilities held for trading nor does it voluntarily classify any financial liabilities as being at fair value through profit or loss.

Trade creditors and other short-term monetary liabilities, which are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### **Share capital**

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The company's ordinary shares are classified as equity instruments.

### **Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been substantially enacted by the balance sheet date. Deferred tax assets and liabilities which have been recognised have not been discounted.

**2. ACCOUNTING POLICIES - continued**

**Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Employee benefit costs**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

**Investment in subsidiaries**

Investments in subsidiaries are held at cost less accumulated impairment losses. Annual impairment review is performed by the directors when there has been an indication of potential impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

**Interest income/(expense)**

Interest income/(expense) is recognised using the effective interest rate method. In calculating interest income/(expense), the effective interest rate is applied to the gross carrying amount of the asset, when the asset is not impaired or to the amortised cost of the liability for interest expense. For financial assets that have been impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer impaired the interest income calculation reverts to the gross carrying amount.

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

The directors perform impairment reviews on the carrying value of investments, this involves judgement and involves the use of estimates and assumptions, particularly in relation to future forecasts and events.

**4. TURNOVER**

The turnover and loss before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	31.12.21	31.12.20
	£'000	£'000
Europe	12,546	14,716
Asia	282	-
	<u>12,828</u>	<u>14,716</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

**5. EMPLOYEES AND DIRECTORS**

	31.12.21	31.12.20
	£'000	£'000
Wages and salaries	1,186	1,410
Social security costs	120	139
Other pension costs	111	129
	<u>1,417</u>	<u>1,678</u>

The average number of employees during the year was as follows:

	31.12.21	31.12.20
General administration	5	5
Research and development	21	27
	<u>26</u>	<u>32</u>

None of the Directors has a service contract with the Company in the year. They are all employed by the subsidiary Fine Organic Ltd and so portion of their remuneration can be specifically attributed to their services to the Company.

	31.12.21	31.12.20
	£	£
Directors' remuneration	-	-

**6. AMOUNTS WRITTEN OFF INVESTMENTS**

	31.12.21	31.12.20
	£'000	£'000
Impairment losses	6,759	6,376

**7. LOSS BEFORE TAXATION**

The loss before taxation is stated after charging:

	31.12.21	31.12.20
	£'000	£'000
Cost of inventories recognised as expense	12,153	14,037
Depreciation - owned assets	12	12
Foreign exchange differences	67	-

The auditors' fees are borne by a subsidiary undertaking, Fine Organics Limited, and amounted to £8,000 in the year (2020: £8,000).

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

8. **TAXATION**

**Analysis of tax expense**

	31.12.21	31.12.20
	£'000	£'000
Current tax:		
Tax	26	30
Total tax expense in statement of comprehensive income	26	30

**Factors affecting the tax expense**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.21	31.12.20
	£'000	£'000
Loss before income tax	(7,445)	(6,331)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(1,415)	(1,203)
Effects of:		
Expenses not deductible for tax purposes	1,288	1,212
Deferred tax assets not recognised	127	-
Tax on R+D expenditure credit	26	30
Tax losses utilised	-	(9)
Tax expense	26	30

The Company has tax losses of £1.9 million (2020: £1.2 million) as at 31 December 2021. Deferred tax assets have not been recognised in the financial statements due to uncertainty over the future income streams required from the potential asset to be recovered.

The rate of corporation tax throughout the year was 19%. The current government announced in the recent Budget that a increase to 25% would be effected on 1 April 2023. Deferred tax for timing difference is remeasured and recognised at 19% as company profits are not expected to exceed £50,000.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

9. TANGIBLE FIXED ASSETS

	Freehold property £'000
<b>COST</b>	
At 1 January 2021 and 31 December 2021	281
<b>DEPRECIATION</b>	
At 1 January 2021	12
Charge for year	12
At 31 December 2021	24
<b>NET BOOK VALUE</b>	
At 31 December 2021	257
At 31 December 2020	269

10. INVESTMENTS

	Shares in group undertakings £'000
<b>COST</b>	
At 1 January 2021 and 31 December 2021	82,517
<b>PROVISIONS</b>	
At 1 January 2021	75,758
Impairments	6,759
At 31 December 2021	82,517
<b>NET BOOK VALUE</b>	
At 31 December 2021	-
At 31 December 2020	6,759

The company's investments at the Balance Sheet date in the share capital of companies include the following:

**Fine Organics Ltd**

Registered office: England and Wales

Nature of business: Trading

Class of shares:	%
Ordinary - direct holding	holding 100.00

Lianheteck Europe Limited (Registered number: 10582859)

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

10. INVESTMENTS - continued

**Fine Environmental Services Ltd**

Registered office: England and Wales

Nature of business: Trading

	%
Class of shares:	holding
Ordinary - direct holding	100.00

**Fine Industries Ltd**

Registered office: England and Wales

Nature of business: Intermediate investment

	%
Class of shares:	holding
Ordinary - direct holding	100.00

**Project Bond Bidco Ltd**

Registered office: England and Wales

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary - direct holding	100.00

**Project Bond Holdco Ltd**

Registered office: England and Wales

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary - direct holding	100.00

**Fine Facilities Management Ltd**

Registered office: England and Wales

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary - indirect holding	100.00

**Fine Contract Research Ltd**

Registered office: England and Wales

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary - indirect holding	100.00

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

**11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.21	31.12.20
	£'000	£'000
Trade debtors	3,867	2,132
Amounts owed by group undertakings	10,362	9,488
Other debtors	1	1
Tax - RDEC	371	259
Prepayments and accrued income	3	-
	<u>14,604</u>	<u>11,880</u>

The amount of £1,037K (2020: £1,037K) owed from its parent company, Lianhetech Holdco Ltd, £9,107K (2020: £7,698K) owed from its subsidiary Fine Organics Ltd and £282K (2020: £753K) owed from its fellow subsidiary Lianhe Chemical Technology Co Ltd. (China). The amounts owed to group undertakings were unsecured, interest free and have no fixed repayment date.

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.21	31.12.20
	£'000	£'000
Trade creditors	-	1
Amounts owed to group undertakings	8,420	2,068
Social security and other taxes	44	53
Other creditors	802	802
Accruals and deferred income	3	43
	<u>9,269</u>	<u>2,967</u>

Included in the creditors is an amount of £8,420K (2020: £2,068K) due to its fellow subsidiary Lianhe Chemical Technology (Taizhou) Co. Ltd, and £63K (2020: £Nil) due to its subsidiary Fine Environmental Service Limited. The amounts owed to group undertakings were unsecured, interest free and have no fixed repayment date.

**13. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			31.12.21	31.12.20
Number:	Class:	Nominal value:	£	£
100	Ordinary	£1	<u>100</u>	<u>100</u>

**14. PENSION COMMITMENTS**

The Company operates a defined contribution pension scheme. The pension cost charged for the year represents contributions payable by the Company to the scheme and amounted to £111K (2020: £129K). There was £13K (2020: £16K) outstanding at the end of the financial year.

**15. RELATED PARTY DISCLOSURES**

See note 5 for disclosure of the directors' remuneration, notes 11 and 12 for disclosure of balances due to and from its fellow subsidiaries and group undertakings.

Lianheteck Europe Limited (Registered number: 10582859)

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

**16. ULTIMATE CONTROLLING PARTY**

The immediate parent undertaking of the Company is Lianheteck Holdco Ltd, a company incorporated in the UK.

The ultimate parent undertaking of the Company is Lianhe Chemical Technology Co. Ltd, a company incorporated in P.R. China. This is the largest and smallest group for which consolidated financial statements are prepared.

There is no one ultimate controlling party.

**Lianhua Technology Co., Ltd**



**Annual Report** 2021

**April 2022**

## **Section 1: Important Tips, Table of Contents, and Interpretations**

The board of directors, the board of supervisors and the directors, supervisors and senior management of the company guarantee that the content of the annual report is true, accurate and complete, that there are no false records, misleading statements or material omissions, and that it bears individual and joint legal liabilities.

Wang Ping, the person in charge of the company, Chen Feibiao, the person in charge of accounting work, and Xue Yunxuan, the person in charge of the accounting agency (accounting supervisor), declared: Ensure that the financial reports in this annual report are true, accurate and complete.

All Directors have attended board meetings where this report was considered.

Forward-looking statements, such as future development plans, as described in this report, are planned matters and do not constitute a material commitment of the Company to investors, and investors are reminded of the investment risks.

Investors are invited to read the full text of this annual report carefully and pay particular attention to the elaboration in the "11. Prospects for the Future Development of the Company" section of Section 3 of this report, "Management Discussion and Analysis".

The profit distribution plan approved by the company's board of directors is:

based on the total share capital of the company on the equity record date when the distribution plan is implemented in the future, a cash dividend of 0.50 yuan (including tax) will be distributed to all shareholders for every 10 shares, and 0 bonus shares (including tax) will be sent, and the share capital will not be converted into a provident fund.

## directory

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## **Look up the file directory**

1. The financial statements signed and sealed by the company's legal representative, the person in charge of accounting work and the person in charge of the accounting institution.
2. The original audit report stamped by the accounting firm and signed and sealed by the certified public accountant.
3. The original copies of all company documents and original announcements that have been publicly disclosed in newspapers and periodicals designated by the China Securities Regulatory Commission during the reporting period.
4. The original text of the 2021 annual report signed by the company's legal representative.
5. Other documents for reference.

Place of deposit of documents: Corporate Securities Department

## paraphrase

Paraphrasing items	finger	Interpretation of the content
Lianhua Technology, the company, the company	finger	Lianhua Technology Co., Ltd
General Meeting of Shareholders	finger	General Meeting of Shareholders of Lianhua Technology Co., Ltd
board of directors	finger	Board of Directors of Lianhua Technology Co., Ltd
Supervisory board	finger	Supervisory Board of Lianhua Technology Co., Ltd
Articles of Incorporation	finger	Articles of Association of Lianhua Technology Co., Ltd
Jiangsu Sovietization	finger	Jiangsu Lianhua Technology Co., Ltd
Taizhou Lianhua	finger	Lianhua Technology (Taizhou) Co., Ltd
Yancheng Lianhua	finger	Lianhua Technology (Yancheng) Co., Ltd
Import and export companies	finger	Taizhou Lianhua Import & Export Co., Ltd
Lianhua Pharmaceutical	finger	Taizhou Huangyan Lianhua Pharmaceutical Co., Ltd
Shanghai Lianhua	finger	Lianhua Technology (Shanghai) Co., Ltd
Shanghai Baofeng	finger	Shanghai Baofeng Machinery Manufacturing Co., Ltd
Texas United	finger	Lianhua Technology (Texas) Co., Ltd
Guntai Medicine	finger	Hubei Juntai Pharmaceutical Chemical Co., Ltd
Tianyu Chemical	finger	Liaoning Tianyu Chemical Co., Ltd
Microfinance companies	finger	Taizhou Huangyan Lianke Microfinance Co., Ltd
Linhai Lianhua	finger	Lianhua Technology (Linhai) Co., Ltd
Lianhua New Materials	finger	Lianhua Technology New Material (Taizhou) Co., Ltd
Eguchi Plant	finger	Lianhua Technology Co., Ltd. factory
Yancheng Lianke	finger	Yancheng Lianke Environmental Protection Technology Co., Ltd
Fong's Certified Public Accountants	finger	Fong's Certified Public Accountants (Special General Partnership)
Company	finger	Company Law of the People's Republic of China
Securities Law	finger	Securities Law of the People's Republic of China
SHEQ&C	finger	Safety- Health- Environment Quality Compliance, Safety, Occupational Health, Environment, Quality and Compliance, refers to the Safety, Occupational Health, Environment, Quality and Compliance Management System.

Responsible Care	finger	The global chemical industry's voluntary behavior to continuously improve performance in areas such as safety, health and environment (SHE) is a voluntary action exclusive to the chemical industry. The initiative aims to improve the health, safety and environmental performance of the production and operation activities of chemical enterprises, and to raise the level of awareness and participation of local communities in the chemical industry.
Intermediate	finger	Using basic chemical products as raw materials, we manufacture intermediate products in the process of plant protection, medicine, dyes, resins, additives, plasticizers and other final products.
APIs	finger	Active drug ingredients, molecules that can be used in drug formulations without further chemical synthesis, are raw materials for the production of various types of preparations.
CMO	finger	Contract Manufacture Organization, mainly commissioned by pharmaceutical companies, provides services such as process development, formulation development, clinical trial medication, chemical or biosynthetic API production, intermediate manufacturing, preparation production (such as powders, injections) and packaging required for product production.
CDMO	finger	Contract Development & Manufacture Organization, contract development and processing outsourcing, is mainly entrusted to provide process development, formulation development, chemical or biosynthetic API production, intermediate manufacturing, formulation production (such as powders, injections) and packaging services required for product production.
CRO	finger	Contract Research OrganizationContract R&D services are an academic or commercial scientific institution that provides professional services to pharmaceutical enterprises and R&D institutions in the process of drug research and development through contract forms
GMP	finger	Good Manufacturing Practice, Good Manufacturing Practice.
cGMP	finger	That is, the dynamic drug manufacturing management practice, which is currently implemented by the United States, Europe, Japan and other countries, is also known as the "International GMP Code".
FDA	finger	Food and Drug Administration, U.S. Food and Drug Administration.
EMA	finger	European Medicines Agency, European Medicines Agency.
COD	finger	Chemical Oxygen Demand (Chemical Oxygen Demand) is a chemical measure of the amount of reducing substances in a water sample that need to be oxidized.
VOCs	finger	A general term for volatile organic compounds under specific conditions. Volatile organic compounds mainly include non-methane total

		hydrocarbons (alkanes, olefins, alkynes, aromatic hydrocarbons), oxygenated organic compounds (aldehydes, ketones, alcohols, ethers, etc.), halogenated hydrocarbons, nitrogen-containing compounds, sulfur-containing compounds, etc.
Plant	finger	Plant protection or crop protection refers to the prevention, elimination or control of diseases, insects, grasses and other harmful organisms that endanger agriculture and forestry, as well as the purposeful regulation, control and influence of the metabolism, growth, development and reproduction of plants and harmful organisms.
medicine	finger	Substances or preparations for the prevention or treatment or diagnosis of diseases in humans and livestock. Drugs are divided into natural and synthetic drugs by source. Medicine can also prevent disease, treat disease, reduce suffering, improve health, or strengthen the body's resistance to disease or help diagnose disease.
Pharmaceutical intermediates	finger	Chemical products in the process of chemical API synthesis process. According to the provisions of the State Food and Drug Administration, intermediates can be regarded as pharmaceutical raw materials, and there is no need to apply for approval production and application for batch numbers in accordance with the drug rules. Pharmaceutical intermediates can be divided into primary pharmaceutical intermediates and advanced pharmaceutical intermediates, and advanced pharmaceutical intermediates often only need one or two steps of synthesis process to make APIs.
Fine chemicals	finger	Some countries in Europe and the United States call chemical substances with small output and produced and sold according to different chemical structures fine chemicals; products with small output, processed and formulated, and have special functions or end-use performance are called specialty chemicals. China, Japan and other countries refer to these two types of products as fine chemicals.
Functional chemicals	finger	Products such as functional polymers and small molecular compounds with certain special functions.
Customized services	finger	A common form of division of labor and cooperation among international enterprises, generally for large multinational enterprises according to their own business requirements, one or more steps or products in their research, analysis or production links are entrusted to more specialized and comparative advantage manufacturers through the form of contracts. The entrusted manufacturer conducts research, analysis or production according to the specific standards specified by the customer, and finally sells all the entrusted results or products to the entrusted customer. Customized services adapt to the development trend of specialized division of labor in the global industrial chain, and finally

		achieve win-win results in all links in the product value chain.
Yuan, ten thousand yuan, 100 million yuan	finger	RMB, RMB, RMB 100 million

## Section 2 Company Profile and Main Financial Indicators

### 1. Company information

Stock abbreviations	Lianhua Technology	Ticker symbol	002250
Stocks are listed on stock exchanges	Shenzhen Stock Exchange		
The Chinese name of the company	Lianhua Technology Co., Ltd		
The company's Chinese abbreviation	Lianhua Technology		
Foreign language name of the company (if any)	LIANHE CHEMICAL TECHNOLOGY CO.,LTD.		
Foreign language abbreviations of the company (if any)	LIANHE TECHNOLOGY		
The legal representative of the company	Wang ping		
Registered address	No. 8 Yongjiao Road, Huangyan Economic Development Zone, Taizhou City, Zhejiang Province		
The postal code of the registered address	318020		
Changes in the history of the company's registered address	2013-04-19, the registered address was changed from No. 41 Wangxi Road, Huangyan District, Taizhou City, Zhejiang Province to No. 8 Yongjiao Road, Huangyan Economic Development Zone, Taizhou City, Zhejiang Province		
Office address	17th floor, Chamber of Commerce Building, North Laodong Road, Huangyan District, Taizhou City, Zhejiang Province		
The postal code of the office address	318020		
Company website	<a href="http://www.lianhetechnology.com">http://www.lianhetechnology.com</a>		
E-mail	ltss@lianhetechnology.com		

### 2. Contact person and contact information

	Secretary of the Board of Directors	Securities representative
name	Chen Feibiao	Dai Yi

Contact address	17th floor, Chamber of Commerce Building, North Laodong Road, Huangyan District, Taizhou City, Zhejiang Province	17th floor, Chamber of Commerce Building, North Laodong Road, Huangyan District, Taizhou City, Zhejiang Province
Phone	0576-84289160	0576-84289160
fax	0576-84289161	0576-84289161
E-mail	ltss@lianhetech.com	ltss@lianhetech.com

### 3. Information disclosure and preparation location

The company discloses annual reports on the website of the stock exchange	Securities Times, Shanghai Securities News
The name and url of the media in which the Company discloses its annual report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Location where the company's annual report is to be prepared	Corporate Securities Department

### 4. Changes in registration

Organization code	No changes
Changes in the company's main business since its listing (if any)	No changes
Changes in controlling shareholders (if any)	No changes

### 5. Other relevant information

An accounting firm hired by the company

Name of the accounting firm	Fong's Certified Public Accountants (Special General Partnership)
Accounting firm office address	61 Nanjing East Road, Shanghai
The name of the signatory accountant	Dai Jinyan, Chen Jian

The sponsoring institution engaged by the Company to perform continuous supervision duties during the reporting period

☐ Applicable ☒ Not applicable

Financial advisers engaged by the Company to perform ongoing supervisory duties during the Reporting Period

☐ Applicable ☒ Not applicable

## Sixth, the main accounting data and financial indicators

Whether the company is required to retroactively adjust or restate previous year's accounting data

☐ Yes ☒ No

	In 2021	In 2020	This year increased or decreased from the previous year	In 2019
Operating income (RMB)	6,586,780,685.31	4,781,798,712.79	37.75%	4,283,784,463.40
Net profit attributable to shareholders of the listed company (RMB)	315,405,020.68	110,031,914.36	186.65%	144,254,905.49
Net profit attributable to shareholders of the listed company, net of non-recurring gains and losses (RMB)	288,143,739.71	63,023,778.16	357.20%	165,105,538.26
Net cash flow from operating activities (RMB)	737,788,383.17	1,379,278,348.50	-46.51%	1,050,524,583.37
Basic earnings per share (RMB/share).	0.34	0.12	183.33%	0.16
Diluted earnings per share (RMB/share).	0.34	0.12	183.33%	0.16
Weighted average return on equity	5.08%	1.82%	3.26%	2.49%
	Late 2021	Late 2020	At the end of the year, it increased or decreased from the end of the previous year	Late 2019
Total Assets (RMB)	12,641,780,515.38	10,408,409,994.18	21.46%	9,611,083,713.30
Net assets attributable to shareholders of the listed company (RMB)	6,301,198,272.75	6,027,826,713.53	4.54%	5,905,090,272.66

The Company's net profit before and after non-recurring gains and losses for the last three fiscal years is negative, and the most recent year's audit report shows uncertainty about the Company's ability to continue as a going concern

☐ Yes ☒ No

The lower net profit before and after non-recurring gains and losses is negative

☐ Yes ☒ No

## 7. Differences in accounting data under domestic and foreign accounting standards

### 1. The difference between net profit and net assets in financial reports disclosed in accordance with international accounting standards and Chinese accounting standards

☐ Applicable ☒ Not applicable

There were no discrepancies in net profit and net assets in the Company's financial statements disclosed in accordance with IAS and PRC accounting standards during the reporting period.

### 2. The difference between net profit and net assets in financial reports disclosed in accordance with foreign accounting standards and Chinese accounting standards

☐ Applicable ☒ Not applicable

There was no difference in net profit and net assets in the Company's financial reporting disclosed in accordance with foreign accounting standards and Chinese accounting standards during the reporting period.

## 8. Major financial indicators by quarter

Unit: Meta

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	1,428,718,249.12	1,584,888,567.07	1,726,352,094.87	1,846,821,774.25
Net profit attributable to shareholders of a listed company	83,953,815.26	105,041,805.72	88,508,163.90	37,901,235.80
Net profit attributable to shareholders of a listed company, net of non-recurring gains and losses	73,466,155.67	90,677,626.42	82,914,998.98	41,084,958.64
Net cash flow from operating activities	187,691,574.08	-7,541,224.76	185,539,307.43	372,098,726.42

Whether the above financial indicators or their combined totals are materially different from the relevant financial indicators of the Company's disclosed quarterly reports and semi-annual reports

☐ Yes ☒ No

## 9. Non-recurring profit and loss items and amounts

☒ Applicable ☐ Not applicable

Unit: Meta

project	2021 amount	2020 amount	2019 amount	illustrate
Gain or loss on disposal of non-current assets (including the write-off portion of the	-2,454,311.28	-2,005,437.86	-4,950,378.74	

provision for impairment of assets)				
Government subsidies included in the profit and loss of the current period (closely related to the normal operation of the company, except for government subsidies that comply with national policies and are consistent with a fixed amount or quantitative amount according to a certain standard)	34,518,877.96	48,380,931.80	29,242,568.76	
In addition to the effective hedging business related to the normal operation of the Company, gains or losses on fair value changes arising from the holding of trading financial assets and trading financial liabilities, as well as investment gains and losses from the disposal of trading financial assets trading financial liabilities and financial assets available for sale	40,136,306.63	21,449,856.83	-17,560,038.20	
Other non-operating income and expenses other than those set out above	-34,635,486.42	-13,434,913.48	-28,856,802.29	
Minus: The amount of income tax impact	10,047,944.61	7,047,945.90	-396,532.87	
Minority Shareholders' Equity Impact (After Tax)	256,161.31	334,355.19	-877,484.83	
total	27,261,280.97	47,008,136.20	-20,850,632.77	--

Other specific cases of P&L items that meet the definition of non-recurring profit or loss:

☐ Applicable ☒ Not applicable

The Company does not have other specific circumstances of profit or loss items that meet the definition of non-recurring profit or loss.

The non-recurring profit and loss items listed in the Interpretive Announcement on the Disclosure of Information of Companies Publicly Offering Securities No. 1 - Non-recurring Profit and Loss are defined as recurring profit and loss items

☐ Applicable ☒ Not applicable

The Company does not have the situation of defining the non-recurring profit and loss items listed in the Interpretive Announcement on the Disclosure of Information of Companies Publicly Offering Securities No. 1 - Non-recurring Profit and Loss as recurring profit or loss items.

## Section 3 Management Discussion and Analysis

### First, the industry situation of the company during the reporting period

Companies are required to comply with the disclosure requirements of the chemical industry in the Guidelines for Self-Regulatory Supervision of Listed Companies on the Shenzhen Stock Exchange No. 3 - Industry Information Disclosure

#### 1. Macro environment

In 2021, the global epidemic has fluctuated repeatedly, and some overseas ports have experienced serious congestion, the global shipping container shortage, and the sea freight rate has soared. In addition, the currency of many central banks has "released water", the global liquidity flood, and the impact of the "double control of energy consumption" policy has been superimposed, and the prices of some chemical raw materials and energy have risen significantly. With the advancement of supply-side reform in the chemical industry, carbon peaking and carbon neutrality have become an important direction to guide the development of the national economy during the "14th Five-Year Plan" period. The backward production capacity of "small, scattered and chaotic" has been gradually reduced and shut down, and the advantages of the leading green chemical enterprises with scale, intensification and industrial chain integration are more prominent, and the chemical industry as a whole will enter the rebalancing stage.

"Food is the sky for the people", and food is a guarantee material that meets the basic needs of people all over the world. The impact of the epidemic in 2021 continues, coupled with extreme weather and other factors that have brought certain uncertainties to global food production, countries have tightened their "grain bags", and agricultural production has received widespread attention and attention. At the same time, the population is growing, the area under land cultivation in the world is increasing, and the demand for plant protection products is also increasing.

With the improvement of global medical care, living standards and fertility rates, the acceleration of aging is the general trend. The results of the seventh national census show that the population aged 60 and above in the country is 264 million, accounting for 18.70%, an increase of nearly 5 percentage points compared with the sixth national census. Judging from the current trend, China's aging rate will continue to rise in the future, and gradually enter a moderately aging society. With the continuous deepening of medical reform, China's pharmaceutical and medical industry has ushered in an era of rapid development.

In addition, with the further development of the national economy, the further improvement of people's living standards, the rapid development of new materials and new energy industries, people's demand for electronic chemicals, new chemical materials, special chemicals is increasing, import substitution and China's "intelligent" manufacturing have also brought new opportunities and challenges to Chinese enterprises and the market.

## 2. Industry analysis

- Crop protection industry:

Judging from the agricultural product price index and agricultural product production data released by the Food and Agriculture Organization of the United Nations, the price of agricultural products will continue to rise in 2020-2021, farmers' willingness to plant is higher, and agricultural product production has increased. According to a report by the authority IHS Markit, the global plant protection market grew by 2.7% from the previous year to \$62.04 billion in 2020, and this momentum of the boom is expected to continue until 2025. The annual size of the global plant protection market will exceed 69 billion US dollars.

The plant protection industry is a highly integrated industry, with the end of the merger tide that began in 2017, the industry concentration has increased again, laying the foundation for the globalization of digital agriculture and precision agriculture, and playing a positive role in the introduction of green and efficient plant protection varieties. Factors such as food safety, pesticide reduction, and resistance management have spawned the demand for product iteration in the plant protection industry and the desire for new varieties, which in turn has promoted the development of the plant protection CDMO industry.

- Pharmaceutical industry:

The pharmaceutical industry is directly related to people's health, and the pharmaceutical industry itself bears the responsibility of "treating diseases and saving lives", and should also comply with national and international GMP standards, and meet the general specifications of global pharmaceuticals and the requirements of safety and environmental protection.

With the continuous updating of the expiration of patents of multinational companies in the head of medicine, the continuous development of new drug innovation, the continuous improvement of the difficulty of discovery, screening and follow-up approval of new compounds, the increasing cost of research and development, the time of new drug research and development urgently needs to be more reasonable and optimized, so that the patent period can be guaranteed by real benefits. Therefore, while maintaining high-

intensity R&D investment, large pharmaceutical companies also continue to pursue to improve R&D efficiency and optimize cost control, so as to outsource more R&D and production work. CDMO Enterprise and integrated new drug development service company. This is for CDMO Deep involvement in the product supply chain from early development to clinical research to commercial production provides more and more explicit opportunities for companies. Due to cost pressures and rapid development expectations, each link also forms an advantage and trend of integration in response to scale. Relying on the current trend of pharmaceutical customers to refine, specialize and rapidly divide labor in research and development, CDMO The industry is currently in a stage of rapid development. China CDMO With the development of the industry over the years, in terms of technology, quality management, safety and environmental protection, supply chain optimization and other aspects, it has gradually met the requirements of international pharmaceutical giants in terms of system and capabilities. meantime CDMO The industry has a strong attribute of science and technology, and the demand for high-end technical talents is huge. China has a rich talent reserve in the field of pharmaceutical research and development, and the engineer dividend is given to China CDMO Enterprises bring sufficient scientific and technological talents, combined with the integration of forces in cost control and efficiency are significantly competitive, more and more high value-added R & D and commercialization projects have been transferred to China. Affected by the different talents at home and abroad, more pharmaceutical research and development and pharmaceutical outsourcing service work has shifted to China, which has promoted China CDMO The rapid development of the industry. In addition, the continuous growth of small molecule innovative drugs worldwide and the increase in demand for drug development brought about by the epidemic and domestic encouragement of innovative drug development have further amplified the growth rate of the industry. Due to the policy of drug collection and promotion of innovation, domestic pharmaceutical innovation has also ushered in a rapid development momentum.

- Functional Chemicals Industry:

The business of functional chemicals connects every aspect of our daily lives. With the rapid development of the domestic economy, the middle-class population has reached a considerable scale, and consumption upgrading has become a new trend. In addition, the domestic emerging industries are booming, and the new materials, new energy, information technology and other fields associated with them are also inseparable from the support of functional chemicals. Innovation in the application field of the downstream terminal market is also inseparable from the collaborative innovation of materials and chemicals in the upstream of the industrial

chain. The demand for import substitution in the above areas is huge, and objectively speaking, it also provides a broad development space for the expansion of the functional chemicals market. The downstream of the company's functional chemicals are mainly used in high-performance pigments, industrial fungicides, personal care and cosmetics, battery chemicals, new energy and other fields. At present, the company focuses on the development of upstream products in the fields of electronic chemicals, battery chemicals, high-performance polymer materials and personal care and cosmetics.

### **3 The company's industry status and development strategy**

#### **(1) Plant protection**

The company is a pioneer and leader in China's plant protection CDMO industry, and has carried out CDMO business based on technological innovation with a number of international agrochemical/plant protection companies, and is committed to serving global agrochemical/agrochemical companies. The plant protection industry provides chemical and engineering solutions. Benefiting from the accumulation of long-term technology and customer trust, we will further expand the business to the front end of the product life cycle, providing customers with services from process research and development, pilot scale-up to commercial production package, covering the whole cycle from the early development of pipeline new plant protection products to market launch. This business model well solves the pain points that the customer's CRO and CMO cannot be well connected, greatly shortens the customer's new product launch cycle, and at the same time, locks the front end and locks the back end, accumulating a wealth of pipeline products for the company. The company continues to expand its business layout, optimize the industrial chain structure to reduce costs, actively respond to the global goal of carbon emission reduction and carbon neutrality, and pay attention to the development of cleaner production processes and circular economy production processes. Long-term, close and successful cooperation makes the company occupy an important position in the global supply chain system of core customers, and is a trusted partner of major agrochemical/plant protection companies around the world.

#### **(2) Medicine**

The company actively explores the pharmaceutical sector business with its accumulated chemical technology capabilities. As one of the earliest Chinese companies to enter the CDMO field, the company has deeply cultivated customers and developed technology, and has reached cooperation with a number of world-leading pharmaceutical companies, becoming one of the important competitors in the domestic CDMO field. The company's pharmaceutical business adheres to the service tenet: to deliver high-quality products that meet the

requirements of cGMP in a timely manner with a stable supply chain, to provide customers with high-quality and reliable services, to grow together with customers, and to become an important partner for customers.

After years of hard work, the company has established contacts and active cooperation with many of the world's top 20 multinational pharmaceutical companies, and the related business has grown rapidly. On this basis, the company strives to open up new strategic customers to further consolidate the foundation for future development, with the new small and medium-sized pharmaceutical enterprises research and development innovation expenditure continues to increase, the production process difficulty continues to increase, the company and innovative pharmaceutical companies cooperation business also grow steadily.

### (3) Functional chemicals

Referring to the development model of leading functional chemical production enterprises at home and abroad and the development trend of the future market, the future development trend in the field of functional chemicals is "large" and the other is "small". "Big" means to provide common products in related industries, "small" Refers to the solution to provide differentiation in the segment. The company should do a good job in cooperation and alliance in the subdivision field, take the market demand as the guide, adhere to the independent research and development expansion and external technology project introduction and cooperation, create a stable and high-quality product line, and form a certain technical and industrial chain scale advantage. At present, the company is in the field of industrial fungicides, high-performance pigment dye intermediates, personal/household care products, high-performance polymer monomers, electronic chemical raw materials, battery chemical raw materials, heat-sensitive materials and other fields, and the domestic and international market leaders have formed strategic cooperation, the company combined its own technical expertise and production resources, developed and provided a variety of competitive key chemicals.

The company does a good job in cooperation and alliance in the subdivision field, guided by market demand, adheres to the independent research and development expansion and external technology project introduction and cooperation, and creates a stable and high-quality product series on the basis of the existing product structure, forming a certain technology and industrial chain scale advantage. At present, the company has formed strategic cooperation with leading manufacturers in the domestic and international markets in the existing product field, and the company combines its own technical expertise and production resources to develop and provide a variety of competitive key chemicals.

## Second, the main business engaged in by the company during the reporting period

Companies are required to comply with the disclosure requirements of the chemical industry in the Guidelines for Self-Regulatory Supervision of Listed Companies on the Shenzhen Stock Exchange No. 3 - Industry Information Disclosure

During the reporting period, the company's main industrial business was divided into three major sectors: plant protection, medicine and functional chemicals. The plant protection sector is mainly engaged in the production and sales of plant protection raw drugs and intermediates and provides customized production, research and development and technical services for international plant protection enterprises; the pharmaceutical sector is mainly engaged in the production and sales of APIs and intermediates and provides customized production, research and development and technical services for international pharmaceutical enterprises; the functional chemicals sector is mainly engaged in the production, sales and customized production, research and development and technical services of fine chemicals and functional chemicals.

Plant protection products: mainly insecticides, herbicides and fungicides original drugs and their intermediates, plant growth regulators, soil synergists and intermediates.

Pharmaceutical products: mainly autoimmunity, antifungal drugs, hypoglycemic drugs, cardiovascular drugs, anti-tumor drugs, antiviral drugs, synthetic nucleic acids, neurological drug intermediates and intermediates related to geriatric disease drugs, registered advanced intermediates and APIs.

Functional chemical products: mainly industrial fungicides, high-performance pigment dye intermediates, personal/household care products, new display material intermediates, paper and sealant chemicals, photovoltaic industry related chemicals.

### Main product introduction

#### (1) The main product situation

products	use	Upstream raw materials	Downstream applications	Business model
Plant protection (herbicides and intermediates)	Weeding crops such as soybeans, peanuts, tobacco, corn, sugar cane, and rice	The product categories are diverse, and the raw materials are not easy to summarize	Weeding on soybeans, peanuts, tobacco, corn, sugarcane, rice and other crops	Customized services

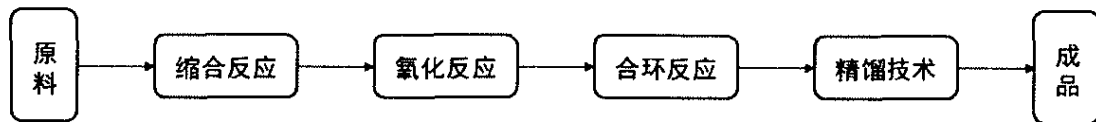
		the commonality		
Plant protection (pesticides and intermediates)	Crop insecticide	The product categories are diverse, and the raw materials are not easy to summarize the commonality	It is mainly used for the control of Lepidoptera pests in agricultural production	Customized services
Plant protection (fungicides and intermediates)	Sterilization of crops	The product categories are diverse, and the raw materials are not easy to summarize the commonality	It is mainly used for the prevention and control of fungal diseases of crops	Customized services
Pharmaceutical intermediates	Autoimmunity, antifungal, cardiovascular and other fields	The product categories are diverse, and the raw materials are not easy to summarize the commonality	Boosts immunity, antifungal, antihypertensive, etc	Customized services
Functional chemicals	Sterilization, dyes, personal care intermediates	The product categories are diverse, and the raw materials are not easy to summarize the commonality	Industrial fungicides, high-performance pigment dye intermediates, cleaning and nursing products for personal, household and industrial fields	Produce and sell something oneself

Remarks: The company's plant protection products include herbicides and intermediates, pesticides and intermediates, fungicides and intermediates, plant growth regulators and soil synergists.

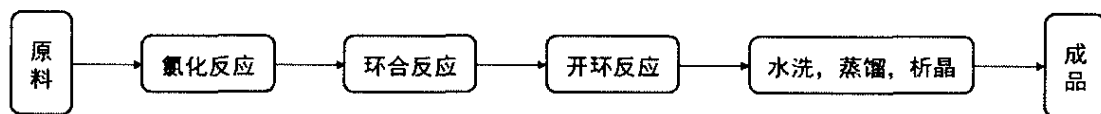
## (2) Product process flow

• Plant protection

Herbicide product process



Pesticide product process

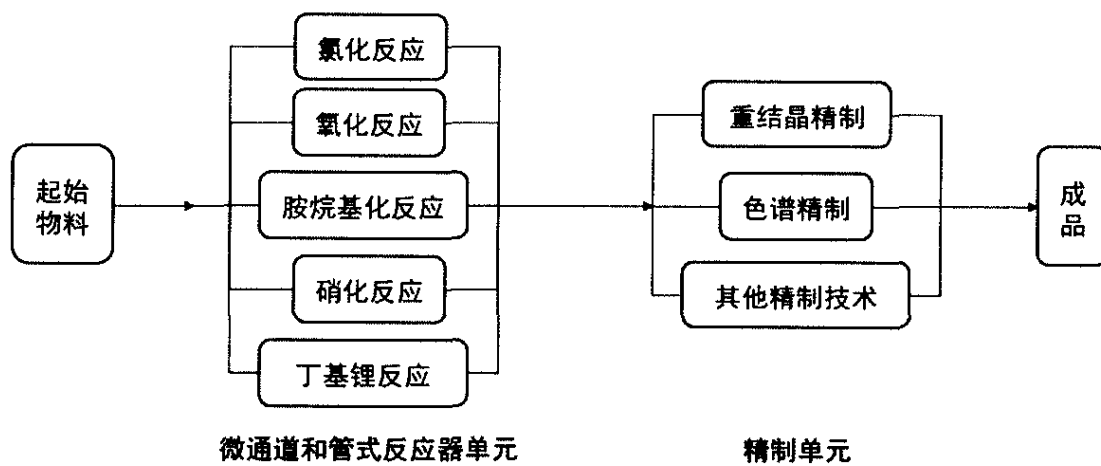


Biocide product process

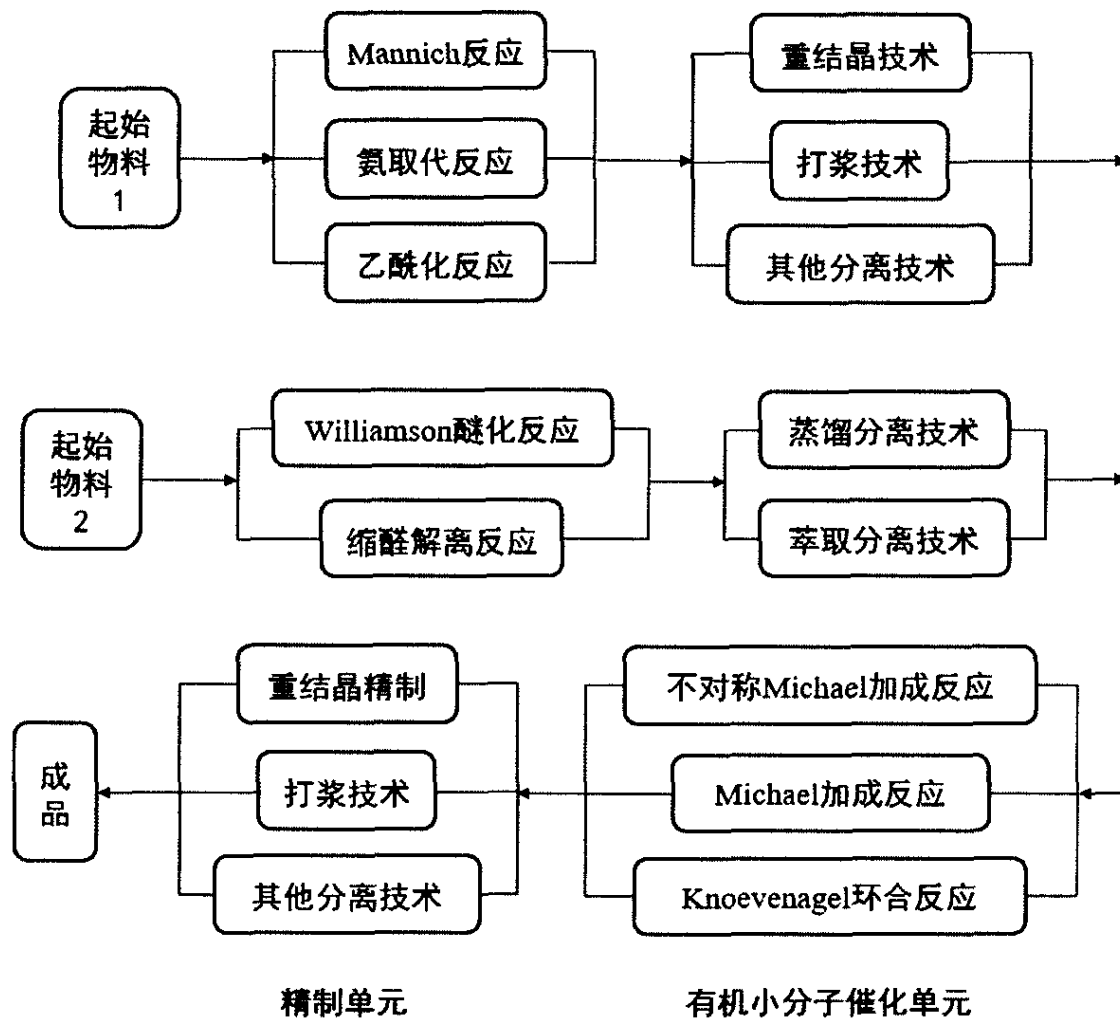


• medicine

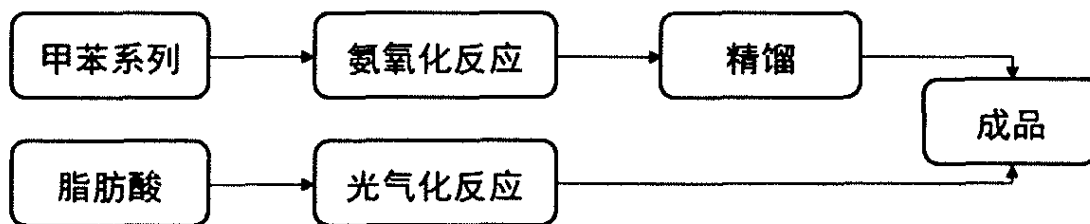
Microchannel reaction and continuous pipeline reactor technology



## Organic small molecule catalysis technology



## • Functional chemicals



## Procurement model of the main raw materials

Unit: Meta

Main raw materials	Procurement model	The proportion of procurement to the total procurement	Whether there have been significant changes in the settlement method	Average price in the first half of the year	Average price in the second half of the year
Raw material A	Purchases are made from suppliers in the supplier directory according to the production plan	3.12%	not	77.84	69.82
Raw material B	Purchases are made from suppliers in the supplier directory according to the production plan	3.06%	not	193.58	215.24
Raw material C	Purchases are made from suppliers in the supplier directory according to the production plan	1.69%	not	6.60	8.19
Raw material D	Purchases are made from suppliers in the supplier directory according to the production plan	1.27%	not	52.96	55.61
Raw material E	Purchases are made from suppliers in the supplier directory according to the production plan	1.24%	not	31.86	33.96

Reasons for the significant change in raw material prices compared to the previous reporting period

not applicable

Energy purchase prices account for more than 30% of the total cost of production

☐ Applicable ☒ Not applicable

Reasons for significant changes in major energy types

The production technology of the main products

Main products	The stage at which the production technology is located	Core technical personnel situation	Patented technology	Advantages of product development
Plant protection (herbicides and intermediates)	Commercialization phase	The core technical personnel are all employees of the company	Obtained and applied	Safe, efficient and stable chemical synthesis capabilities and patented technology
Plant protection (pesticides and intermediates)	Commercialization phase	The core technical personnel are all employees of the company	Obtained and applied	Safe, efficient and stable chemical synthesis capabilities and patented technology
Plant protection (fungicides and intermediates)	Commercialization phase	The core technical personnel are all employees of the company	Obtained and applied	Safe, efficient and stable chemical synthesis capabilities and patented technology

Pharmaceuticals (APIs and Intermediates)	Commercialization phase	The core technical personnel are all employees of the company	Obtained and applied	Safe, efficient and stable chemical synthesis capabilities and patented technology
Functional chemicals	Commercialization phase	The core technical personnel are all employees of the company	Obtained and applied	Safe, efficient and stable chemical synthesis capabilities and patented technology

## Capacity of major products

Main products	Design capacity	Capacity utilization	Capacity under construction	Investment and construction
Plant protection (herbicides and intermediates)	21,005 tons	70.42%		
Plant protection (pesticides and intermediates)	8,265 tons	56.74%	3,300 tons	Project construction in progress
Plant protection (fungicides and intermediates)	6,097 tons	44.76%	1,750 tons	Project construction in progress
Pharmaceuticals (APIs and Intermediates)	2,166 tons	87.42%	280 tons	Project construction in progress
Functional chemicals	51,131 tons	69.34%		

## Product types in major chemical parks

Major chemical parks	Product categories
Medical Chemical Park, Toumen Port Economic Development Zone	Pharmaceutical intermediates, fine chemicals, new materials
Jingzhou Economic and Technological Development Zone	Fine chemicals
Liaoning Fuxin Fluorine Industrial Development Zone	Fine chemicals

The status of EIA approvals that are being applied for or newly obtained during the reporting period

√ Applicable □ Not applicable

## Lianhua New Material:

"Annual output of 1000 tons of 345 fluoroaniline (LT223), 250 tons of methyl aminofluoric acid hydrochloride (LT668) project"

In order to further sort out the company's pharmaceutical business, strengthen the company's pharmaceutical sector, and improve the overall governance level of the company, some of the assets, creditor's rights and liabilities and related personnel of the non-pharmaceutical business of Taizhou Lianhua, a subsidiary of the company, are now transferred to Lianhua New Material, a wholly-owned subsidiary, that is, the above projects are transferred from Taizhou Lianhua to Lianhua New Material. For details, please refer to the Company's Announcement on the Transfer of Assets Between Wholly-Owned Subsidiaries (Announcement No. 27) published in Securities Times, Shanghai Securities News and Juchao Information Network (www.cninfo.com.cn) on August 27,

2021 2021-053 )

Texas Union:

"40,000 tons / year phosgene and downstream products technical transformation project", the original production capacity of the project is 20,000 tons / year.

During the Reporting Period, the Company and its subsidiaries are applying for the following EIA projects (in the EIA publicity stage):

Texas Union:

Pilot Project for R&D of New Material Intermediates

"Pilot Platform for R&D of New Chemical Intermediates and New Materials"

Taizhou Lianhua:

"Annual output of 800 tons of cyanatosanamide (LT822), 20 tons of morpholine pyridine hydrate (LT520) technical transformation project"

The above-mentioned projects that are currently being applied for have uncertainties in project approval, so investors are reminded to pay special attention to them.

During the reporting period, the listed company experienced an abnormal suspension of production

√ Applicable □ Not applicable

The Company's subsidiaries Jiangsu Lianhua and Yancheng Lianhua stopped production in March 2019 due to the "3.21" accident. In December 2020, the company's subsidiaries Jiangsu Lianhua and Yancheng Lianhua 9 production lines resumed normal production, and the total operating income after deducting internal transactions generated by the production line project approved for the resumption of production in 2018 was 322.986 million yuan, accounting for about 7.85% of the company's operating income in 2018. For details, please refer to the Company's "Securities Times", "Shanghai Securities News" and "www.cninfo.com.cn) published on December 21, 2020 Announcement on the resumption of production of some production lines of the subsidiary (Announcement No. 2020-069). In March 2021, 11 production lines of Jiangsu Lianhua and Yancheng Lianhua, subsidiaries of the company, resumed normal production, and the total operating income after deducting internal transactions generated by the production line project approved for the resumption of production in 2018 was the total 969.4218 million yuan, accounting for about 23.56% of the company's operating income in 2018. For details, please refer to the Company's "Announcement on the Resumption of Production of Some Production Lines of subsidiaries" published in Securities Times, Shanghai Securities News and Juchao Information Network (www.cninfo.com.cn) on March 19, 2021. (Announcement No. 2021-013).

Relevant approvals, permits, qualifications and validity periods

√ Applicable □ Not applicable

Business name	The type of credential	Valid until
Lianhua Technology Co., Ltd	Safety production license	December 25, 2023
Lianhua Technology Co., Ltd	Special permit for the production of monitored chemicals	June 23, 2025
Lianhua Technology Co., Ltd	Discharge permit	December 23, 2025
Lianhua Technology Co., Ltd	Hazardous Chemicals Registration Certificate	March 15, 2024
Lianhua Technology (Taizhou) Co., Ltd	Safety production license	February 24, 2024
Lianhua Technology (Taizhou) Co., Ltd	Discharge permit	June 16, 2022

Lianhua Technology (Taizhou) Co., Ltd	Hazardous Chemicals Registration Certificate	March 25, 2024
Jiangsu Lianhua Technology Co., Ltd	Safety production license	December 28, 2024
Jiangsu Lianhua Technology Co., Ltd	Discharge permit	November 6, 2025
Jiangsu Lianhua Technology Co., Ltd	Pesticide production license	January 29, 2024
Lianhua Technology (Texas) Co., Ltd	Safety production license	February 9, 2023
Lianhua Technology (Texas) Co., Ltd	Discharge permit	August 2, 2023
Lianhua Technology (Texas) Co., Ltd	Hazardous Chemicals Registration Certificate	January 28, 2024
Lianhua Technology (Texas) Co., Ltd	Special permit for the production of monitored chemicals	July 29, 2024
Lianhua Technology (Texas) Co., Ltd	Hazardous chemical production unit registration certificate	January 28, 2024
Lianhua Technology (Texas) Co., Ltd	Pesticide production license	July 30, 2024
Hubei Juntai Pharmaceutical Chemical Co., Ltd	Safety production license	November 22, 2023
Hubei Juntai Pharmaceutical Chemical Co., Ltd	Discharge permit	September 23, 2023
Hubei Juntai Pharmaceutical Chemical Co., Ltd	Hazardous Chemicals Registration Certificate	August 23, 2023
Hubei Juntai Pharmaceutical Chemical Co., Ltd	Hazardous chemical production unit registration certificate	August 23, 2023
Hubei Juntai Pharmaceutical Chemical Co., Ltd	Hazardous chemicals business license	March 14, 2024
Liaoning Tianyu Chemical Co., Ltd	Safety production license	September 21, 2023
Liaoning Tianyu Chemical Co., Ltd	Discharge permit	November 3, 2026
Liaoning Tianyu Chemical Co., Ltd	Hazardous Chemicals Registration Certificate	August 23, 2023
Shanghai Baofeng Machinery Manufacturing Co., Ltd	Drainage permits	October 8, 2025
Lianhua Technology (Shanghai) Co., Ltd	Sewage registration form	December 7, 2025
Fine Organics Limited	Excluded Installation Emissions Permit	December 31, 2025
Fine Organics Limited	UK Controlled Drug Licence	August 2, 2022
Fine Organics Limited	Category 2 Drug Precursor Licence	September 15, 2022

The validity period of the relevant approvals, permits and qualifications in the next reporting period will expire as shown in the following table

Business name	The type of credential	Expiration date	Status of achievement
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			of renewal conditions
Lianhua Technology (Taizhou) Co., Ltd	Discharge permit	June 16, 2022	satisfy
Fine Organics Limited	UK Controlled Drug Licence	August 3, 2022	satisfy
Fine Organics Limited	Category 2 Drug Precursor Licence	September 15, 2022	satisfy

Engaged in petroleum processing, petroleum trading industry

☐ Yes ☒ No

Engaged in the fertilizer industry

☐ Yes ☒ No

Engaged in the pesticide industry

☒ Yes ☐ No

The company's plant protection products mainly include pesticides, herbicides and fungicides and their intermediates, plant growth regulators, soil synergists and intermediates; but the company's business model is CDMO, all the products produced are mainly sold to the world's leading plant protection companies and then further down the production of preparations and sales to the terminal market, intermediates in addition to the above-mentioned world-leading plant protection companies for the production of the corresponding original drugs, The company sells intermediate products based on its own technology to global plant protection companies. The company has been positioned as "the world's leading chemical engineering solution provider", as a service provider, the company with the global layout of the supply chain advantages, high standards of RC and management norms, efficient operation of the organization, won the trust of customers, in the industry has won a good reputation. In the past year, Sino-US trade frictions and the 2017 edition of the Pesticide Management Regulations have had a certain negative impact on the plant protection industry, especially the global new plant protection supply pattern. Indian companies, with their unique advantages, have taken a lot of market share from China in the past 3 to 5 years. With the help of overseas bases, the company has offset the negative impact of this aspect to a certain extent, laying a long-term foundation for the company's future development and stable growth.

Registration of pesticide products

Registration certificate number	Pesticide name	Pesticide categories	dosage form	Total content	Valid until	Holder of the registration certificate
PD20171874	Heterophyllum parviflora	Herbicide/plant growth regulator	Original medicine	93%	2022-9-18	Jiangsu Lianhua Technology Co., Ltd

PD20130376	Methanesulfame	herbicide	Original medicine	91%	2023-3-11	Jiangsu Lianhua Technology Co., Ltd
PD20130281	Cyanofluoropyryl	herbicide	Original medicine	97.5%	2023-2-26	Jiangsu Lianhua Technology Co., Ltd
PD20111036	Methyl razine oxalate	herbicide	Original medicine	95%	2026-10-10	Jiangsu Lianhua Technology Co., Ltd
PD20110752	Oxazolidinamide	herbicide	Original medicine	96%	2026-7-25	Jiangsu Lianhua Technology Co., Ltd
PD20082183	Zoxazone	herbicide	Original medicine	90%	2023-11-26	Jiangsu Lianhua Technology Co., Ltd
PD20081498	Flufasulfa oxalate	herbicide	Original medicine	98%	2023-11-5	Jiangsu Lianhua Technology Co., Ltd
PD20070300	Bifenthrin	insecticide	Original medicine	95.5%	2022-9-21	Jiangsu Lianhua Technology Co., Ltd
PD20181513	Dicamba	herbicide	Original medicine	98%	2023-4-17	Jiangsu Lianhua Technology Co., Ltd
PD20180705	Pentafluorosulfame	herbicide	Original medicine	98%	2023-2-8	Lianhua Technology (Texas) Co., Ltd
PD20180503	Nicosulfuron	herbicide	Original medicine	95%	2023-2-8	Lianhua Technology (Texas) Co., Ltd
PD20171634	Cyanofluoropyryl	herbicide	Original medicine	97.5%	2022-8-21	Lianhua Technology (Texas) Co., Ltd
PD20171295	Sodium methyl iodosulfuron salt	herbicide	Original medicine	91%	2022-7-19	Lianhua Technology (Texas) Co., Ltd
PD20171239	Sulfonylsulfuron	herbicide	Original medicine	99%	2022-7-19	Lianhua Technology (Texas) Co., Ltd
PD20171206	Oxazone	herbicide	Original medicine	98%	2022-7-19	Lianhua Technology (Texas) Co., Ltd
PD20140462	Indigovirus	insecticide	Original medicine	90%	2024-3-3	Lianhua Technology (Texas) Co., Ltd
PD20140346	Lice mites	Acaricides/pesticides	Original medicine	98%	2024-3-3	Lianhua Technology (Texas) Co., Ltd
PD20140305	Clonystylonitrile	germicide	Original medicine	98%	2024-3-3	Lianhua Technology (Texas) Co., Ltd
PD20140285	Spiroaryl esters	Acaricides	Original medicine	98%	2024-3-3	Lianhua Technology (Texas) Co., Ltd

PD20140181	Thiafranamide	germicide	Original medicine	96%	2024-3-3	Lianhua Technology (Texas) Co., Ltd
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Remarks: Registered pesticide product information is not the same as the company's product information on sale.

Engaged in chlor-alkali, soda ash industry

☐ Yes ☒ No

Engaged in the chemical fiber industry

☐ Yes ☒ No

Engaged in plastics, rubber industry

☐ Yes ☒ No

### Third, core competitiveness analysis

The company closely focuses on the development strategy of "being the world's leading chemical and technology solution provider", adheres to the road of differentiated development, implements the strategic principle of "focus, forward-looking and alliance", and improves its core competitiveness.

#### 1. Unique operating model

The company implements the key customer strategy, based on core customer resources, customer-oriented, and constantly deepens the business model of combining customized services and self-production and self-sales, to meet and guide customer needs and drive the rapid development of the company's business.

The customized service model is a business model that the company has continuously improved from simply undertaking the production outsourcing of international agrochemical giants in the early days to the full life cycle cooperation with customers today. The company cooperates with customers from the early research and development stage of the project, synchronously integrates into the product supply chain system, provides customers with the most optimized solutions, so that the company's products and services are always in an advantageous position in the entire product life cycle of customers, ensuring the company's competitive advantage.

In the years of in-depth strategic cooperation with customers, with excellent product quality, strict quality assurance system, leading core technology, continuous technological innovation and continuous lean technology brought about by the competitive advantage, as well as the ability to respond quickly to customer needs, strict confidentiality management of customer intellectual property rights and technical secrets, the management team adhering to the sense of integrity and the spirit of contract, etc., the company has won the world's leading plant protection and pharmaceutical companies highly recognized, becoming a customer recognition of trust,

compliance, Reliable and cost-competitive strategic partner, thus gaining access to a core customer base composed of world-renowned companies. The company's core customer base occupies an important position in the world chemical and pharmaceutical fields, and its selection of cooperative suppliers is measured in accordance with the international technology, regulations, environmental protection, quality and other comprehensive evaluation standards, once the two sides determine the cooperative relationship, the cooperation has stability and long-term.

Plant protection and medicine are all high concentration industries with significant head advantages, the company has become an important strategic supplier of the top 5 companies in the plant protection industry, and the company has successfully become a strategic supplier of many international pharmaceutical giants and partners of many of the top 20 pharmaceutical companies, which makes the company have product advantages and broad market opportunities that are generally recognized by the industry.

Self-production and self-sales is a business model in which the company masters product technology, customer resources and sales channels, and the price of products follows the market. According to its own technical advantages, the company continues to develop advanced series of independent products, continuously expand marketing channels, expand marketing network, and further accumulate high-quality customers.

The products of the company's functional chemicals division are all the company's own products under the self-production and self-sales model, and the product prices follow the market. Due to the full participation in the market competition, some of the company's products in the product cost, technical route and product quality continue to improve, the scale of products continues to expand, is currently very competitive in the market.

At the same time, the use of several major technical categories and advantageous products in the industrial chain layout, consolidate competitive advantages, including cost and scale advantages, product technical quality advantages, so as to carry out upstream and downstream integration. Finally, it will stand in the middle and back-end markets of the segment.

After years of exploration in the field of chemistry, the company has accumulated rich technical reserves and process development experience, and its technology research and development capabilities and production control capabilities have been continuously improved. While providing high-quality customized processing services for multinational giants, the company can continuously develop advanced series of independent products according to changes in the market environment.

## 2. Technological innovation advantages

The company adheres to the development direction of technology leadership and has established a multi-level R&D platform, including three levels: the early R&D platform of the project, the mid-term R&D platform of the project and the technical transformation platform of each subsidiary. The early R&D platform of the project is mainly located in Shanghai, responsible for the R&D cooperation with customers, the early product process design and the development of new routes, promotes the rapid integration of process technology and engineering technology, and seeks synergy between different technical fields; the project mid-term R&D platform is mainly located in Taizhou, responsible for the rapid landing and effective transformation of product process routes and customer projects; the technical transformation platform of each subsidiary is mainly composed of the technical department of each subsidiary, responsible for the technical support of daily production and the continuous improvement of the original product production process. Through the efficient operation of the existing R&D platform and continuous technological innovation, the company has expanded the core technology areas and improved the market competitiveness of customer products and own products.

The company has been identified or rated as a key high-tech enterprise of the National Torch Plan, an innovative pilot enterprise in Zhejiang Province, and one of the top 100 enterprises in Zhejiang Province in terms of technological innovation ability, and in 2010, it approved the establishment of a national postdoctoral research workstation, and the company's technology center was recognized as a national enterprise technology center in 2016 and in 2020. In 2000, it was approved to set up a Taizhou Municipal Enterprise Academician Workstation. At the same time, the company won the Global Supplier Technology Innovation Award issued by the global pesticide industry leader in 2013 and 2014, breaking the monopoly of the award by European and American suppliers for many years.

The company continuously improves the competitiveness of its own products, and has made breakthroughs in the fields of halogenated aromatic catalytic ammonia oxidation technology, organic small molecule catalytic technology, microchannel reaction technology, coupling catalyst development and application technology, continuous photogasification reaction technology, efficient coupling catalyst ligand development and application technology, continuous diazotation reaction, continuous photocatalytic substitution reaction and other fields. As of the end of December 2021, the company's various business segments (including Shanghai Baofeng) have obtained 78 domestic invention patents, 60 utility model patents, and 1 European invention patent.

The patents obtained by the company in 2021 are shown in the following table:

serial number	Patent name	Patent number	Authorization date
1	Pyrazole bitriazolephosphine compound and its applications	ZL 202010001686.1	April 2, 2021
2	Preparation method of 2-chloro-4-fluorotoluene	ZL 201710138487.3	June 4, 2021
3	An electrochemical method for in-line analysis of nitro reduction reactions	ZL 201710608658.8	June 4, 2021
4	Preparation method of phenylacetic acid compound	ZL 201710648619.7	July 30, 2021
5	Synthesis method of 2-hydroxy-3,6-dichlorobenzoic acid	ZL 201711179385.2	July 30, 2021

The core R&D team of plant protection is near 1/3 Employees have master's or doctoral degrees, most of them have more than five years of work experience, participated in the research and development of many projects, have rich experience in small test innovation research and development, technological improvement and production scale-up, and have played an important role in the company's technological innovation development and application. 2021 The resources and energy of NPL R&D are mainly concentrated on R&D cooperation projects, and through continuously deepening the cooperation with customers, we are looking for a cooperation model that is more conducive to the long-term development of both sides. In addition, the R & D team is also constantly increasing the integration of its own product resources, optimizing the production process of existing products, and continuously changing from the source of research and development to the back-end processing mode to a clean and followable model; further improving the research and development strength, increasing technical reserves, increasing high value-added and differentiated product routes, and continuously enhancing the company's core competitiveness. In terms of new technology research, we not only continue to study high-efficiency ligand catalytic technology, apply continuous reactors such as microchannels and loops to conduct continuous bromination, continuous oxidation and continuous ammonization and other reaction types, but also explore new technologies such as wastewater oxidation technology, green nitrification and fluorination research, and apply new equipment for in-depth research on process optimization.

The core R&D team of medicine is in 2021 The annual scale has expanded recently 40%, in the team 1/3 The

above employees have a master's or doctoral degree. In terms of innovative technologies, we continue to increase our research and development and investment, and continue to deepen research on continuous flow reaction technology.2021In 2008, the pharmaceutical R&D team used the company's continuous tubular reaction technology to conduct industrialization process research on the company's projects, and has been developed10The project's tubular process, which is of milestone significance in the industrial application of continuous flow reaction technology, plays a huge role in reducing costs, reducing safety risks, and reducing three wastes. At the same time, we are moving towards more unexplored areas, including long chainslipids, nucleic acids, etc., to enhance the strength of research and development to better respond to market demand, the project has been praised by customers in terms of process safety, cost, quality, quantity and delivery.

The core R&D team of functional chemicals is in2021The annual scale has nearly doubled, and the team is close1/2Employees have master's or doctoral degree programs to develop extended extensions. On the one hand, the continuous flow technology development of traditional advantageous projects such as ammonia oxidation and phosgeneization series products has significantly improved the process efficiency; at the same time, the product tree has been established by using the idea of horizontal expansion and vertical extension, which has enhanced the comprehensive competitiveness. On the other hand, the new collar has been strengthenedThe development of domain products involves many fields such as personal protection daily chemicals, thermal chemicals, electronic chemicals, photovoltaic material monomers, and battery chemicals. Through external cooperation, accelerate the industrialization process of new products.

### **3. Extensive chemical technology application capabilities**

The fine chemical products produced by the company mainly use basic chemical raw materials, and produce different types of fine chemical products through complex chemical reactions and control paths, which are used in the three high-end fine chemical fields of plant protection, medicine and functional chemicals.

For mature products in the market and products whose patents are about to expire, Lianhua Technology team has ensured the cost advantage of products through technological innovation and process optimization, provided customers with professional and systematic solutions with market competitiveness, and constantly created new value for customers and companies; for new products in the market introduction period and about to be listed, Lianhua Technology team and core customer team work closely together and innovate together in process research and development, pilot scale-up, production design, and provide customers with flexible and efficient one-stop services.

The company's production technology level is industry-leading, in order to maintain a competitive advantage, the company continues to increase investment, the upgrading of engineering equipment. In terms of the construction of the pharmaceutical system, the company has established the necessary cGMP and innovation, technical capabilities, the company's Jiangkou factory and the British factory have passed the FDA audit, the Jiangkou factory has passed the EU EMA audit, and Taizhou Lianhua has passed the GMP inspection, and has the ability to provide customers with one-stop service for development and manufacturing. The company is positioned to be a reliable, cost-competitive, cGMP production service partner for customers.

The company has developed a continuous nitrification, continuous diazo, continuous photocatalytic substitution reaction device, successfully broke through the technical bottleneck of heterogeneous continuous reaction, and developed a micro-channel nitrification reaction technology, which greatly improved process safety and product yield; in terms of environmental protection technology, through external technical cooperation, the development and application of waste acid cracking, segmented incineration, catalytic oxidation and other new technologies and equipment, in environmental protection treatment effect, cost control have been significantly improved. In order to improve the safety and production management level of the production base, the company completed the automation and transformation of the original production line, built a new flexible multi-functional production device, and accelerated the integration of the production information management system, improving safety, capacity allocation flexibility, production reaction speed and data accuracy.

#### **43. The comprehensive management ability is becoming increasingly prominent, SHEQ&CGovernance is becoming more and more perfect**

After years of practice, the company has established a set of mature and perfect international integrated management system, that is, safety production management, quality and standard control management, environmental protection management, R & D and confidentiality management, supply chain management, business line management, large customers and project management combined integrated management, laying a solid management foundation for the company's comprehensive internationalization, and forming a high management barrier in the industry. In addition, the company owns 8 Large production bases carry out capacity dispersion layout and flexible backup to reduce the impact of black swan events in a single region on supply capacity. The company's comprehensive management capabilities are mainly reflected in the responsible care system and quality management GMP Systems and Cross-Contamination Management, Lean Six Sigma and

Operational Excellence, Supply Chain Management, Project Management (PMP), Intellectual Property and Trade Secret Management System (TSP) and so on.

The company adheres to SHEQ&C Priority is the core value of safety above all else, prioritizing safety, health, environmental protection and quality factors, uncompromising compliance with relevant laws and regulations, and pursuing high standards. The company further improves the responsible care management system, promotes the construction of the process safety management system, establishes a process safety management system for the whole life cycle of the product, consolidates the healthy safety culture, and improves the level of emergency preparedness and response. Ensure the safety of transportation and distribution, and promote safe production from all aspects. 2017 In 2008, Jiangsu Lianhua was rated as a first-class enterprise in safety production standardization by the State Administration of State Safety Supervision; 2018 The company's safety laboratory has successfully passed through the country CNAS authentication; 2019 It was awarded by the China Chemical Safety Association "Fine chemical reaction safety risk assessment unit" the title; 2020 The new Process Safety Laboratory was launched.

At the same time, the company implements a business model that combines cleaner production and effective governance, from project establishment to process research and development, to scale-up production, the whole process of environmental risk management, and strive to control environmental risks at the source, on the basis of compliance to minimize the impact of environmental pollution; increase investment in environmental protection technology research and development, improve the environmental risk prevention and control system, establish and improve the risk assessment process and risk early warning mechanism. After several years of development, the environmental protection laboratory has formed a three-waste research and development at the front end of the project, supplemented by the optimization of the three waste treatment of the project in production, with the R&D department, the technology department, RCAs the service object, the operation department supports the research and development of the three waste supporting program, the technical review of the three wastes of the production project, the identification and classification of pollution sources, and the simulation and optimization of the three waste treatment process.

#### **Fourth, the main business analysis**

##### **1. Overview**

The global epidemic continued at the beginning of 2021, which had a certain impact on the people's

livelihood and economic development. The domestic epidemic control is very effective, the party and the government accurately judge the situation, carefully plan and deploy, and domestic enterprises maintain a high open power. In the past year, the company has closely followed the leadership of the party, responded to the call of the government, done a good job in epidemic prevention work, and ensured a stable start of construction.

2021 In 2008, the company's management insisted on the board of directors "Healthy, stable and sustainable" Guidelines to SHEQ&C. First, we will continue to strengthen customer cooperation, protect the ecological environment, ensure product quality, and ensure the safety of employees. The company with unremitting efforts, continuous improvement of safety standards and continuous improvement of technical capabilities. The company's subsidiary Jiangsu Province after the resumption of production capacity steadily increased, the current production and operation situation is good, the company will continue to pay attention to safe production in the future, do a good job in emergency response plan. The company continues to improve R & D and innovation investment, improve the level of technology, and has reached strategic cooperative relations with a number of customers. 2021 In 2008, the company and a number of subsidiaries successfully passed the re-identification of high-tech enterprises. In the past year, the company has adjusted its organizational structure, taking customers as the core, guiding the company's production and operation to create value for customers, create wealth for shareholders, and create contributions to society. The company's operation department integrates resources, reasonable coordination, improves efficiency, and provides customers with stable and high-quality products in a timely manner. Each division of the company carries out a win-win battle discussion, summarizes the past, taps opportunities, lean processes, meets customer needs, and improves system capabilities.

In 2021, the operating income was 6,586,780,700 yuan, an increase of 37.75% over the same period of the previous year, of which the industrial business income in the main business income was 6,476,417,600 yuan, an increase of 44.23% over the same period of the previous year; the total profit was 416.8406 million yuan, an increase of 99.11% over the same period of the previous year; net profit attributable to shareholders of listed companies was 315.405 million yuan, an increase of 186.65% over the same period of the previous year. Net profit attributable to shareholders of the listed company after deducting the impact of goodwill impairment was RMB358.7558 million. In 2021, the company's operating income achieved a new breakthrough, the connection with the company's customers was closer, and the production and operation of each base were normal.

In 2021, the company steadily carried out various work, and the completion of the work of each business

unit and plate is as follows:

### **(1) Plant protection business**

firm2021We will continue to strengthen the core competitiveness of our plant protection business and provide customized chemical and engineering solutions covering the whole life cycle for global plant protection customers. Relying on the relationship of mutual trust with customers for many years and its own innovation strength, the company actively promotes the development of business to the front end, and has reached a strategic R&D cooperation agreement with customers to provide customers with process screening, process development, and process amplification services for products in the pipeline, and then connect with commercial production services after product launch.2021The year the company introduced10The pipeline products in the remaining patent periods reserve energy for future development. At the same time, the Jiangsu base resumed work and production, yu2021年3Months complete20The resumption of production of production lines has helped the sales growth of the plant protection business this year.

In terms of production management, continuous improvement is one of the core values of the company, the company uses its many years of chemical production management experience, as well as the concept of green chemistry, and constantly optimize and improve the production process and the three waste treatment process, so that the company still has an advantage in the global competition. In terms of supply chain, the company has always attached great importance to supply chain risk management, emphasizing supply chain flexibility and stability, so as to cope with changes in the external environment and delivery to customers.

### **(2) Pharmaceutical business**

Pharmaceutical service outsourcing is an important part of the innovative drug industry chain. In 2021, the company's pharmaceutical business will further strengthen its core capabilities, providing global customers with CDMO services at different clinical and commercial stages, including drug synthesis process development, process optimization, registration verification production and commercial production, and the business pipeline continues to advance. In 2021, the company actively developed the business of large customers and small and medium-sized pharmaceutical companies, accepted 7 customer audits, and won a number of cooperation awards from multinational companies. The company's customers include the top 20 large pharmaceutical companies in Europe and the United States, as well as innovative drug development companies in Japan, South Korea, and China.

2021The year the company completed more than8Process validation of newly registered intermediates and

API projects provides high-quality services for the development of innovative drugs by relevant multinational pharmaceutical companies. As the number of projects in the clinical stage continues to grow, the cooperation with strategic customers from the early stage continues to deepen, forming an integrated service model for projects from early clinical to commercialization. In terms of new customer development, with the comprehensive evaluation and trust in all aspects of the company's R&D quality operations and other aspects established in a series of early collaborations, new business opportunities have entered a rapid stage of advancement, which will have an important positive impact on future revenue growth. In terms of research and development, it covers all aspects of new drug process research, including genotoxic impurity research.

1. Table of product quantity at different stages (unit: unit).

		In 2019	In 2020	In 2021
Commercialization phase		14	15	17
Clinical stage	Clinical phase 3	14	36	33
	Other clinical stages	56	60	69

2. Product income table at different stages (unit: 10,000 yuan).

		In 2019	In 2020	In 2021
Commercialization phase		44,326.45	62,306.85	74,543.20
Clinical stage	Clinical phase 3	8,323.01	24,233.53	15,172.16
	Other clinical stages	10,258.04	13,191.39	31,974.34

With many years of accumulation in the field of chemistry, the company's pharmaceutical division is closely involved in the development of projects for customers from an early stage. In the continuous reaction, special catalyst, green chemistry and other aspects of its own unique technical capabilities, and has been successfully applied to a number of R & D and commercialization stage projects, the advantages of process optimization to ensure the cost advantages of the company's products. In particular, commercialized projects continue to create new value for customers and companies through continuous process optimization and ensure market competitiveness. The company has established an excellent supply chain management system to ensure a stable and competitive supply, which is also an important criterion for international pharmaceutical giants to select suppliers.

### **(3) Functional chemicals business**

In 2021, in the face of the challenges and opportunities brought about by the post-epidemic period and dual-control carbon reduction, the Functional Chemicals Division on the one hand timely reorganized and optimized the production resources to ensure the stable supply of customers; on the other hand, adjusted the sales price and sales strategy of the products in a timely manner according to the market supply and demand situation, ensuring the stability of the market share of mature products and the growth of the market share of new products. At the same time, the functional chemicals division continues to develop new green environmental protection processes, open up new markets with good development potential, implement and introduce new technologies and processes and increase investment in the development of independent products, as of December 31, 2021, the number of products in the pipeline of the company's functional chemicals division is 30 of which 2 projects to be commercialized in the pilot stage, 8 projects in the pilot stage and 20 projects in the pre-pilot stage. In 2021, the company will further deepen cooperation with customers in many emerging fields such as personal care, electronic chemicals, battery chemicals, photovoltaic-related chemicals and environmental protection materials, and lay a solid foundation for stable and rapid growth.

### **(4) Other business**

Shanghai Baofeng consolidated its core customer base in 2021, actively expanded sales channels and new areas of product application, and its operating income in 2021 was 279 million yuan.

### **(5) Functional work**

#### **1. Responsible care**

The company began to implement the Responsible Care management system in 2012. We follow the Responsible Care management guidelines and combine scientific management to protect the environment to the greatest extent, ensure the safety and health of employees, and ensure the sustainable development of Lianhua Technology. The company constantly improves the responsibility management system, promotes the construction of the process safety management system, and consolidates the healthy safety culture.

The company has invested a lot of money to improve the automation and intelligence of the production system of the company's safety laboratory, introduced international and domestic experienced experts, and established a systematic PSM safety management system from the research and development level, engineering level and management level. In 2020, the Process Safety Laboratory moved into a new office and laboratory building. The new office and laboratory have a larger area, more advanced facilities and more complete

supporting facilities, which solve the bottleneck problem that restricts the development space of the laboratory, significantly improve the working environment of the laboratory, and help the laboratory to provide better services for the intrinsic safety and safe production of Lianhua Technology Fine Chemical Project. The company continuously improves the environmental risk prevention and control system, establishes and improves the risk assessment process and risk early warning mechanism. Implement an online environmental assessment process system to achieve the purpose of three waste reductions through source design.

The company and its customers attach great importance to the improvement of emergency response capabilities, through the development of various forms of emergency training and drills (including factory- level, workshop and team-level drills), and determine further RC improvement programs (including the definition and implementation of rectification measures), so that the company's emergency response capabilities have been further improved. In 2020, in accordance with the requirements of the new Fire Protection Law, the Basic Specifications for Emergency Drills for Production Safety Accidents, the Regulations on Emergency Response to Production Safety Accidents, the Guidelines for the Evaluation of Emergency Plans for Production Safety Accidents of Production and Business Units, and the Preparation of Emergency Plans, the company has carried out various forms of emergency training and drills, such as organizing training and emergency drills for resuming work and production and epidemic prevention, training drills for the preparation of emergency disposal cards for key key positions, and emergency drills for night duty , management crisis drills, administrative personnel emergency escape drills, chemical accident special disposal drills, etc., at the same time, timely summary and rectification of problems found in the process of drills, improve the overall emergency response capabilities.

## 2. Quality compliance

Under the guidance of the company's development strategy, the quality department adheres to the core values of "SHEQ&C" and has successfully completed the quality objectives set by the company. Based on the ISO9000 quality management system, the company has established and continuously improved the quality management system to meet the requirements of customers and regulators in combination with the characteristics of the industry, effectively ensuring the company's product quality, and the customer satisfaction index continues to improve (from 8.6 in 2016 to 2021). year 9.1). In accordance with the requirements of ISO31000 and ICHQ9 risk management, the quality department continues to use various risk management tools to identify various quality risks in the whole life cycle of products, and takes scientific and appropriate risk reduction and elimination measures to effectively control risks and prevent problems before they occur. Such as

establishing and improving the "prevention of pollution and cross-contamination" management system to reduce the probability of product pollution and cross-contamination accidents in the production process, promoting the QBD (Quality from Design) concept throughout the company, and fully considering the key factors affecting quality in the product development and design stages. The use of scientific design and advanced control methods to control or reduce quality and safety risks.

After the implementation of the GMP management system in the Pharmaceutical Division, the company has supplemented and improved the management work of deviations, changes, retrospective analysis, CAPA (corrective and preventive actions) required in the new version of GMP after a comprehensive study and analysis of the changes and impacts brought about by the new version of GMP, and has been considered at the same time. The data integrity requirements of the MHRA (UK Medicines and Health Products Regulatory Authority), CFDA and FDA have comprehensively upgraded the software system of the laboratory and completed the software system verification work to ensure compliance with quality management.

In recent years, Lianhua Technology has successfully accepted and passed hundreds of quality system audits of well-known pharmaceutical companies and multinational chemical companies at home and abroad, and our stable quality and compliance model has been recognized, and further enhanced the trust and confidence of customers in Lianhua Technology, thus bringing Lianhua Technology closer to the business relationship between Lianhua Technology and customers. The company's Eguchi plant and the UK plant have passed the FDA (Food and Drug Administration) audit; the company's Jiangkou plant has also passed the GMP audit of the EMA with excellent performance, and the Duqiao plant was obtained in April 2021. The GMP certificate of PMDA (Japan's Comprehensive Evaluation Agency for Pharmaceuticals and Medical Devices) demonstrates that the company adheres to the highest global compliance standards in the industry. In addition, through the implementation of the world's leading quality management system such as TrackWise and DMS (Electronic Document Management System), the foundation has been laid for Lianhua Technology to improve its quality and compliance capabilities, so that the company's quality management department can be synchronized with advanced multinational pharmaceutical companies in the future.

Looking to the future, we will continue to provide customers with high-quality and compliant products and give back to the community under the guidance of the company's latest strategic objectives and quality strategy map, adhering to the core values of SHEQ&C first.

### 3. Operation management

In 2021, we will continue to promote the operational excellence system, through the use of lean operational tools such as QC7, Six Sigma, job value assessment, etc., to continuously improve production and personnel efficiency. In terms of intelligent upgrading of operational data, through the introduction of new management systems and continuous transformation investment, we have continuously improved the level of automation and intelligence of the device, laying a good foundation for the next step of comprehensive digital intelligent operation. As an enterprise with a large amount of export business, we have also passed the audit of Taizhou and Hangzhou Customs and become a customs AEO senior certification enterprise, which will have a greater positive impact on the efficiency of foreign customs clearance in the future. We are committed to building a supply chain system with international management level, relying on the new enterprise resource planning system, through reasonable arrangement of production plans, coordinating domestic and foreign resources and other ways to enhance the company's market competitiveness, and will fully prepare relevant plans to deal with possible sudden international events, reduce the global macroeconomic downturn may bring adverse effects on the company and the company's business.

Looking forward to the future, under the guidance of the company's new strategic goals and operational strategies, we will continue to optimize and continuously tap potential, improve the overall reliability of operations, and become a trusted partner for customers.

#### 4. Insurance claims

The company actively rectified and promoted the resumption of production between Jiangsu Andrifcation and Yancheng, and promoted the settlement of claims for profit and loss insurance, and carried out calculations, communication and consultation with insurance companies, insurance brokerage companies and valuation companies, and strived to reach a consensus as soon as possible.

#### 5. Corporate culture and talent development

The company has long carried out the construction of corporate culture with the company's values as the core, gathered employees to work together for the company's development goals, inherited the strong genes of the entrepreneurial spirit of the enterprise, and is committed to creating a staff team with core competitiveness in the market.

The company adheres to the "people-oriented" management philosophy, the company selects outstanding graduates from major universities across the country every year to train, experience and improve in related positions, and has formed a backbone team of hundreds of people so far, becoming the greatest wealth of

Lianhua Technology. The company establishes corresponding career development channels for different professionals, summarizes the inherent laws of the growth of various types of personnel, clarifies the development direction of various types of professionals, and allows all kinds of professionals to see their own development prospects. Select senior managers to study MBA courses, conduct leadership promotion courses for middle-level cadres, learn management knowledge through classrooms and cases, combine practical work, and master and apply various management skills in projects. According to the talent needs of the company's international development, the appropriate personnel are selected to participate in overseas rotation training; the company organizes high-potential training and new manager management training every year, and is included in the management talent pool after passing the completion of the defense. Build an online learning platform, develop professional courses suitable for online learning, integrate the company's internal training resources, and provide more flexible and targeted learning support for employees at all levels.

## 2. Revenue and cost

### (1) Composition of operating income

Unit: Meta

	In 2021		In 2020		Year-on-year increase or decrease
	amount	As a percentage of operating income	amount	As a percentage of operating income	
Total operating income	6,586,780,685.31	100%	4,781,798,712.79	100%	37.75%
By industry					
Main business	6,555,005,344.97	99.52%	4,769,345,663.40	99.74%	37.44%
Other businesses	31,775,340.34	0.48%	12,453,049.39	0.26%	155.16%
By product					
medicine	1,216,897,036.21	18.47%	997,317,669.40	20.85%	22.02%
Plant	4,277,230,052.44	64.94%	2,709,515,275.61	56.66%	57.86%
Functional chemicals	734,117,330.78	11.15%	600,427,817.39	12.56%	22.27%
Other industrial products	248,173,203.43	3.77%	182,980,746.83	3.83%	35.63%
trade		0.00%	10,519,499.96	0.22%	-100.00%
Industrial real estate	78,587,722.11	1.19%	268,584,654.21	5.62%	-70.74%
Other businesses	31,775,340.34	0.48%	12,453,049.39	0.26%	155.16%

<b>By region</b>					
Industrial Business Subtotal					
Domestic market	1,879,672,886.01	28.54%	1,453,469,183.98	30.40%	29.32%
Overseas markets	4,596,744,736.85	69.79%	3,036,772,325.25	63.51%	51.37%
Trade subtotals					
Domestic market			5,092,477.38	0.11%	-100.00%
Overseas markets			5,427,022.58	0.11%	100.00%
Industrial Real Estate Subtotal					
Domestic market	78,587,722.11	1.19%	268,584,654.21	5.62%	-70.74%
Overseas markets					
Other businesses	31,775,340.34	0.48%	12,453,049.39	0.26%	155.16%
<b>Sub-sales model</b>					
direct selling	6,586,780,685.31	100.00%	4,781,798,712.79	100.00%	37.75%

(2) The situation of the industry, product, region, and sales model that accounts for more than 10% of the company's operating income or operating profit

√ Applicable □ Not applicable

Companies are required to comply with the disclosure requirements of the chemical industry in the Guidelines for Self-Regulatory Supervision of Listed Companies on the Shenzhen Stock Exchange No. 3 - Industry Information Disclosure

Unit: Meta

	Operating income	Operating costs	Gross margin	Operating income increased or decreased year-on-year	Operating costs increased or decreased over the same period last year	Gross margin increased or decreased year-on-year
<b>By industry</b>						
industry	6,476,417,622.86	4,731,855,088.27	26.94%	44.23%	62.62%	-8.26%
Industrial real estate	78,587,722.11	42,444,931.10	45.99%	-70.74%	-66.70%	-6.55%
<b>By product</b>						
Industry:						
medicine	1,216,897,036.21	722,165,739.56	40.66%	22.02%	25.78%	-1.77%
Plant	4,277,230,052.44	3,294,514,688.70	22.98%	57.86%	77.46%	-8.50%

Functional chemicals	734,117,330.78	545,129,784.38	25.74%	22.27%	61.87%	-18.17%
Other industrial products	248,173,203.43	170,044,875.63	31.48%	35.63%	19.40%	9.31%
Industrial Real Estate:	78,587,722.11	42,444,931.10	45.99%	-70.74%	-66.70%	-6.55%
<b>By region</b>						
Industry:						
Domestic market	1,879,672,886.01	1,199,809,474.85	36.17%	29.32%	33.37%	-1.94%
Overseas markets	4,596,744,736.85	3,532,045,613.42	23.16%	51.37%	75.71%	-10.65%
Industrial Real Estate:						
Domestic market	78,587,722.11	42,444,931.10	45.99%	-70.74%	-66.70%	-6.55%

In the case that the statistical caliber of the company's main business data is adjusted in the reporting period, the company's main business data after the adjustment of the caliber at the end of the reporting period in the last 1 year

☐ Applicable ☒ Not applicable

Unit: Meta

The product name	yield	Sales	Revenue realization	The average selling price of the product in the first half of the year	The average selling price of the product in the second half of the year	Year-on-year change	Reason for change
Plant protection (herbicides and intermediates)	14,790.76 tons	11,584.90 tons	2,048,070,740.51	204.19 yuan / kg	161.68 yuan / kg	-20.82%	
Plant protection (pesticides and intermediates)	4,689.88 tons	4,274.10 tons	1,358,230,088.95	352.04 yuan / kg	267.01 yuan / kg	-24.15%	
Plant protection (fungicides and intermediates)	2,729.14 tons	2,765.92 tons	848,379,257.88	236.63 yuan / kg	375.80 yuan / kg	58.81%	Product structure adjustment
Pharmaceutical intermediates	1,893.56 tons	1,449.09 tons	1,216,897,036.21	666.71 yuan / kg	1,002.39 yuan / kg	50.35%	Product structure adjustment
Functional	35,456.52	33,716.18	734,117,330.78	23.83 yuan / kg	20.26 yuan / kg	-14.98%	

chemicals	tons	tons					
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Operating income or net profit generated by overseas business accounts for more than 10% of the company's audited operating income or net profit in the most recent fiscal year

√ Yes ☐ No

Overseas business name	The specific circumstances of the development	Impact of tax policies on overseas business during the reporting period	The company's response
Fine Organics Limited	The Company's overseas subsidiaries operate independently and act in synergy to contribute to the Company's operations and are assessed in accordance with the tax laws of the country in which they operate.	No significant impact	The Company's services and products are priced based on transfer pricing studies to reflect the market price of such services or products for customers outside the Group.

### (3) Whether the company's income from physical sales is greater than the income from labor services

√ Yes ☐ No

Industry Classification	project	unit	In 2021	In 2020	Year-on-year increase or decrease
Industrial business - plant protection	Sales	kilogram	18,809,441.06	10,731,966.34	75.27%
	throughput	kilogram	22,222,096.82	12,999,706.7	70.94%
	Inventory quantity	kilogram	2,561,272.64	1,890,969.23	35.45%
Industrial business - pharmaceuticals	Sales	kilogram	1,449,086.52	1,291,079.87	12.24%
	throughput	kilogram	1,893,559.4	1,526,801.46	24.02%
	Inventory quantity	kilogram	293,965.61	442,414.01	-33.55%
Industrial Business - Functional Chemicals	Sales	kilogram	33,716,181.06	21,920,950.4	53.81%
	throughput	kilogram	35,456,520.7	26,163,481.3	35.52%
	Inventory quantity	kilogram	1,313,888.94	1,318,121.41	-0.32%

Explanation of the reasons for the year-on-year change of more than 30% in the relevant data

√ Applicable ☐ Not applicable

Industrial business - plant protection sales increased by 75.27% over the same period last year, mainly due to the resumption of production by subsidiaries and the increase in market demand.

Industrial business - plant protection production increased by 70.94% over the same period last year, mainly due to the resumption of production by subsidiaries and the increase in market demand.

Industrial Business - Plant Protection Inventory Increased by 35.45% over the same period last year, mainly due to the resumption of production by subsidiaries and the increase in market demand.

Industrial Business - Pharmaceutical Inventory Decreased by 33.55% compared to the same period last year, mainly due to

shipments in the fourth quarter compared with the same period last year.

Industrial business - sales of functional chemicals increased by 53.81% over the same period last year, mainly due to the increase in market demand.

Industrial Business - Functional Chemicals Production Increased by 35.52% over the Same Period Last Year, mainly due to increased market demand.

**(4) The performance of major sales contracts and major procurement contracts signed by the company as of the reporting period**

☐ Applicable ☒ Not applicable

## (5) Composition of operating costs

Unit: Meta

Industry Classification	project	In 2021		In 2020		Year-on-year increase or decrease
		amount	Accounted for the proportion of operating costs	amount	Accounted for the proportion of operating costs	
Industrial-pharmaceutical	Material costs	391,215,384.14	8.13%	320,371,623.22	10.48%	22.11%
Industrial-pharmaceutical	Labor costs	91,565,244.42	1.90%	79,508,257.05	2.60%	15.16%
Industrial-pharmaceutical	Energy bills	34,952,959.29	0.73%	47,346,331.11	1.55%	-26.18%
Industrial - Plant Protection	Material costs	1,800,387,972.30	37.40%	1,056,607,124.44	34.57%	70.39%
Industrial - Plant Protection	Labor costs	199,230,366.13	4.14%	162,114,134.89	5.30%	22.90%
Industrial - Plant Protection	Energy bills	233,546,544.00	4.85%	134,200,899.16	4.39%	74.03%
Industrial-functional chemicals	Material costs	334,187,022.29	6.94%	192,527,918.51	6.30%	73.58%
Industrial-functional chemicals	Labor costs	25,284,380.30	0.53%	23,199,520.88	0.76%	8.99%
Industrial-functional chemicals	Energy bills	34,292,545.48	0.71%	34,624,455.86	1.13%	-0.96%
Industrial - other industrial products	Material costs	131,913,260.38	2.76%	116,263,930.73	3.80%	13.50%
Industrial - other industrial products	Labor costs	13,625,097.37	0.29%	9,582,827.50	0.31%	42.20%
Industrial - other industrial products	Energy bills	1,190,159.83	0.02%	752,215.61	0.02%	58.20%

illustrate

The cost of industrial-plant protection materials increased by 70.39% over the same period last year, labor costs increased by

22.90% over the same period last year, and energy costs increased by 74.03% over the same period last year, mainly due to the increase in revenue leading to the same direction of cost increase, and the above unit costs decreased compared with the same period last year.

The cost of industrial-functional chemical materials increased by 73.58% over the same period last year, mainly due to the increase in the number of sales and the decline in selling prices and gross profit, so the amount of material costs in the cost increased.

Industrial- Labor costs for other industrial products increased by 42.20% over the same period last year, and energy costs increased by 58.20% over the same period last year, mainly due to higher sales and all increases in the unit price of artificial energy.

#### (6) Whether there has been any change in the scope of consolidation during the reporting period

☒ Yes ☐ No

In this period, 3 new consolidated units were added for the following reasons:

1. On March 9, 2021, the company newly established Lianhua Technology New Material (Taizhou) Co., Ltd.
2. Lianhua Technology (Taizhou) Co., Ltd., a subsidiary, was newly established on August 20, 2021 to establish Lianhua Angjian Pharmaceutical Technology (Shanghai) Co., Ltd.
3. Shanghai Baofeng Machinery Manufacturing Co., Ltd., a subsidiary, was newly established on December 20, 2021 to establish Yancheng Baofeng New Energy Equipment Co., Ltd.

In the current period, the number of consolidated units was reduced by 2, due to:

1. Lianhua Technology (Yancheng) Co., Ltd. has applied for industrial and commercial deregistration on August 17, 2021.
2. Taizhou Huangyan Lianhua Pharmaceutical Co., Ltd. has applied for industrial and commercial deregistration on August 10, 2021.

#### (7) The company's business, products or services have undergone major changes or adjustments during the reporting period

☐ Applicable ☒ Not applicable

#### (8) The situation of major sales customers and major suppliers

The company's main sales customers

Total sales amount of the top five customers (RMB)	4,238,338,622.67
The total sales amount of the top five customers as a proportion of the total annual sales	64.35%
Related party sales as a percentage of total annual sales in the top five customer sales	0.00%

Information of the company's top 5 customers

serial number	Customer name	Sales (RMB)	Percentage of total annual sales
1	1st place	1,987,504,994.60	30.17%
2	Second place	711,528,045.76	10.80%

3	Third place	628,901,002.64	9.55%
4	Fourth place	589,958,680.20	8.96%
5	Fifth place	320,445,899.47	4.86%
total	--	4,238,338,622.67	64.35%

Other information about major customers

☐ Applicable ☒ Not applicable

The situation of the company's main suppliers

Total purchase amount of the top five suppliers (RMB)	553,237,229.85
The total purchase amount of the top five suppliers as a proportion of the total annual procurement	11.52%
The proportion of related party procurement to the total annual procurement amount of the top five suppliers	0.00%

Information on the company's top 5 suppliers

serial number	Vendor name	Purchase amount (RMB)	Percentage of total annual procurement
1	1st place	128,993,439.82	2.69%
2	Second place	123,277,898.12	2.57%
3	Third place	120,257,115.09	2.50%
4	Fourth place	101,140,425.16	2.11%
5	Fifth place	79,568,351.66	1.66%
total	--	553,237,229.85	11.52%

Other fact sheets for major vendors

☐ Applicable ☒ Not applicable

### 3. Fees

Unit: Meta

	In 2021	In 2020	Year-on-year increase or decrease	Description of significant changes
Selling expenses	14,703,225.24	11,458,924.65	28.31%	This was mainly due to an increase in sample fees
Manage expenses	771,523,094.55	831,049,990.05	-7.16%	
Finance expenses	100,871,684.25	128,724,627.67	-21.64%	This was mainly due to the company's lower exchange loss this year than last year
R&D expenses	317,120,216.22	262,761,333.36	20.69%	This is mainly due to the company's continuous increase in R&D investment

### 43. R&D investment

√ Applicable □ Not applicable

The name of the main R&D project	Purpose of the project	Project progress	Target to be achieved	The expected impact on the company's future development
Development of new high-efficiency fluorination reagents	Provides an efficient fluorination process for an efficient herbicide	The basic research is complete	Complete the development and scale-up of efficient synthesis processes	Improve product market competitiveness
Development of continuous light reaction technology	Expand the application of continuous reaction technology in light reaction	Process development phase	Complete the development and scale-up of mature and efficient synthesis processes	Expand technology accumulation and provide solutions for product commercialization.
Continuous technology development of diazo reactions	Synthesize a drug intermediate and provide a safe and efficient continuous process	Process development phase	The continuous process addresses the safety of diazo reactions	Successful commercialization will facilitate business development.
Application of enzyme-catalyzed reactions in the field of traditional pesticide synthesis	Provide a safe, green process route for some specific reactions in the field of traditional pesticide synthesis.	Process development phase	Effectively screen out enzymes with specific activity and selectivity for specific reactions, optimize the process, reduce costs, and make the enzyme catalytic process more competitive	Application of enzyme-catalyzed reactions in the field of traditional pesticide synthesis

			than traditional chemistry	
Continuous enzyme catalyzed chiral splitting technique	Synthesize a pesticide chiral intermediate, provide a green, safe and efficient process, and have an economic competitive advantage	Process optimization phase	Complete process optimization and commercial production.	Promote business development; accumulate chiral splitting technology for continuous enzyme catalytic chiral splitting.
Development of continuous phosgeneization technology	Develop continuous gas-liquid reaction technology in the application of phosgeneization products to improve reliability and safety	Process optimization phase	Complete the development of new technologies for mature products	Expand technology accumulation and improve product competitiveness.
Development of new continuous process technologies	Apply new technologies to commercial products and expand new solutions	Process optimization phase	Complete the development and demonstration of new product technologies	If successfully commercialized, the scope of business will be broadened.
Continuous technology development for nitrification reactions	Provides a safe and efficient continuous process for the synthesis of multiple pesticide intermediates	Pilot	The continuous process addresses the safety of nitrification reactions	If successfully commercialized, improve the competitiveness of the product market.

The company's R & D personnel

	In 2021	In 2020	Change the proportions
Number of R&D personnel (person)	726	702	3.42%
The number of R&D personnel	11.28%	12.21%	-0.93%
R&D personnel education structure	---	---	---
undergraduate	407	401	1.50%
Master	130	117	11.11%
doctor	33	34	-2.94%
Bachelor's degree or below	156	150	4.00%
Age composition of R&D personnel	---	---	---
Under 30 years of age	387	362	6.91%
30 to 40 years old	204	210	-2.86%
Over 40 years old	135	130	3.85%

The company's R&D investment

	In 2021	In 2020	Change the proportions
R&D investment amount (RMB)	317,120,216.22	262,761,333.36	20.69%
R&D investment as a percentage of operating income	4.81%	5.50%	-0.69%
Amount of capitalization of R&D investment (RMB)	0.00	0.00	0.00%
Capitalized R&D investment as a proportion of R&D investment	0.00%	0.00%	0.00%

Reasons and impacts of significant changes in the composition of the company's R&D personnel

☐ Applicable ☒ Not applicable

The reason for the significant change in the proportion of total R&D investment in operating income compared with the previous year

☐ Applicable ☒ Not applicable

Explanation of the reasons for the sharp change in the capitalization rate of R&D investment and its rationality

☐ Applicable ☒ Not applicable

## 5. Cash flow

Unit: Meta

project	In 2021	In 2020	Year-on-year increase or decrease
Subtotal of cash inflows from operating activities	5,768,736,563.78	4,646,128,375.74	24.16%
Subtotal of cash outflows from operating activities	5,030,948,180.61	3,266,850,027.24	54.00%
Net cash flow from operating activities	737,788,383.17	1,379,278,348.50	-46.51%
Subtotal of cash inflows from investment activities	129,170,698.89	141,768,338.73	-8.89%
Subtotal of cash outflows from investment activities	1,665,246,595.90	1,477,395,140.24	12.72%
Net cash flow from investing activities	-1,536,075,897.01	-1,335,626,801.51	15.01%
Subtotal of cash inflows from fund-raising activities	2,503,074,675.55	3,480,869,296.67	-28.09%
Subtotal of cash outflows from financing activities	1,710,731,310.59	3,863,066,384.55	-55.72%

Net cash flow from fund-raising activities	792,343,364.96	-382,197,087.88	-307.31%
Net increase in cash and cash equivalents	-23,611,472.57	-372,707,109.77	-93.66%

Explanation of the main influencing factors for the significant year-on-year change in relevant data

☒ Applicable ☐ Not applicable

(1) Cash outflow from operating activities increased by 54.00% over the same period of the previous year, mainly due to the increase in procurement expenditure caused by the rise in sales revenue;

Net cash flow from operating activities decreased by 46.51% over the same period last year, mainly due to the increase in the balance of accounts receivable compared with the same period last year.

(2) The cash outflow from financing activities decreased by 55.72% over the same period of the previous year, mainly due to the fact that the repayment amount of the current year was lower than that of the previous year;

Net cash flow from financing activities increased by 307.31% year-on-year, mainly due to the company's increased financing inflows this year.

Explanation of the reasons for the material discrepancy between the Company's net cash flow from operating activities and the net profit for the current year during the reporting period

☐ Applicable ☒ Not applicable

## 5. Analysis of non-main business

☐ Applicable ☒ Not applicable

## 6. Analysis of assets and liabilities

### 1. Major changes in the composition of assets

Unit: Meta

	Late 2021		Early 2021		The proportion increase or decreases	Description of significant changes
	amount	Percentage of total assets	amount	Percentage of total assets		
Monetary funds	561,008,407.63	4.44%	635,608,160.71	6.11%	-1.67%	
Accounts receivable	1,331,890,991.32	10.54%	871,182,790.71	8.37%	2.17%	The year-end balance of accounts receivable increased by 52.88% compared with the balance at the beginning of the year, mainly due to the increase in sales revenue.
Contract assets		0.00%			0.00%	

stocks	2,252,795,104.03	17.82%	1,859,763,636.51	17.87%	-0.05%	
Investment real estate	3,670,772.87	0.03%	3,995,948.72	0.04%	-0.01%	
Long-term equity investment	70,862,471.29	0.56%	81,496,390.56	0.78%	-0.22%	
fixed asset	4,192,642,416.11	33.16%	3,979,442,282.27	38.23%	-5.07%	
Works under construction	2,472,236,751.53	19.56%	1,378,902,483.27	13.25%	6.31%	The balance of the project under construction increased by 79.29% compared with the balance at the beginning of the year, mainly due to the continuous investment in the works of the Texas subsidiary and the British subsidiary.
Right-of-use assets	18,186,468.21	0.14%	21,196,690.21		0.14%	
Short-term borrowing	1,659,769,696.60	13.13%	666,507,732.46	6.40%	6.73%	The year-end balance of short-term borrowings increased by 149.02% compared with the balance at the beginning of the year, mainly due to the company's increase in financing.
Contractual liabilities	163,867,912.64	1.30%	104,052,675.12	1.00%	0.30%	The increase in contract liabilities from the balance at the beginning of the year was 57.49%, mainly due to the increase in the company's business expansion revenue.
Long-term borrowing	679,438,306.00	5.37%	646,899,320.00	6.22%	-0.85%	
Lease liabilities	14,265,579.40	0.11%	16,766,718.28		0.11%	

The proportion of overseas assets is relatively high

☐ Applicable ☒ Not applicable

## 2. Assets and liabilities measured at fair value

☒ Applicable ☐ Not applicable

Unit: Meta

project	The number of beginnings of the period	Gain or loss on changes in fair value for	Change in cumulative fair value included in	Impairment provision for the current	Purchase amount for the current	Sale amount for the current	Other changes	End-of-period number

		the period	equity	period	period	period		
Financial assets								
2. Derivative financial assets	7,032,181.21	5,534,331.59						12,566,512.80
The above total	7,032,181.21	5,534,331.59						12,566,512.80
Financial liabilities	0.00							0.00

Other changes

not

Whether there were significant changes in the measurement attributes of the company's main assets during the reporting period

☐ Yes ☒ No

### 3. Restrictions on asset rights as of the end of the reporting period

project	Book value at the end of the period	Reason for limitation
Monetary funds	90,220,224.61	For details, see Note 5, (1)
Receivables financing	448,531,324.98	The pledge of the bill pool business is restricted, as detailed in "Notes 5 and (5)"
Non-current assets due within one year	100,000,000.00	Certificate of Deposit of a unit of time deposit for more than 1 year of pledge
Works under construction	303,428,289.74	For details of mortgage borrowings, see Note XII
Fixed assets - houses and buildings	281,328,658.99	For details of mortgage borrowings, see Note XII
Fixed Assets — Specialized Equipment	51,972,245.29	Sale and leaseback financial lease mortgage, see Note 12 for details
intangible asset	364,257,137.01	For details of mortgage borrowings, see Note XII
Other non-current assets	10,000,000.00	Certificate of Deposit of a unit of time deposit for more than 1 year of pledge
total	1,649,737,880.62	

## 7. Analysis of investment status

### 1. Overall situation

☒ Applicable ☐ Not applicable

Investment amount for the reporting period (RMB)	Investment amount in the same period of the previous year (RMB)	Magnitude of change
1,645,246,595.90	1,462,395,140.24	12.50%

### 2. Significant equity investment obtained during the reporting period

☐ Applicable ☒ Not applicable

### 3. Significant non-equity investments in progress during the reporting period

☐ Applicable ☒ Not applicable

### 4. Investment in financial assets

#### (1) Securities investment

☐ Applicable ☒ Not applicable

There were no securities investments during the Company's reporting period.

**(2) Derivatives investment**

√ Applicable □ Not applicable

Unit: 10,000 yuan

The name of the derivatives investment operator	Association relationships	Whether there is a related party transaction	Types of derivatives investments	The initial investment amount of a derivatives investment	The start date	Termination date	The amount invested at the beginning of the period	Purchase amount during the reporting period	Amount sold during the reporting period	Amount of impairment provision (if any)	The amount invested at the end of the period	The amount invested at the end of the period is a percentage of the company's net assets at the end of the reporting period	The amount of the actual profit or loss for the reporting period
commercial bank	not	not	Forex contracts	99,145.66	October 29, 2020	December 31, 2022	99,145.66	230,398.09	247,410.5		82,133.25	13.03%	4,013.63
total				99,145.66	--	--	99,145.66	230,398.09	247,410.5		82,133.25	13.03%	4,013.63
Sources of funds for derivatives investments				Own funds									
Litigation implications (if applicable)				not									
Derivatives Investment Approval Board Announcement Disclosure Date (if any).				April 23, 2021									
Derivatives Investment Approval Shareholders'				June 04, 2021									

Meeting Announcement Disclosure Date (if any).	
Risk analysis and description of control measures for derivatives positions in the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	For details of the risk analysis and control measures, please refer to the Company's "Foreign Exchange Hedging Business Management System" disclosed on July 26, 2017 and April 23, 2021 Announcement on the Company and Its Holding Subsidiaries carrying out Foreign Exchange Hedging Business (Announcement No. 2021-023) disclosed on The Same Day
In the event of changes in the market price or fair value of the product during the reporting period of the invested derivatives, the analysis of the fair value of the derivatives should disclose the specific methods used and the setting of relevant assumptions and parameters	The Company's accounting for the fair value of derivatives is mainly for the unexpired contracts signed between the Company and the bank during the reporting period. Trading financial assets or trading financial liabilities are recognized based on the difference between the quotation of the immature forward settlement contract at the end of the period and the price of forward foreign exchange.
An explanation of whether the accounting policies for the Company's derivatives in the reporting period and the specific principles of accounting have changed significantly compared to the previous reporting period	not
The independent directors' special opinions on the company's derivatives investment and risk control	not

Companies are required to comply with the disclosure requirements of the chemical industry in the Guidelines for Self-Regulatory Supervision of Listed Companies on the Shenzhen Stock Exchange No. 3 - Industry Information Disclosure

## 5. The use of funds raised

☐ Applicable ☒ Not applicable

There was no use of funds raised during the Company's reporting period.

**8. Sale of major assets and equity**

**1. Sale of major assets**

☐ Applicable ☒ Not applicable

The Company did not sell material assets during the reporting period.

**2. Sale of major equity**

☐ Applicable ☒ Not applicable

**9. Analysis of major holding and shareholding companies**

☒ Applicable ☐ Not applicable

Major subsidiaries and shareholding companies that have an impact of more than 10% on the company's net profit

Unit: Meta

Company name	Type of company	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Jiangsu Lianhua Technology Co., Ltd	Subsidiary	Plant protection, pharmaceutical intermediates	1,129,642,000	3,131,168,202.20	1,243,218,593.40	1,154,785,591.68	-106,777,124.20	-99,558,571.85
Lianhua Technology (Taizhou) Co., Ltd	Subsidiary	Fine chemical intermediates	801,680,000	3,074,284,213.38	1,264,598,329.75	2,556,801,031.03	361,658,136.07	321,158,959.33
Lianhua Technology (Texas) Co., Ltd	Subsidiary	Production and sales of chemical products	228,880,000	2,017,062,040.66	539,342,524.86	1,265,071,271.13	206,431,570.52	160,776,248.06
Hubei Juntai Pharmaceutical Chemical Co., Ltd	Subsidiary	Manufacture and sales of medical and chemical intermediates	54,500,000	279,089,588.76	139,691,271.81	311,847,687.11	45,996,315.67	37,905,580.80
		Customized processing services for plant protection and pharmaceutical intermediates, active ingredients, APIs, and special chemicals						
Lianheteck Holdco Limited	Subsidiary	Plant protection, pharmaceutical intermediates	876.08	1,810,000,275.04	-63,266,517.92	748,212,534.35	-225,011,661.48	-225,579,824.92
Lianhua Technology (Yancheng) Co., Ltd		Plant protection, pharmaceutical intermediates	0	0.00	0.00	112,819,930.55	-87,085,941.73	-87,932,000.82

Acquisition and disposal of subsidiaries during the reporting period

√ Applicable    □ Not applicable

Company name	Acquisition and disposition of subsidiaries during the reporting period	Impact on overall production and operation and performance
Lianhua Technology New Material (Taizhou) Co., Ltd	Newly established	No significant impact
Lianhua Angjian Pharmaceutical Technology (Shanghai) Co., Ltd	Newly established	No significant impact
Yancheng Baofeng New Energy Equipment Co., Ltd	Newly established	No significant impact
Lianhua Technology (Yancheng) Co., Ltd	Write off after absorption merge	No significant impact
Taizhou Huangyan Lianhua Pharmaceutical Co., Ltd	Write off after absorption merge	No significant impact

## 10. Structured entities controlled by the company

☐ Applicable ☒ Not applicable

## 11. Prospects for the company's future development

### 1. The development trend of the industry in which the company is located

The company is located in the fine chemical industry, mainly engaged in the production and operation and sales of plant protection, pharmaceutical intermediates and other fine and functional chemicals, the upstream is the basic chemical industry, and the downstream is the plant protection, medicine and other fine chemicals market segments.

#### (1) Plant protection industry

The latest round of consolidation in the global plant protection industry dates back to 2017: ChemChina's acquisition of Syngenta, DuPont Dow's merger, Fumeishi's acquisition of some of DuPont's divested businesses, Bayer's acquisition of Monsanto, BASF's acquisition of some of Bayer's spin-off core assets, and Saronda's acquisition of Adama and eventually its name as Adama Inc. In 2019, major companies focused on internal integration adjustments, and DuPont Dow merged and spun off "Codyhua Agricultural Technology Company" and went public independently in June 2019. On January 5, 2020, Sinochem Group joined hands with China National Chemical Group, which is also a central enterprise, to consolidate assets in the agricultural sector and inject them into Syngenta Group. At this point, the competition pattern of the global plant protection industry dominated by China (Syngenta Group), the European Union (Bayer CropScience, BASF), and the United States (Kodihua) has officially taken shape, which has a profound impact on world agriculture. According to Agbio Investor data, the global concentration of plant protection products is high in 2020, and the market share of the world's top five plant protection giants in the global plant protection product market reached 75%.

According to a report by IHS Markit, the global plant protection market grew by 2.7% from the previous year to US\$62.04 billion in 2020, and this boom will continue, with the global plant protection market expected to exceed in 2025 \$69 billion. Since 2021, with the high global prices of agricultural products and crops and the increase in concern for food security, farmers' willingness to plant has been higher, driving the increase in demand for plant protection products worldwide.

Looking back at The country, in the past few years, under the guidance of national security and environmental protection policies, under the guidance of relevant industrial policies, related enterprises in the

plant protection industry have invested a lot of software and hardware resources in related aspects, and for a considerable period of time in the future, the domestic plant protection industry will have a number of leading enterprises with accurate strategic positioning, scale advantages or unique advantages, reasonable product structure, independent innovation capabilities, and compliance with environmental protection requirements and industrial policies in the future. With the improvement of industrial concentration, the organizational structure and layout of China's plant protection industry are more optimized, the industrial division of labor and cooperation are more reasonable, and a number of industrial clusters and enterprise groups with core competitiveness have gradually formed, and have become the leading force in China's plant protection industry, effectively enhancing the competitiveness of China's plant protection enterprises and industries in the global market.

## (2) Pharmaceutical industry

The global CDMO market continues to grow, and according to Frost & Sullivan data, the global CDMO market size is expected to grow from \$73 billion in 2019 to 2021 The annual \$92 billion, compound growth rate of 12.3%. At the same time, the traditional CMO service based on single output capacity is gradually transforming into a CDMO service based on output high value-added technology. With the increasing difficulty of new drug research and development and the increase in customer diversity needs, the industry chain will continue to spread upstream and downstream in the future.

At present, the global CMO/CDMO market is still mainly concentrated in developed countries such as Europe and the United States. Due to the increasingly stringent requirements for safe production and environmental protection in these countries and regions, the continuous improvement of labor and environmental protection costs, and the expansion of production capacity are also facing strict and cumbersome administrative approval procedures, the expansion of CMO/CDMO business is greatly restricted. Compared with European and American countries where the development of CMO/CDMO is in a bottleneck, emerging countries and regions have begun to gradually squeeze out the CMO/CDMO market space in Europe and the United States by virtue of their cost advantages and gradual improvement of the drug patent protection system.

The demand for the Asia-Pacific pharmaceutical market, represented by China, is becoming increasingly strong, and the drug patent protection system has gradually improved. On the basis of the inherent cost-effective advantage, with the improvement of scientific research level and manufacturing strength, the global CMO/CDMO market has gradually shifted from mature markets in Europe and the United States to emerging

markets in Asia-Pacific. Compared with most other Asian countries, China has obvious advantages in human resources and funds, and its advantages in new drug technology research and development, supply chain support and infrastructure construction, quality management system and intellectual property protection are also becoming increasingly prominent, so in the future wave of CMO/CDMO industrial transfer, Chinese companies are expected to gain a larger market share. In recent years, with the favorable release of policies such as the drug marketing authorization holder system, drug consistency evaluation, and accelerated review and approval, the separation of marketing authorization and production license, the further division of labor in the domestic pharmaceutical industry, the development of domestic innovative drugs and the development of the CDMO industry have obtained a large number of business opportunities; the pace of reform of the pharmaceutical industry has accelerated, effectively supporting the optimization and upgrading of the pharmaceutical industry, and China's CMO/CDMO The industry will develop rapidly with a series of policy dividends.

### (3) Functional chemicals industry

#### Personal Care & Cosmetics:

According to Ai Media Consulting data, the market size of China's personal care market is expected to reach 544.8 billion yuan in 2021, while China's personal care consumption accounted for a steady increase in the global market size year by year, with a forecast of 12.9% in 2021 。 With the improvement of residents' disposable income and consumption level, Chinese consumers have become increasingly affluent, and personal care products have gradually been regarded as necessities rather than luxuries. Phosgenetic products such as fatty acid chloride are widely used in the new green surfactant - amino acid surfactant system, with high safety, rich and stable foam, mild nature, can reduce the overall irritation of daily chemical detergent formulations, and biodegradability and other characteristics, mainly used in washing, personal care and other fields. Amino acid surfactant is one of the new green surfactant varieties with rapid development of Surfactant industry in China, with good compatibility with other surfactants, and the market share of products has continued to grow in recent years.

#### High-performance polymer materials:

High-performance polymers refer to high-performance thermoplastics, which are the key basic materials to support the development of national strategic emerging industries such as advanced manufacturing, new energy, and electronic information. At present, China's high-performance polymer industry as a whole is low-

end, and there is a structural shortage of product supply. With the vigorous development of emerging industries in the country, the import dependence of related industries on high-end polymer materials is particularly serious, which seriously restricts the development of the national economy. According to the market data released by the China Chemical Industry Information Center (CNCIC) at the end of 2020: it is expected that around 2025, the global high-performance polymer market will grow significantly, reaching 7.008 billion US dollars, with an average annual growth rate of about 7.46%. The Chinese market is about \$1.733 billion. The average annual growth rate is around 8.53%.

#### Electronic Chemicals:

During the 14th Five-Year Plan period, the state will vigorously develop electronic chemicals and downstream applications, accelerate the filling of key products, and enhance the ability to guarantee independence. According to market data released by the China Chemical Industry Information Center (CNCIC), the global market size of electronic chemicals in 2020 is about 70 billion US dollars, and the domestic market size is about 18.6 billion US dollars. For 2025, the global market is about \$95 billion, with an average annual growth rate of 6.6%, and the domestic market is about \$26.5 billion, with an average annual growth rate of 8.9%.

## **2. The company's five-year development strategy**

The company summarizes the past and looks forward to the future, will continue to follow the strategic development idea of "focus, forward-looking, alliance", focus on the core part of the plant protection, pharmaceutical and functional chemicals industries, deeply study the development strategies of major customers, and formulate the company's product and technology development plans. Give full play to the company's core capabilities of organic synthesis and project transformation combining process and engineering, deeply expand the non-competitive own product market with existing plant protection, pharmaceutical and functional chemical customers, continuously improve product quality, and optimize product types. We will continue to enhance the company's core competitiveness, the pursuit of operational management and platform capabilities of excellence, strengthen the plant protection product business line, through innovation, deep ploughing CDMO business, relying on the existing platform to expand biological plant protection. To expand the pharmaceutical business, from providing technical solutions and synthetic manufacturing, it gradually provides CXO covering the whole industry chain from research and development to commercial production Service; expand the functional chemicals market, enrich product categories, enhance product competitiveness; focus on technological innovation, engineering innovation, research capability innovation, to provide customers with

better services; strengthen the construction of internal supply chain, the use of the current production base resources, technical advantages and management advantages, the formation of a distinctive industrial structure; adhere to the sustainable development path, focus on the development of green chemistry, circular economy development, energy conservation and emission reduction, through technological development and progress, and constantly improve." The efficiency of the treatment of three wastes, always maintain the leading position in the domestic fine chemical industry; continue to optimize intellectual property management, pay attention to the intellectual property protection of customers and the company, respect talents and knowledge; continue to improve the company's internal network management construction, give play to the advantages of talents; continue to adhere to the talent introduction and internal training of both hands of the human resources strategy, optimize the salary system and various incentive mechanisms, and promote the win-win situation of employees and enterprises. Moving in the direction of the best employer.

### **3. Business plan for 2022**

2022 business objectives: 2022 the company's industrial business revenue growth of not less than 15% compared with 2021 (the above business objectives do not represent the company's profit forecast for 2022, whether it can be achieved depends on the macroeconomic environment and changes in market conditions and other factors, There is a large uncertainty, please pay special attention to investors).

In 2022, the company will adhere to the strategic development idea of "focus, forward-looking and alliance". Through the operation mode of the business unit, we focus on doing a good job in the plant protection, pharmaceutical and functional chemicals business, better serve our customers and win the competition. We will successfully implement our strategy by providing our customers with unique differentiated services through the strengths of the company's chemical and engineering technology, and become a leader in various market segments.

In 2022, our company will continue to focus on the following aspects:

#### **(1) Adhere to sustainable development and adhere to the values of SHEQ&C**

Adhering to the path of sustainable development, adhering to the values of SHEQ&C first, the company continuously improves the SOPs of various sub-sectors and internal subsystems on the basis of the framework of the three-in-one management system (ISO9001, ISO14001&ISO45001). And ensure the implementation of procedures, such as PSM (Process Safety Management System), Anti-Cross Pollution Management System (CPS), Pharmaceutical Division to consolidate the GMP management system, etc., and strive to create an industry-

leading SHEQ&C Manage the system. At the same time, through the internal and external linkage training mechanism to continuously improve the quality and ability of personnel, through continuous hardware facilities investment to ensure the advanced nature of equipment, further promote the electronic management system to improve efficiency, and constantly strengthen the core competitiveness of Lianhua Technology in safety, occupational health, environmental protection, quality and compliance governance. In 2022, under the guidance of the company's new strategic goals, we will continue to provide customers with safe, high-quality and compliant products to give back to the society.

(2) Actively promote insurance claims settlement

Two subsidiaries of the company, Jiangsu Lianhua and Yancheng Lianhua, were affected by the "3.21" explosion accident in Xiangshui and stopped production for nearly two years, and production has resumed as of the date of this report. On the basis of the resumption of production and the completion of all insurance claims for property in 2019, the Company will actively promote insurance claims such as business interruption insurance.

(3) Continue to consolidate and enhance cooperation with key customers and increase market development

1) In the plant protection market, after the mergers and acquisitions and restructuring of the world's major giants, the company, as a strategic supplier of the world's top 5 plant protection companies, will usher in new development opportunities. Relying on the strategic cooperation and trust established with customers for a long time, we have deeply participated in the customer's product development cooperation in the next 5 to 10 years in the past few years, participated in process innovation and embodied value, further expanded business development opportunities, and consolidated the cornerstone of future business growth. In 2021, we will continue to build high-standard production workshops at each base, relying on the advantages of the global layout supply chain, operating efficiently in accordance with high standards of RC specifications, and reducing supply risks. In 2022, we will continue to maintain a reliable and stable supply chain, provide customers with efficient and flexible "one-stop" services, follow the customer's development strategy and planning in a timely manner, integrate our advantages of multi-base, flexible production capacity and efficient organization, give full play to the role of the British base bridgehead, and compact the project construction progress. Promote the early commissioning of key projects, while ensuring the organic growth of the original CDMO projects, continue to promote the effective implementation of innovative service projects, win more business shares for us,

support more innovative plant protection products to be launched rapidly in the world, further consolidate our position and reputation as its trusted business partner, and make a modest contribution to the iterative update of global plant protection products.

Combined with the development trend of customers and the global plant protection market, the plant protection division will continue to implement the product strategic planning for the next 5 to 10 years, subdivide product management into three categories: new product reserve, new product launch and key product life cycle extension, and adopt different product management models for different categories of products. In the future, we will continue to deepen multi-dimensional and all-round cooperation with customers, timely follow the customer's development strategy to adjust the company's strategy, and strive to achieve a long-term win-win situation with customers.

2Pharmaceutical business2022The focus of the year's work will continue to be on the internal continuous improvement of capabilities, external maintenance and expansion of the business two aspects. Internal: In terms of quality, with the business expansion of pharmaceutical registered intermediates and APIs, we will continue to expand the number of personnel, train personnel capabilities, and improve quality management capabilities; in terms of production, the company will increase new production capacity according to demand to ensure the delivery of commercialization projects such as cardiovascular drugs, neurological drugs, intermediates and APIs of tumor drugs; in terms of research and development, we will continue to promote the pharmaceutical research and development department "Project management procedures" 及 "Three-in-one system" Carry out effective operation, strengthen R&D and innovation work, enrich reserve products, actively expand new chemical and engineering technologies, and strive to expand existing technologiesThe application of the technology, to provide customers with better service, and invest resources to ensure the high quality of the completion of new project verification, as soon as possible production; we will also be based on the new needs of customers, buildCROPlatform, buildCROTeam, better to provide customers with one-stop solutions. External: We will further maintain existing strategic customers, continue to explore project opportunities in depth, at the same time, continue to develop existing potential strategic customers, through high-quality services, innovation, establish further cooperative relations; according to the long-term plan, open up new customers.

3) In the field of functional chemicals, under the premise of market-oriented, we will continue to give full play to the existing ammonia oxidation, phosgeneation and fluorination and other major advantages of synthesis technology and resources, while increasing research and development and investment in engineering

technology, forming a comprehensive technology of "synthesis + engineering", and creating a series of product trees. Form their own core competitiveness and cost advantages. At the same time, it extends to the market segments such as electronic chemicals to expand the market and customers.

(4) Continue to promote the integration of business in the pharmaceutical sector and employee shareholding, and promote the long-term development of the pharmaceutical sector

At the end of 2020, the company's board of directors and management combined with the company's pharmaceutical sector development plan, Taizhou Lianhua as the main business entity of the company's pharmaceutical sector, and started the integration of the company's pharmaceutical sector business. In 2021, the company's pharmaceutical sector business integration work is rapidly advancing, in order to promote the rapid development of the company's pharmaceutical business, fully mobilize the enthusiasm of the management and core employees, stabilize and attract talents, and achieve a win-win situation between the enterprise and employees, the company has formulated an employee shareholding plan, through diversified employee shareholding methods to the company's pharmaceutical subsidiary Taizhou Lianhua capital increase, optimize the asset structure and equity structure, so that the company, the company's shareholders and employees share the results of operation. In 2022, the company will continue to promote the integration of the pharmaceutical sector and employee shareholding and other related matters to promote the long-term development of the pharmaceutical sector.

(5) Strengthen the refined management of enterprises, continuously improve cost reduction and efficiency

In 2022, the company will further strengthen the refined management level of each business unit and parent and subsidiary company, further improve the efficiency of operation and management, and achieve a win-win situation in business quality and operational efficiency. The company systematically sorts out the existing business and base operation, adopts targeted cost reduction and efficiency improvement management programs, compacts responsibilities, continuously improves, and enhances product competitiveness and base operation efficiency.

#### **4. The risks faced by the company and countermeasures**

(1) The risk of macroeconomic fluctuations

In 2021, the international epidemic situation is still very severe, and the domestic epidemic situation has the characteristics of many points, wide coverage and frequent occurrence. The impact of the pandemic on the global economy is manifold. Under the disturbance of the epidemic, the global supply chain has shown its fragile

side: the global production network has been broken and suspended, which has a negative impact on the flow of materials, people and capital, resulting in insufficient energy supply, tight product supply, poor shipping, soaring freight rates, and rapidly rising costs for enterprises. At the same time, the labor market continued to tighten, and the lack of labor supply further pushed up wage levels. In the resonance of rising corporate costs and the "wage-inflation" spiral, inflation levels may continue to rise. As an export-oriented enterprise, the epidemic control situation, political environment, economic conditions, trade regulations, tariff levels and non-tariff trade barriers, the degree of prosperity of related industries and some sudden international events in the countries where overseas customers are located may have a certain impact on the company's revenue. In addition, the situation in Russia and Ukraine at the beginning of 2022 further amplifies the fluctuation of the prices of some commodities and the upward trend of energy prices, which will have a certain impact on the development of the industry.

The company combines its own industry characteristics, actively communicates with the company's customers, enhances the company's market competitiveness by rationally arranging production plans, etc., and will fully prepare relevant plans to deal with possible sudden international events, so as to reduce the adverse impact that the global macroeconomic downturn may bring to the company and the company's business.

## (2) Environmental protection and safety risks

The company belongs to the fine chemical industry, some of the raw materials and finished products used in the production process of the company's products are hazardous chemicals, which have the characteristics of flammability, explosiveness and corrosion, and the company produces a certain amount of waste water, waste gas, waste residue, etc. in the production process, and there is a certain safety production risk. National environmental protection and safety laws and regulations and well-known foreign customers have put forward higher requirements for the company's production, storage, transportation and three waste treatment processes. In order to achieve higher environmental and safety standards, companies may have higher costs, which may have a certain impact on the company's operating performance. In addition, the normal production and operation of the company's factories may be affected by the policies of the park and the safety accidents of nearby chemical plants.

The company actively implements the strategy of sustainable development, regards sustainable development work as an inseparable part of business, operation and daily practice, the company attaches great importance to pollution control, environmental protection and safe production, and constantly invests funds in

the construction of environmental protection facilities, environmental protection technology research and environmental protection treatment, purchases and uses advanced automatic control systems and safety instrumented systems, etc., with the help of responsible care management guidelines and the implementation of the supporting responsibility care management system, and strives to achieve risk control from the source to the process.

### (3) The risk of fluctuations in raw material prices

In 2021, under the influence of multiple factors such as the impact of the epidemic at home and abroad, the "large release of water" by the central banks of many countries, the dual control of energy consumption and power rationing, the supply and demand pattern of the chemical industry is unbalanced, and the prices of multi-variety chemical raw materials are rising steadily. According to business statistics, the chemical index soared from 1008 in early April 2021 to 1392 in mid-October, an increase of nearly 40%. Due to the composition of the company's product cost, the cost of raw materials accounts for a relatively large proportion, and the fluctuation of raw material prices has a greater impact on the cost of the company's products, thus affecting the company's operating performance.

The company will continue to increase its product range and reduce its dependence on a single raw material. At the same time, the company's procurement department implements a strict qualified supplier management system, and adopts centralized procurement and strategic procurement to enhance its bargaining power and reduce procurement costs. In terms of sales, the company will actively respond to market changes and make corresponding price adjustments. In addition, the company actively communicates with downstream customers in a timely manner to reduce the impact of raw material price fluctuations on the company's operating performance in the form of sharing benefits and sharing risks.

### (4) R&D risks

The company operates in a technology-intensive industry, and the company's ability to expand its business depends to a large extent on the success of its R&D activities. However, R&D activities are generally risky, long-term, and uncertain outcomes; developing new products and bringing them to market is a long, uncertain process. In the process of the company's future increase in R&D investment, there is a possibility of R&D failure, which in turn will adversely affect the company's future operation and business expansion.

The company will continue to optimize the R & D project establishment process, carefully select R & D projects, rational layout of R & D direction, at the same time, the company will continue to improve the

company's overall scientific research level, fully promote the progress of key R & D projects, to maximize the control of the company's R & D risks.

(5) Manage risks

The company's factories are distributed in 6 provinces and cities in China, and there are British factories, geographically dispersed, different languages, time differences and cultural differences, which undoubtedly increases the difficulty of company supervision and management. The operation of the company's factories is also affected by local industrial policies and tax policies, and there are certain differences in regional policies, which require the company to invest management resources for supervision and management, which increases the company's management risks.

The company has established a relatively complete internal control system, organizational structure, unified manpower and information system, improve the efficiency of enterprise collaborative operation, efficient and reasonable allocation of resources, and achieve effective cross-regional management. The company has a number of senior management talents and various professionals with international vision and rich work experience in multinational enterprises, which better provides the company with multi-local collaboration and the construction of a professional operation and management team in line with the international community.

(6) Exchange rate fluctuation risk

The company has a certain proportion of export business, mainly in US dollars and euros, the appreciation of rmb foreign currency will have a certain range of negative impact on the company's profits. The Company will continue to implement the foreign exchange hedging strategy to deal with the risk of exchange rate fluctuations.

## 12. During the reporting period, we will receive research, communication, interviews and other activities

√ Applicable □ Not applicable

Reception hours	Reception location	Reception style	The type of reception object	Reception objects	The main content of the discussion and the information provided	Index of the basic situation of the survey
January 12, 2021	Shanghai Office of the company	Field research	institution	Guohai Securities Lu Hao Bocque Securities Yu Concubine Huaan Fund Zhou Yang	Introduction of the company's production and operation and future development strategy	For details, see January 2021 announced by Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) ON January 12, 2021 12-day Investor Relations Activity Record Form
January 25, 2021	teleconference	Telephone communication	institution	Industrial Securities Deng Xianhe CICC Ding Kuangda, Zhang Xiang Gao Teng Assets Wang Jingyan PICC Asset Management Wang Hui Everbright Securities Liu Maoyu Everbright Asset Management Xu Deren China Canada Fund Liu Xiaochen Huaxia Fund Zhang Jingsong, Zheng Bohong Harvest Fund Huang Hui Life Asset Management Li Yanling Guotai Yuanxin Wang Yichao East Asia Qianhai Securities Li Yuqi CITIC Securities Wang Yunnan Dongwu Fund Zhao Meiling Caitong Securities Zhu Qiandong Guangfa Securities Zheng Guodong Shanghai Trust Jiang Qianhui BOC International Bai Bingyang Yuanxin Yongfeng Fan Yan Ping An Group Li Feng Ruipu Investment Shao Honghui GF Fund Wang Yunqi Yongying Fund Liu Zhenbang The Paper Fund Wang Xiu Penghua Fund Xie Shuying Rays Capital Zhang Yunhe	Introduction of the company's production and operation and future development strategy	For details, see January 2021 announced by Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) ON January 26, 2021 25th Investor Relations Activity Record Form
March 05, 2021	Shanghai Office	Field research	institution	Guojun Asset Management Jiang Wenchao Phantom Formula	Introduction of the	For details, see March 2021

	of the company			Quantification Xu Chenghui Western Securities Feng Xiantao Ivy League Assets Cheng Dinghua Ge Xun Asset Management Zhang Jing Huihong Assets Xu Yuntao Changmi Investment Ke Zichao Yongying Fund Liu Zhenbang, Jiao Yang Guojin Securities Chen Yi, Wang Minghui	company's production and operation and future development strategy	announced by Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) on March 8, 2021 5-day Investor Relations Activity Record Form
April 23, 2021	Panoramic • roadshow world	other	other	Investors participating in the Company's 2020 Annual Results Briefing	Introduction of the company's production and operation and future development strategy	For details, see April 2021 announced by Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) on April 26, 2021 23rd Investor Relations Activity Record Form
April 28, 2021	Shanghai Office of the company	Field research	Institution	BOC Securities Yu Concubine BOCOM Schroder Fund Zhang Mingxiao	Introduction of the company's production and operation and future development strategy	For details, see April 2021 announced by Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) on April 28, 2021 28th Investor Relations Activity Record Form
May 13, 2021	Shanghai Office of the company	Field research	Institution	Haitong Securities Sun Weirong, Ma Xiaonan China Europe Fund Cao Mingchang, lan Xiaokang, Yuan Weide	Introduction of the company's production and operation and future development strategy	For details, see May 2021 announced by Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) on May 13, 2021 13-day Investor Relations Activity Record Form
May 19, 2021	Shanghai Office of the company	Field research	Institution	Cathay Fund Wang Yang, Li Hai, Qian Xiaojie CITIC Construction Investment Deng Tianze Everbright Securities Liu Xiyuan Zhongtai Securities Xia Wenci Hongfu Investment Wang	Introduction of the company's production and operation and future development	For details, see May 2021 announced by Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) on

				Xiaoman HSBC Jinxin Zheng Xiaobing	strategy	May 20, 2021 Investor Relations Activity Record Form from 19 to May 20
				Changmi Investment Ke Zichao Great Wall Securities Zhang Yulong GF Securities Deng Xianhe Haitong Securities Sun Weirong CICC Xiao Yaping CICC Asset Management Ding Kuangda Tianfeng Securities Tang Jie Chenghuai Investment Zhao Wen Fuguo Fund Huang Yandong Degun Capital Tang Chongbo Guotai Fund Qian Xiaojie Zhejiang Zhengzhi Xiang Jingkang Huge Group Yu Zhijun Panorama Network Shen Dan Ruijun Assets Liu Li Sai Bo Le Tai Hang Gu Yihua Jushan Assets Zhang Li Ci, Jia Ning New Era Securities Li Xiao BOCOM Schroder Yang Zhiting Oriental Red Asset Management Mao Ding Hua Kun Jianhe Fund He Yiming Individual Investor Zhang Xuehua	introduction of the company's production and operation and future development strategy	For details, see June 2021 announced by Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) on June 4, 2021 3-day Investor Relations Activity Record Form
June 03, 2021	Meeting rooms at Huangyan Yaoda Hotel	Field research	institution	Soochow Securities Chai Qinhui Debon Fund Li Ying, Jin Ye, Jie Shiqi, Zhou Xuan, Wu Xianming	introduction of the company's production and operation and future development strategy	For details, see June 2021 announced by Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) on June 17, 2021 17-day Investor Relations Activity Record Form
June 17, 2021	Shanghai Office of the company	Field research	institution	Guotai Junan Zhao Xinyu CICC Liu Xiuyan Nantu Assets Xu Zhihan Anxin Fund Chi Chen Sen Chongyang Investment Fang Yihan Changjiang Pension Insurance Ding Zhiyuan CITIC Wealth Management Zhou Yanghaotong Securities and Jingling Wanjia Fund Zhang Heng Founder Life Ye Yuze Great Wall Wealth Wang Zhengyi Taiping Fund Su Daming, Xia Wenqi Western Securities Yang Hui, Li Mengyuan, Cheng Suheng, Wang Jiayi	introduction of the company's production and operation and future development strategy	For details, see July 2021 announced by Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) on July 6, 2021 Investor Relations Activity Record Form from 5 to 6 July
July 05, 2021	Shanghai Office of the company	Field research	institution			

July 12, 2021	Shanghai Office of the company	Field research	institution	CICC Xiao Yaping, Jia Xiongwei, Xu Yichen Rongrong Fund Li Wenhai	Introduction of the company's production and operation and future development strategy	For details, see July 2021 announced by Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) on July 12, 2021 12-day Investor Relations Activity Record Form
July 19, 2021	Shanghai Office of the company	Field research	institution	Zheshang Securities Chen Yu Debon Fund Jie Shiqi Industrial Fund Ying Jin Shuai Nord Fund Chen Shaobo CMB Wealth Management Zhang Ying	Introduction of the company's production and operation and future development strategy	For details, see July 2021 announced by Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) on July 19, 2021 19th Investor Relations Activity Record Form
August 24, 2021	Shanghai Office of the company	Field research	institution	Guotai Fund Qian Xiaojie Zhejiang Merchants Fund Jinghui CEIBS Fund Wang Xi BOC Securities Cao Qing, Yao Sizhou ICBC AXA Li Weixun Orient Securities Guo Zhe, Wan Liyang Harvest Fund Zhuo Jialiang Yongying Fund Lu Haiyan Oude Capital Feng Xiantao Everbright Prudential Fund Su Miao Guangfa Securities Deng Xianhe Huabao Fund Qi Zhen Tianfeng Securities Tang Jie Haitong Securities Sun Weirong CICC Xiao Yaping Guotai Junan Zhao Xinyu Debon Fund Jin Ye Harmony Huayi Wang Chengqiang Guolian Fund Wang Dong Hui Tianfu Fund Cui Weng CITIC Prudential Fund Yang Qiang BOCOM Schroder Fund Zhang Mingxiao Zheshang Securities Shi Chengwei Baoying Fund Liu Di and Xie Yanping	Introduction of the company's production and operation and future development strategy	For details, see August 2021 announced by Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) on August 24, 2021 24-Day Investor Relations Activity Record Form
September 29, 2021	Shanghai Office of the company	Field research	institution	Huachuang Securities Zhang Quan Guoshou Pension She Yu	Introduction of the company's production and operation and	For details, see September 2021 announced by Juchao Information Network

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					future development strategy	( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) on September 29, 2021 29th Investor Relations Activity Record Form
November 03, 2021	Shanghai Office of the company	Field research	institution	Rui County Assets Liu Li Galaxy Fund Yao Wenwei Tianfeng Securities Tang Jie Nantu Assets Ren Yi GF Securities Deng Xianhe Orient Securities Wanliyang Taiping Fund Xia Wengqi Changxin Fund Tang Huajing Agricultural Bank of China Huili Fund Wang Hao'fei	Introduction of the company's production and operation and future development strategy	For details, see November 2021 announced by Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) on November 3, 2021 3-day Investor Relations Activity Record Form
November 05, 2021	Shanghai Office of the company	Field research	institution	Guoyuan Securities Chu Jie BOC Securities Yu Changyan, Yao Sizhou Shenwan Hongyuan Hu Shuang Caitong Asset Management Feng Xueyun Fusheng Asset Management Hong Linxiang Zhejiang Merchants Fund Jia Teng, Jing Hui Huanan Fund Zhang Rui Guohua Life Ju Long	Introduction of the company's production and operation and future development strategy	For details, see November 2021 announced by Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) on November 5, 2021 5-day Investor Relations Activity Record Form

## Section 4 Corporate Governance

### First, the basic situation of corporate governance

In strict accordance with the requirements of relevant laws and regulations such as the Company Law, the Securities Law, the Code of Governance for Listed Companies, the Guidelines for the Standardized Operation of Listed Companies on the Shenzhen Stock Exchange, and the Rules for the Listing of Stocks on the Shenzhen Stock Exchange, the Company has continuously improved its corporate governance structure, established and improved the internal control system, and strived to improve the Company's standardized operation level. At present, the overall operation of the company is more standardized, independent and information disclosure, and the actual situation of corporate governance is basically in line with the normative documents on the governance of listed companies issued by the China Securities Regulatory Commission.

(1) Regarding shareholders and shareholders' meetings: The company strictly follows the provisions and requirements of the Rules for shareholders' meetings of listed companies, the articles of association of the company and the rules of procedure of shareholders' meetings, standardizes the procedures for convocation, convocation and voting of shareholders' meetings, treats all shareholders equally, and ensures that shareholders, especially small and medium-sized shareholders, can fully exercise their rights. The general meetings of shareholders held are convened by the board of directors of the company and witnessed by witnesses.

(2) About the company and the controlling shareholder: the company is independent of the controlling shareholder in terms of business, personnel, assets, finance and institutions, and the board of directors, the board of supervisors and other internal institutions of the company operate independently. The controlling shareholders of the company are able to strictly regulate their own behavior and do not directly or indirectly interfere in the company's decision-making and production and operation activities beyond the shareholders' general meeting.

(3) About directors and the board of directors: The company currently has seven directors, of which three are independent directors, accounting for more than one-third of all directors, who are experts in law, accounting and industry; the number of directors and the composition of the board of directors comply with the requirements of laws and regulations and the Articles of Association. The Board of Directors convenes the Board of Directors meetings and shareholders' meetings in strict accordance with the Articles of Association and the Rules of Procedure of the Board of Directors to implement the resolutions of the shareholders' meeting; all directors can perform their due duties and safeguard the legitimate rights and interests of the company and shareholders.

(4) About the supervisors and the board of supervisors: The company currently has three supervisors, including one employee supervisor, and the number and composition of the board of supervisors meet the requirements of laws and regulations and the Articles of Association. The Board of Supervisors convenes a meeting of the Board of Supervisors in strict accordance with the provisions of the Articles of Association of the Company and the Rules of Procedure of the Board of Supervisors; all supervisors conscientiously perform their duties, supervise the company's finances and the legality and compliance of directors and senior management personnel in performing their duties in good faith, diligence and responsibility, and safeguard the legitimate rights and interests of the company and shareholders.

(V) About the performance appraisal and incentive and constraint mechanism: In order to further establish and improve the company's incentive mechanism, enhance the concept of the company's sustainable development with the management and core backbone employees, orderly promote the implementation of the equity incentive plan, strengthen the benefit sharing and constraint mechanism between shareholders and core business personnel, maintain the stability of the management team and business backbone, ensure the realization of the company's development strategy and business objectives, and ensure the long-term and steady development of the company. The appointment of senior management personnel of the company is open and transparent, and complies with the provisions of laws and regulations.

(VI) About relevant stakeholders: The company fully respects and safeguards the legitimate rights and interests of relevant stakeholders, while doing a good job in stable growth, effectively treats and protects the legitimate rights and interests of stakeholders from all sides, continues to promote environmental protection and friendship, energy conservation and emission reduction, actively participates in social welfare and charity, and achieves a balance between the interests of shareholders, employees and society, so as to promote the sustainable, stable and healthy development of the company.

(VII) About information disclosure and transparency: The company strictly follows the provisions of relevant laws and regulations and the provisions of the "Information Disclosure Management System", strengthens the management of information disclosure affairs, fulfills the obligation of information disclosure, and designates "Securities Times", "Shanghai Securities News" and Juchao Information Network as the newspapers and websites for the company's information disclosure, disclose information truthfully, accurately, timely and completely, ensure that all investors obtain company information fairly, and strictly do a good job in the confidentiality of undisclosed information. There was no leakage of insider information before the announcement of major matters, ensuring the openness and fairness of the market. At the same time, an investor telephone and investor relations interactive platform are set up, and a special person is designated to be responsible for real-time communication with investors. In addition, the company also takes the initiative and timely maintains contact and communication with the regulatory authorities to report the relevant matters of the company, so as to accurately grasp the normative requirements of information disclosure and further improve the transparency and quality of information disclosure of the company.

Whether there are significant differences between the actual state of corporate governance and the laws, administrative regulations and regulations issued by the China Securities Regulatory Commission on the governance of listed companies

☐ Yes ☒ No

The actual state of corporate governance is not materially different from the laws, administrative regulations and regulations issued by the China Securities Regulatory Commission on the governance of listed companies.

## **Second, the company relative to the controlling shareholder, the actual controller in the guarantee of the company's assets, personnel, finance, institutions, business and other aspects of the independence**

The controlling shareholder of the Company is Ms. Mou Jinxiang, the actual controller of the Company, except for the Company's investment and holding of 3.5% of the equity of Beijing Hongshi Capital Management Co., Ltd. and 3.33% of the equity of Beijing Hongshi Equity Investment Management Center (Limited Partnership), and does not control or participate in other enterprises. The company is independent of the controlling shareholder in terms of business, personnel, assets, institutions, finance, etc., and the company has independent and complete business and independent operation capabilities.

(1) Business: The company's business is independent of the controlling shareholder, has an independent and complete procurement and sales system, conducts business independently, and does not rely on shareholders or any other related parties.

(2) Personnel: The company's labor, personnel and wages are completely independent. Senior management such as the president, senior vice president, secretary of the board of directors, and chief financial officer of the company all work and receive remuneration.

(3) Assets: The company has a business premises independent of the controlling shareholder, has an independent and complete asset structure, has assets such as operating equipment supporting facilities, land use rights, and housing ownership, and has an independent procurement and sales system.

(4) Institution: The company has established a sound organizational system, operates independently, and there is no subordinate relationship with the controlling shareholder or other functional departments.

(5) Finance: The company has an independent financial accounting department, established an independent accounting

system and financial management system, and independently makes financial decisions. The company opens a bank account independently and pays taxes independently.

### Third, the situation of competition in the same industry

☐ Applicable ☒ Not applicable

## 4. The relevant situation of the annual general meeting of shareholders and the extraordinary general meeting of shareholders held during the reporting period

### 1. The general meeting of shareholders in the reporting period

Sessions	The type of meeting	Investor participation ratio	Date of convocation	Date of Disclosure	Resolutions of the Conference
2020 Annual General Meeting of Shareholders	Annual General Meeting of Shareholders	38.03%	June 03, 2021	June 04, 2021	For details, please refer to the Company's "Announcement of resolutions of the 2020 Annual General Meeting of Shareholders" (Announcement No. 2021-036) published in Securities Times, Shanghai Securities News and Juchao Information Network ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ).
First Extraordinary General Meeting of Shareholders in 2021	Extraordinary General Meeting of Shareholders	37.75%	June 30, 2021	July 01, 2021	For details, please refer to the Company's "Announcement of resolutions of the first extraordinary general meeting of shareholders in 2021" (announcement no. 2021-043) published in Securities Times, Shanghai Securities News and Juchao Information Network ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ).
Second Extraordinary General Meeting of Shareholders in 2021	Extraordinary General Meeting of Shareholders	36.97%	December 16, 2021	December 17, 2021	For details, please refer to the "Announcement of resolutions of the Second Extraordinary General Meeting of Shareholders in 2021" (Announcement No. 2021-067)

					published by the Company in Securities Times, Shanghai Securities News and Juchao Information Network (www.cninfo.com.cn).
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## 2. Preferred shareholders whose voting rights have been restored request to convene an Extraordinary General Meeting of Shareholders

☐ Applicable ☒ Not applicable

## 5. Directors, supervisors and senior management

### 1. Basic situation

name	office	Incumbency status	gender	age	The date of commencement of the term of office	Date of termination of term	Number of shares held at the beginning of the period (shares)	Number of shares to be increased in the current period (shares)	Number of shares to be reduced in the current period (shares)	Other additions and subtractions (shares)	Number of shares held at the end of the period (shares)	Reasons for changes in shares
Wang ping	Chairman, President	incumbent	woman	45	August 12, 2010	September 24, 2022	0				0	
Peng Yinsheng	Vice Chairman	incumbent	man	57	August 12, 2010	September 24, 2022	3,886,270				3,886,270	
George Lane Poe	director	incumbent	man	63	August 12, 2016	September 24, 2022	0				0	
He Chun	Director, Senior Vice President	incumbent	man	59	June 29, 2020	September 24, 2022	0				0	
Jin Jianhai	Independent Director	incumbent	man	52	August 12, 2016	September 24, 2022	0				0	
Jiang	Independent	incumbent	woman	41	September	September	0				0	

Meng	Director	bent			er 25, 2019	er 24, 2022						
Yu Shouyun	Independent Director	incumbent	man	43	September 25, 2019	September 24, 2022	0				0	
Feng Yuhai	Chairman of the Supervisory Board	incumbent	man	50	March 09, 2020	September 24, 2022	0				0	
Yu Zhenying	Supervisor	incumbent	woman	44	June 28, 2017	September 24, 2022	0				0	
Yang Yuzhe	Supervisor	incumbent	woman	37	September 25, 2019	September 24, 2022	0				0	
Fan Xiaobin	Senior Vice President	incumbent	man	45	August 15, 2013	September 24, 2022	893,546				893,546	
Chen Feibiao	Senior Vice President, Secretary of the Board of Directors	incumbent	man	52	August 15, 2013	September 24, 2022	455,000				455,000	
Xue Yunxuan	Chief Financial Officer	incumbent	man	35	December 30, 2021	September 24, 2022	0				0	
Zhang Jianzhong	Senior Vice President	Leaving	man	48	March 16, 2018	December 29, 2021	0				0	
Xu Minghui	Chief Financial Officer	Leaving	man	50	October 24, 2016	December 29, 2021	250,000				250,000	
total	--	--	--	--	--	--	5,484,816	0	0	0	5,484,816	--

During the reporting period, there were no cases of directors and supervisors leaving office and senior management personnel being dismissed during the term of office

√ Yes □ No

name	Positions held	type	date	cause
Zhang Jianzhong	Senior Vice President	Firing	December 29, 2021	In order to concentrate on the development of the business of Taizhou Lianhua, a subsidiary of the company

Xu Minghui	Chief Financial Officer	Firing	December 29, 2021	In order to better focus on the governance and development strategy of the subsidiary Taizhou Lianhua
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Changes in directors, supervisors and senior management of the company

√ Applicable □ Not applicable

name	Positions held	type	date	cause
Zhang Jianzhong	Senior Vice President	Firing	December 29, 2021	In order to concentrate on the development of the business of Taizhou Lianhua, a subsidiary of the company
Xu Minghui	Chief Financial Officer	Firing	December 29, 2021	In order to better focus on the governance and development strategy of the subsidiary Taizhou Lianhua
Xue Yunxuan	Chief Financial Officer	Appointment	December 30, 2021	

## 2. Position

The company's current directors, supervisors, senior management professional background, main work experience and current main responsibilities in the company

### (1) Directors

Ms. Wang Ping, Chinese nationality, born in September 1976, master's degree. He served as the president of Lianhua Technology Co., Ltd. He is currently the chairman, president and secretary of the party committee of Lianhua Technology, the vice chairman of Zhejiang Zhongke Chuangyue Pharmaceutical Co., Ltd., and the representative of Taizhou Municipal People's Congress.

Mr. Peng Yinsheng, Chinese nationality, born in July 1964, master's degree, senior engineer. He has successively served as a technician of Shanghai Dyeing and Chemical Factory No. 7, a technician and workshop director of Zhejiang Lianhua Group Co., Ltd., a deputy director of the Production Management Department, an assistant general manager, a director of the Second Plant, and a senior vice president. He is currently the vice chairman of Lianhua Technology and the deputy secretary of the party committee.

Mr. George Lane Poe, a U.S. citizen, born in February 1958, bachelor's degree, graduated from the University of Alabama with a degree in civil engineering. From 1980 to 1986, he worked for Shell and from 1987 to 2015, he worked for DuPont De Nemours( Mobile Plant Engineer and Plant Technical Manager, Manati Plant Operations Manager, ElBasso Plant General Manager, EMEA (Emea, Middle East and Africa) Regional Operations Director, Global Operations and Supply Chain Director and Global Operations and Supply Chain Vice President, Since December 2015, he has served in Lianhua Technology Co., Ltd. and is currently a director of Lianhua Technology Co., Ltd.

Mr. He Chun, Chinese nationality, born in February 1962, master's degree. He has successively served as the head of Sumitomo Corporation's Fine Chemical Group, the first vice president of the chemical department of Sumitomo Corporation Shanghai Branch, the director of Asia Pacific Procurement of CHEMTURA in the United States, and the director and senior vice president of the sixth board of directors of Lianhua Technology. He is currently the director and senior vice president of Lianhua Technology.

Mr. Jin Jianhai, Chinese nationality, born in June 1969, master's degree, has obtained independent director qualification certificate. He has successively served as the project manager of Shanghai Qiushi Accounting Firm Co., Ltd., and the deputy chief accountant and chief accountant of Shanghai Shangsheng Accounting Firm Co., Ltd. He is currently the director of the Shanghai Pilot Free Trade Zone Branch of ZTE Cai Guanghua Certified Public Accountants and an independent director of Lianhua Technology Co., Ltd.

Ms. Jiang Meng, a Chinese national, born in January 1980, has obtained the qualification certificate of independent director. He has successively served as a full-time lawyer and partner in the project operation and engineering construction law department of Shandong Qindao Law Firm, and is currently a senior partner of Shandong Guoyao Qindao (Qingdao) Law Firm.

Mr. Yu Shouyun, a Chinese national, born in November 1978, Ph.D., has obtained the qualification certificate of independent director. He has served as an associate professor at the School of Chemistry and Chemical Engineering of Nanjing University, and is currently a professor at the School of Chemistry and Chemical Engineering of Nanjing University.

## (2) Supervisor

Feng Yuhai, Chinese nationality, born in November 1971, Ph.D., no right of abode outside China. He was the chief engineer of Shanghai Zijiang Spray Aluminum Packaging Material Co., Ltd., the workshop manager of BASF Applied Chemical Co., Ltd., the senior manager of BASF (China) Co., Ltd. EHS, and the chairman and vice president of the supervisory board of Lianhua Technology Co., Ltd.

Yu Zhenying, Chinese nationality, born in December 1977, bachelor's degree, no right of abode outside China. He once served as a member of the equipment section of Zhejiang Lianhua Group Corporation, and is currently a supervisor and a commissioner of the human resources department of Lianhua Technology Co., Ltd.

Ms. Yang Yuzhe, Chinese nationality, born in November 1986, bachelor's degree. He has successively served as the manager of the marketing and sales department of Shanghai Kangpeng Chemical Co., Ltd., the key account manager of the marketing and sales department of the plant protection division of Lianhua Technology Co., Ltd., and the director and supervisor of the marketing and sales department of the plant protection division of Lianhua Technology Co., Ltd.

## (3) Executives

Ms. Wang Ping, President of the Company, see resume above.

Mr. He Chun, Senior Vice President of the Company, see resume above.

Mr. Fan Xiaobin, Chinese nationality, 1976年3Month born, master's degree. He has successively served as the supervisor of Lianhua Technology, the deputy director of the R&D Center, the director of the R&D Department of Pesticides and Fine Chemicals, and the assistant to the president. He is currently the Senior Vice President of Lianhua Technology.

Mr. Chen Feibiao, Chinese nationality, born in October 1969, master degree, senior accountant, certified public accountant, certified appraiser. He has worked in Jiangsu Nantong Accounting Firm, Shanghai Wanlong Accounting Firm, Shanghai Lixin Certified Public Accountants, and successively served as the financial director of Jiangsu Rongsheng Heavy Industry Group Co., Ltd., the financial director of Tianpai Electronics (Shenzhen) Co., Ltd., the financial director of Shanghai Ziyao Food Co., Ltd., and the financial director of Lianhua Technology Co., Ltd. He is currently the senior vice president and secretary of the board of directors of Lianhua Technology.

Mr. Xue Yunxuan, Chinese nationality, born in October 1986, bachelor's degree. He has worked for Hewlett-Packard Co., Ltd. in China, Alstom Shanghai Co., Ltd., and from 2013 to 2016, he held financial analysis and control positions for Evonik Specialty Chemicals. In September 2016, he entered Lianhua Technology and successively served as the company's financial analysis manager and is currently the company's financial director.

Employment in shareholder units

☐ Applicable ☒ Not applicable

Representation in other units

☒ Applicable ☐ Not applicable

Name of the person incumbent	Other organization names	Positions held in other units	The date of commencement of the term of office	Date of termination of term	Whether there is a remuneration allowance in other units

Wang Ping	Shanghai Lianhua	Executive Director	April 18, 2011		not
Wang Ping	Zhejiang Zhongke Chuangyue Pharmaceutical Co., Ltd	Vice Chairman	October 23, 2018		not
Peng Yinsheng	Jiangsu Sovietization	director	April 28, 2017		not
Peng Yinsheng	Texas United	director	April 20, 2011		not
Peng Yinsheng	Shanghai Baofeng	Chairman	December 07, 2017		not
He Chun	Texas United	director	November 06, 2014		not
He Chun	Guntai Medicine	director	July 10, 2017		not
Jin Jianhai	ZTE Cai Guanghua Certified Public Accountants (Special General Partnership) Shanghai Pilot Free Trade Zone Branch	Director	April 01, 2017		be
Jiang Meng	Shandong Guoyao Qindao (Qingdao) Law Firm	Senior Partner	December 01, 2018		be
Yu Shouyun	School of Chemistry and Chemical Engineering, Nanjing University	professor	January 01, 2016		be
Feng Yuhai	Jiangsu Sovietization	Supervisor	March 09, 2020		not
Feng Yuhai	Shanghai Lianhua	Supervisor	March 09, 2020		not
Feng Yuhai	Texas United	Supervisor	March 09, 2020		not
Feng Yuhai	Import and export companies	Supervisor	March 09, 2020		not
Feng Yuhai	Tianyu Chemical	Supervisor	March 09, 2020		not
Feng Yuhai	Taizhou Lianhua	Executive Director	June 21, 2021		not
Feng Yuhai	Lianhua New Materials	Executive Director	March 09, 2021		not
Fan Xiaobin	Jiangsu Sovietization	director	May 09, 2011		not
Chen Feibiao	Guntai Medicine	director	September 07, 2012		not
Chen Feibiao	Jiangsu Sovietization	director	February 26, 2014		not
Chen Feibiao	Microfinance companies	Supervisor	March 15, 2016		not

The company's current and reporting period of the departing directors, supervisors and senior management in the past three years of securities regulatory penalties

☐ Applicable ☒ Not applicable

### 3. Remuneration of directors, supervisors and senior management

Decision-making procedures, basis for determining the remuneration of directors, supervisors and senior management, and actual

payment

The Remuneration and Appraisal Committee of the Board of Directors of the Company shall, in accordance with the relevant laws and regulations, the Articles of Association of the Company and the Working Rules of the Remuneration and Appraisal Committee of the Board of Directors of the Company review the annual report on the remuneration of directors and senior management without objection, and then submit it to the Board of Directors of the Company. The independent directors of the Company express their opinions.

According to the company's overall performance growth combined with the performance of the duties and performance appraisals of the directors, supervisors and senior personnel.

The allowance of independent directors shall be determined by the shareholders' general meeting to be 100,000 yuan per person per year.

Remuneration of directors, supervisors and senior management during the reporting period of the Company

Unit: 10,000 yuan

name	office	gender	age	Incumbency status	Total pre-tax remuneration received from the company	Whether to receive remuneration from related parties of the company
Wang ping	Chairman, President	woman	45	incumbent	205.75	not
Peng Yinsheng	Vice Chairman	man	57	incumbent	175.95	not
George Lane Poe	director	man	63	incumbent	390.62	not
He Chun	Director, Senior Vice President	man	59	incumbent	176.32	not
Jin Jianhai	Independent Director	man	52	incumbent	10	not
Jiang Meng	Independent Director	woman	41	incumbent	10	not
Yu Shouyun	Independent Director	man	43	incumbent	10	not
Feng Yuhai	Chairman of the Supervisory Board	man	50	incumbent	142.93	not
Yu Zhenying	Supervisor	woman	44	incumbent	28.33	not
Yang Yuzhe	Supervisor	woman	37	incumbent	62.85	not
Fan Xiaobin	Senior Vice President	man	45	incumbent	175.78	not
Chen Feibiao	Senior Vice President,	man	52	incumbent	143.25	not

	Secretary of the Board of Directors					
Xue Yunxuan	Chief Financial Officer	man	35	incumbent	82.93	not
Zhang Jianzhong	Senior Vice President	man	48	Leaving	174.39	not
Xu Minghui	Chief Financial Officer	man	50	Leaving	143.15	not
total	--	--	--	--	1,932.25	--

## 6. The performance of duties by directors during the reporting period

### 1. The situation of the board of directors in the reporting period

Sessions	Date of convocation	Date of Disclosure	Resolutions of the Conference
Twelfth meeting of the Seventh Board of Directors	February 25, 2021	February 26, 2021	For details, please refer to the "Announcement of the Resolution of the Twelfth Meeting of the Seventh Board of Directors" (Announcement No. 2021-006) published by the Company in Securities Times, Shanghai Securities News and Juchao Information Network ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ).
Thirteenth meeting of the Seventh Board of Directors	April 21, 2021	April 23, 2021	For details, please refer to the "Announcement of the Resolution of the 13th Meeting of the Seventh Board of Directors" (Announcement No. 2021-016) published in Securities Times, Shanghai Securities News and Juchao Information Network ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ).
Fourteenth meeting of the Seventh Board of Directors	April 27, 2021	April 28, 2021	For details, please refer to the "Announcement of the Resolution of the 14th Meeting of the Seventh Board of Directors" (Announcement No. 2021-027) published by the Company in Securities Times, Shanghai Securities News and Juchao Information Network ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ).
Fifteenth meeting of the Seventh Board of Directors	May 24, 2021	May 25, 2021	For details, please refer to the "Announcement of the Resolution of the 15th Meeting of the Seventh Board of Directors" (Announcement No. 2021-033) published in Securities Times, Shanghai Securities News and Juchao Information

			Network ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ).
Sixteenth meeting of the Seventh Board of Directors	June 11, 2021	June 15, 2021	For details, please refer to the "Announcement of the Resolution of the 16th Meeting of the Seventh Board of Directors" (Announcement No. 2021-038) published in Securities Times, Shanghai Securities News and Juchao Information Network ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ).
Seventeenth meeting of the Seventh Board of Directors	August 20, 2021	August 21, 2021	For details, please refer to the "Announcement of the Resolution of the 17th Meeting of the Seventh Board of Directors" (Announcement No. 2021-049) published in Securities Times, Shanghai Securities News and Juchao Information Network ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ).
Eighteenth meeting of the Seventh Board of Directors	October 27, 2021	October 28, 2021	For details, please refer to the "Announcement of the Resolution of the Eighteenth Meeting of the Seventh Board of Directors" (Announcement No. 2021-055) published by the Company in Securities Times, Shanghai Securities News and Juchao Information Network ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ).
Nineteenth meeting of the Seventh Board of Directors	November 30, 2021	December 01, 2021	For details, please refer to the "Announcement of the Resolution of the 19th Meeting of the Seventh Board of Directors" (Announcement No. 2021-062) published in Securities Times, Shanghai Securities News and Juchao Information Network ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ).
Twentieth meeting of the Seventh Board of Directors	December 17, 2021	December 18, 2021	For details, please refer to the "Announcement of the Resolution of the 20th Meeting of the Seventh Board of Directors" (Announcement No. 2021-068) published by the Company in Securities Times, Shanghai Securities News and Juchao Information Network ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ).
Twenty-first meeting of the Seventh Board of Directors	December 30, 2021	December 31, 2021	For details, please refer to the "Announcement of the Resolution of the 21st Meeting of the Seventh Board of Directors" (Announcement No. 2021-071) published by the Company in Securities Times, Shanghai Securities News and Juchao Information Network ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ).

## 2. Directors' attendance at the board of directors and shareholders' meetings

Directors' attendance at the Board of Directors and General Meetings of Shareholders							
Names of directors	Number of attendances on the Board during the reporting period	Number of on-site attendance at the Board of Directors	Number of times you have participated in the Board of Directors by means of communication	Number of delegated attendances to the Board of Directors	Number of absences from the Board of Directors	Whether you have not personally attended board meetings for two consecutive times	Attendance at general meetings
Wang ping	10	10	0	0	0	not	3
Peng Yinsheng	10	10	0	0	0	not	3
George Lane Poe	10	10	0	0	0	not	3
He Chun	10	10	0	0	0	not	3
Jin Jianhai	10	1	9	0	0	not	2
Jiang Meng	10	1	9	0	0	not	2
Yu Shouyun	10	1	9	0	0	not	3

Two consecutive failures to attend the Board of Directors in person

## 3. When a director raises objections to matters related to the company

Whether the directors have objections to matters related to the company

☐ Yes ☒ No

During the reporting period, the Directors did not object to the Company's related matters.

## 4. Other instructions for directors to perform their duties

Whether the directors' recommendations on the company have been adopted

☒ Yes ☐ No

A description of whether a director's recommendations on the company have been adopted or not adopted

During the reporting period, the company's non-independent directors and independent directors carried out their work in strict accordance with the Company Law, the Securities Law, the Code of Governance for Listed Companies, the Guidelines for the Standardized Operation of Listed Companies on the Shenzhen Stock Exchange and the Articles of Association of the Company, etc., diligently and conscientiously, and put forward relevant opinions on the company's major governance and business decisions according to the actual situation of the company, and after full communication and discussion, formed a consensus, and resolutely supervised and promoted the implementation of the resolutions of the board of directors to ensure that decision-making was scientific, timely and efficient. Safeguard the legitimate rights and interests of the company and all shareholders.

## 7. The situation of the special committees established by the board of directors during the reporting period

Name of the Committee	Membership	Number of meetings held	Date of convocation	Meeting content	Important observations and recommendations made	Other performance of duties	Specific circumstances of the objection (if any)
Audit Committee of the Board of Directors	Peng Yirsheng, Yu Shouyun, Jin Jianhai	4	April 20, 2021	Review the Company's 2020 Annual Financial Report and Audit Report, review the 2020 Internal Control Evaluation Report, and consider the Proposal on the Renewal of an Accounting Firm	The Audit Committee carried out its work in strict accordance with the Company Law, the regulatory rules of the China Securities Regulatory Commission, the Articles of Association of the Company and the Rules of Procedure of the Board of Directors, worked diligently and conscientiously, put forward relevant opinions according to the actual situation of the company, and unanimously passed all proposals after full communication and discussion		
			April 25, 2021	Review the audit and supervision department's report on the progress of internal audit work; review the first draft of the company's "First Quarter Report 2021"	The Audit Committee carried out its work in strict accordance with the Company Law, the regulatory rules of the China Securities Regulatory Commission, the Articles of Association of the Company and the Rules of Procedure of the Board of Directors, worked diligently and conscientiously,		

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				put forward relevant opinions according to the actual situation of the company, and unanimously passed all proposals after full communication and discussion		
			August 18, 2021	Review the audit and supervision department's report on the progress of internal audit work and review the first draft of the company's 2021 semi-annual report	The Audit Committee carried out its work in strict accordance with the Company Law, the regulatory rules of the China Securities Regulatory Commission, the Articles of Association of the Company and the Rules of Procedure of the Board of Directors, worked diligently and conscientiously, put forward relevant opinions according to the actual situation of the company, and unanimously passed all proposals after full communication and discussion	
		October 25, 2021	Review the audit and supervision department's report on the progress of internal audit work and review the first draft of the company's "Third Quarter Report 2021"	The Audit Committee carried out its work in strict accordance with the Company Law, the regulatory rules of the China Securities Regulatory Commission, the Articles of Association of the Company and the Rules of Procedure of the Board of Directors, worked diligently and conscientiously, put forward relevant opinions according to the actual situation of the company, and unanimously passed all proposals		

					after full communication and discussion		
Remuneration and Appraisal Committee of the Board of Directors	Yu Shouyun, Jin Jianhai, Wang Ping	1 April 21, 2021	Deliberated the "Proposal on the Remuneration Plan of directors, supervisors and senior management of the Company in 2020"	The Remuneration and Appraisal Committee carries out its work in strict accordance with the Company Law, the regulatory rules of the China Securities Regulatory Commission, the Articles of Association of the Company and the Rules of Procedure of the Board of Directors, is diligent and conscientious, and puts forward relevant opinions according to the actual situation of the company, and after full communication and discussion, all proposals are unanimously passed			
Nomination Committee of the Board of Directors	Jiang Meng, Jin Jianhai, Wang Ping	1 December 30, 2021	Consideration of the Proposal for change of Chief Financial Officer	The Nomination Committee carried out its work in strict accordance with the Company Law, the regulatory rules of the China Securities Regulatory Commission, the Articles of Association of the Company and the Rules of Procedure of the Board of Directors, worked diligently and conscientiously, put forward relevant opinions according to the actual situation of the company, and unanimously passed all proposals after full communication and discussion			
Strategy Committee of the	Ping Wang, Yinsheng Peng,	1 December 20, 2021	Review and summarize	The Strategy Committee carried out its			

Board of Directors	George Lane Poe, Chun He			the implementation of the company's strategy, conduct strategic planning research in a timely manner according to the industry and market situation in which the company is located, and put forward reasonable suggestions for the implementation of the development strategy according to the actual situation of the company	work in strict accordance with the Company Law, the regulatory rules of the China Securities Regulatory Commission, the Articles of Association of the Company and the Rules of Procedure of the Board of Directors, diligently and conscientiously, put forward relevant opinions according to the actual situation of the company, and unanimously passed all proposals after full communication and discussion		
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## 8. The work of the board of supervisors

The Supervisory Board identified the existence of risks in the Company during its supervisory activities during the reporting period

☐ Yes ☒ No

The Supervisory Board has no objection to the supervision matters during the reporting period.

## Nine, the company's employees

### 1. Number of employees, professional composition and education level

Number of employees of the parent company at the end of the reporting period (persons)	1,223
Number of active employees at major subsidiaries at the end of the reporting period (persons)	5,211
Total number of employees in service at the end of the reporting period (persons)	6,434
Total number of salaried employees in the current period (persons)	6,832
Number of retired employees (persons) to be covered by the parent company and major subsidiaries	0
Professional composition	
Professional composition category	Number of professional constituents (persons)
Production personnel	4,137
Salespeople	67
Technical personnel	1,535
Finance personnel	46
Administrative staff	649
total	6,434
Educational attainment	
Educational attainment categories	Quantity (Person)
doctor	47
Master	206
undergraduate	1,302
college	1,388
High school and below	3,491
total	6,434

## 2. Remuneration policy

Fairness is the basis of the design of the compensation management system, and the company always adheres to the principle of compensation fairness including internal fairness, external fairness and personal fairness.

Internal fairness: The company sets up a suitable compensation plan according to the work content, nature of the work and skill level of each position.

External fairness: The company conducts market research every year, and formulates a salary system suitable for the development of the company according to the results of market research and combined with the company's operation. The first is to make the post salary of their own enterprises attractive in the industry competition to obtain excellent talents, and the second is to retain the company's outstanding talents and stabilize the construction of the company's talent team.

Personal fairness: The company formulates performance appraisal, sets floating performance bonuses, and sets the salary level of employees according to their work performance, ability and contribution. At the same time, the company adheres to the principle of incentive in the salary management system. Such as year-end performance appraisal, T0-T5 project incentives, OE continuous improvement rewards, etc.

## 3. Training plan

Lianhua Technology pays attention to the career development of employees, encourages employees to formulate personal career development plans under the guidance and help of the company, and establishes corresponding career development channels for different professionals. Summarize the internal laws of the growth of all kinds of employees, clarify the development direction of all kinds of professionals, and let all kinds of professionals see their own prospects.

Select senior management to study MBA programs. Conducted a series of leadership training courses for middle-level cadres. According to the company's international development of talent needs, select suitable personnel to participate in overseas rotation training. The company has established a professional talent training system, including new college students induction training, social recruitment of new employees communication meeting, reserve supervisor training, high potential training, new manager training, high potential training, etc. Through classroom training and job practice, the combination of training and combat, improve the professional skills and management capabilities of employees, and build an echelon talent pool.

Build a team of internal trainers in the company, and improve the ability of internal trainers through micro-lesson competitions, TTT training and other activities every year. Build an online learning platform, integrate the company's internal training resources, and provide more flexible and targeted learning support for employees at all levels. Encourage employees to share gains and experiences, through transfer training, micro-courses and other forms, precipitate knowledge, create a learning atmosphere, and build a learning organization.

In 2021, a total of 5696 internal offline training sessions were held, with a total of 6014 hours of offline training and 140246 offline training; 284 courses were learned online, with a total of 61982 online learning hours. The number of students is 1975. Internal and external training and consulting expenses of nearly 4.52 million yuan.

## 4. Labor outsourcing

□ Applicable √ Not applicable

## 10. The company's profit distribution and the conversion of capital reserve funds into equity

The formulation, implementation or adjustment of the profit distribution policy, especially the cash dividend policy, during the reporting period

√ Applicable ☐ Not applicable

During the reporting period, the company implemented a continuous and stable profit distribution policy, the formulation and implementation of the dividend policy conformed to the provisions of the company's articles of association and the requirements of the resolutions of the shareholders' general meeting, the dividend standards and proportions were clear and clear, the relevant decision-making procedures and mechanisms were complete, the independent directors were dutiful and gave full play to their role, the company's profit distribution plans were submitted to the shareholders' general meeting for consideration, the minority shareholders had the opportunity to fully express their opinions and demands, and their legitimate rights and interests were fully protected.

Special note on the cash dividend policy	
Whether it meets the requirements of the articles of association of the company or the resolution of the general meeting of shareholders:	be
Whether the dividend standards and proportions are clear and clear:	be
Whether the relevant decision-making procedures and mechanisms are complete:	be
Whether the independent directors have performed their duties and played their due role:	be
Whether minority shareholders have the opportunity to fully express their opinions and demands, and whether their legitimate rights and interests have been fully protected:	be
If the cash dividend policy is adjusted or changed, whether the conditions and procedures are compliant and transparent:	Compliant and transparent

The company is profitable during the reporting period and the parent company's profits available to shareholders are positive, but no cash dividend distribution plan has been proposed

☐ Applicable √ Not applicable

Profit distribution and conversion of capital reserve funds into equity capital during the reporting period

√ Applicable ☐ Not applicable

Bonus shares (shares) for every 10 shares	0
Dividends per 10 shares (RMB) (including tax).	0.50
Share capital base (shares) of the distribution plan	923,246,256
Cash dividend amount (RMB) (tax included)	46,162,312.80
Amount of cash dividends in other ways (e.g. share repurchases) (RMB)	0.00
Total cash dividends (including other means) (RMB)	46,162,312.80
Distributable Profit (RMB)	2,077,465,653.34

The proportion of total cash dividends (including other means) to the total profit distribution	100%
<b>The cash dividend</b>	
If the company's development stage is not easy to distinguish but there are major capital expenditure arrangements, when distributing profits, the proportion of cash dividends in this profit distribution should reach a minimum of 20%.	
<b>Detailed description of the profit distribution or capital reserve fund conversion plan</b>	
Based on the total share capital of the company on the record date of the future implementation of the distribution plan, a cash dividend of 0.50 yuan (including tax) will be distributed to all shareholders for every 10 shares, and 0 bonus shares will be sent, and the capital reserve fund will not be converted into share capital. The allocation plan is subject to the approval of the 2021 Annual General Meeting of Shareholders and the Board of Directors is responsible for implementation within two months.	

## 11. The implementation of the company's equity incentive plan, employee stock ownership plan or other employee incentive measures

☒ Applicable ☐ Not applicable

### 1. Equity incentives

not applicable

Equity incentives received by directors and senior management of the company

☐ Applicable ☒ Not applicable

Appraisal mechanism and incentives for senior managers

not applicable

### 2. The implementation of the employee stock ownership plan

☐ Applicable ☒ Not applicable

### 3. Other employee incentive measures

☒ Applicable ☐ Not applicable

The Company increased its capital in Taizhou Lianhua, a subsidiary of the Company's pharmaceutical sector, through diversified employee shareholding. For details, please refer to the Company's Announcement on the Implementation of Diversified Employee Shareholding and Related Party Transactions by Wholly-Owned Subsidiaries (Announcement No. 1) published in Securities Times, Shanghai Securities News and Juchao Information Network (www.cninfo.com.cn) on December 1, 2021 (2021-065) .

## 12. The construction and implementation of the internal control system during the reporting period

### 1. Internal control construction and implementation

The board of directors of the company authorizes the audit and supervision department to be responsible for the specific organization and implementation of the internal control evaluation, and evaluates the high-risk areas and units included in the scope of the evaluation. In the evaluation process, appropriate methods such as individual interviews, thematic discussions, walk-through tests, sampling and comparative analysis were used to extensively collect evidence of whether the company's internal control design and operation were effective, truthfully fill in the evaluation working papers, analyze and identify internal control defects, find deficiencies, and implement rectification. At the end of 2021, the internal control norms covering joint-stock companies and 15 subsidiaries under them will be basically established, and the Audit and Supervision Department will continue to conduct daily supervision and special inspections of various departments and companies in accordance with the norms. At the same time, the Audit and Supervision Department regularly sorts out and improves the company's internal control system according to the audit results, the Basic Specifications for Enterprise Internal Control and relevant laws and regulations, and maintains the effectiveness of the internal control system.

With the joint efforts of the board of directors, the board of supervisors, the management and all employees, the company has established a relatively complete and effective internal control system with reference to the "Basic Specifications for Enterprise Internal Control" and other relevant provisions jointly issued by the Ministry of Finance and other five ministries and commissions, and has established a systematic internal control system and the necessary internal supervision mechanism from the corporate governance level to the business process level, so as to provide the company's legal compliance, asset security, financial reporting and related information for the authenticity and integrity of the company's operation and management, and improve the operational efficiency and effectiveness. Promoting the realization of enterprise development strategies provides a reasonable guarantee.

### 2. The specific circumstances of major deficiencies in internal control discovered during the reporting period

☐ Yes √ No

## 13. The company's management control over subsidiaries during the reporting period

Company name	Consolidation plan	Integration progress	Problems encountered in consolidation	Resolutions taken	Progress in resolution	Follow-up resolution plan
not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable

## 14. Internal control self-evaluation report or internal control audit report

### 1. Internal control self-evaluation report

The date of disclosure of the full text of the internal control evaluation report	April 22, 2022	
Internal Control Evaluation Report Full Text Disclosure Index	For details, please refer to the Company's "2021 Internal Control Evaluation Report" published on the <a href="http://www.cninfo.com.cn">Www.cninfo.com.cn</a> on April 22, 2022	
The proportion of the total assets of the units included in the evaluation scope to the total assets of the company's consolidated financial statements	99.96%	
The operating income of the unit included in the scope of evaluation as a proportion of the operating income of the company's consolidated financial statements	100.00%	
Defect Identification Criteria		
category	Financial reporting	Non-financial reporting
Qualitative criteria	Indications of significant deficiencies in the financial reporting internal controls include: (1) The control environment is invalid (2) The fraudulent acts of the company's directors, supervisors and senior management personnel and cause important losses and adverse effects to the enterprise (3) Material misstatements in the current financial reports found by external audits but not identified by the Company's internal controls (4) The internal control supervision of the board of directors or its authorized institutions and the audit and supervision department of the company is invalid	Indications of material deficiencies in internal controls over non-financial reporting include: (1) The decision-making process leads to major errors (2) Important operations lack institutional control or systematic failure, and lack of effective compensatory control (3) The loss of middle and senior management personnel and senior technical personnel is serious (4) The results of internal control evaluations, especially major or important deficiencies, have not been rectified

	<p>Indications of significant deficiencies in internal controls in financial reporting include:</p> <p>(1) Failure to select and apply accounting policies in accordance with GAAP</p> <p>(2) No anti-fraud procedures and control measures have been established</p> <p>(3) For the accounting treatment of unconventional or special transactions, there is no corresponding control mechanism or is not implemented and there is no corresponding compensatory control</p> <p>(4) There are one or more deficiencies in the control of the financial reporting process at the end of the period and there is no reasonable guarantee that the prepared financial statements will meet the true and accurate objectives</p> <p>General deficiencies in internal control over financial reporting include:</p> <p>Other internal control deficiencies that do not constitute material defects, material defect criteria</p>	<p>(5) Violation of national laws and regulations and penalties</p> <p>(6) Other situations that have a material negative impact on the company</p> <p>Indications of significant deficiencies in internal controls over non-financial reporting include:</p> <p>(1) The decision-making process leads to general errors</p> <p>(2) There are defects in important business systems or systems</p> <p>(3) The loss of business personnel in key positions is serious</p> <p>(4) The results of internal control evaluations, especially important or general deficiencies, have not been rectified</p> <p>(5) Other situations that have a relatively negative impact on the company</p> <p>Indications of general deficiencies in internal controls over non-financial reporting include:</p> <p>Other internal control deficiencies that do not constitute material defects, material defect criteria</p>
Quantitative criteria	<p>(1) If the internal control of financial reporting meets one of the following conditions, it may be identified as a major defect:</p> <p>Project defect impact</p> <p>Potential misstatement of total profit: 5% of total <math>\geq</math> profit</p>	<p>Type of deficiency Direct property loss amount</p> <p>Major defects The amount of loss <math>\geq</math> RMB 10 million</p> <p>Important defects RMB5 millions<math>\leq</math> loss amount &lt; RMB 10 million</p> <p>General defects The amount of loss &lt; RMB 5 million</p>

	<p>Potential misstatement of total assets: Misstatement <math>\geq 1\%</math> of total assets</p> <p>Potential misstatement of operating income: 1% of total operating income <math>\geq</math> misstatement</p> <p>(2) If the internal control of financial reporting meets one of the following conditions, it may be identified as an important defect: Project defect impact</p> <p>Potential misstatement of total profit: 3% of total profit <math>\leq</math> misstatement <math>&lt; 5\%</math> of total profit</p> <p>Potential misstatement of total assets: 0.5% of total assets <math>\leq</math> misstatement of <math>&lt; 1\%</math> of total assets</p> <p>Potential misstatement of operating income: 0.5% of total operating income <math>\leq</math> misstatement <math>&lt; 1\%</math> of total operating income</p> <p>(3) If the internal control of financial reporting meets one of the following conditions, it may be identified as a general defect: Project defect impact</p> <p>Potential misstatement of total profit: Misstatement <math>&lt; 3\%</math> of total profit</p> <p>Potential misstatement of total assets: Misstatement <math>&lt; 0.5\%</math> of total assets</p> <p>Potential misstatement of operating income: 0.5% of total operating income <math>&lt;</math> misstatement</p>	
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Number of material deficiencies in financial reporting (unit)	0
Number of material defects in non-financial reporting (unit)	0
Number of material deficiencies in financial reporting (units)	0
Number of material deficiencies in non-financial reporting (unit)	0

## 2. Internal control audit report

☐ Applicable ☒ Not applicable

## 15. Self-examination and rectification of problems in the special action of listed companies

not applicable

## Section 5: Environmental and Social Responsibility

### First, major environmental protection issues

Whether the listed company and its subsidiaries belong to the key pollutant discharge units announced by the environmental protection department

√ Yes □ No

Name of the company or subsidiary	The names of the main pollutants and characteristic pollutants	Emission methods	Number of discharge ports	Distribution of discharge outlets	Emission concentration	Pollutant emission standards enforced	Total emissions	Total approved emissions	Excessive emissions
Lianhua Technology Co., Ltd	COD, ammonia nitrogen	Tube	1	Factory south	COD: 319.12mg/L; Ammonia nitrogen: 2.717 mg/L	COD: 500mg/L; Ammonia nitrogen: 35 mg/L	COD: 63.9389 tons; Ammonia nitrogen: 0.839 tons	COD: 81.6 tons/year; Ammonia nitrogen: 5.75 tons/year	No exceeding the standard
Lianhua Technology Co., Ltd	Hydrogen chloride, non-methane total hydrocarbons	High-altitude emissions after thermal incineration	1	Factory north	VOC: 27.45mg/ m <sup>3</sup> ; Hydrogen chloride: 7.05 mg / m <sup>3</sup>	VOC: 80mg/ m <sup>3</sup> ; Hydrogen chloride: 10 mg / m <sup>3</sup>	VOC: 5.276 tons	VOC: 17.86 tons/year	No exceeding the standard
Lianhua Technology (Taizhou) Co., Ltd	Wastewater COD, ammonia nitrogen	Tube	1	Factory north	COD: 246.69mg/L; Ammonia nitrogen: 1.48 mg/L	COD: 500.00mg/L; Ammonia nitrogen: 35.00 mg/L	COD: 46.53 tons; Ammonia nitrogen: 6.98 tons	COD: 61.41 tons/year; Ammonia nitrogen: 9.21 tons / year	No exceeding the

									standard
Lianhua Technology (Taizhou) Co., Ltd	Non-methane total hydrocarbons, hydrogen chloride	High-altitude emissions after thermal incineration	1	Factory north	Total non-methane hydrocarbons: 24.424 mg/m <sup>3</sup> ; Hydrogen chloride: 2.775 mg/m <sup>3</sup>	Non-methane total hydrocarbons: 60.00 mg/m <sup>3</sup> ; Hydrogen chloride: 10 mg/m <sup>3</sup>	VOCs: 8.823 tons	VOCs: 198.82 tons/year	No exceeding the standard
Lianhua Technology (Taizhou) Co., Ltd	Sulfur dioxide, nitrogen oxides, soot	Discharge from high altitude after incineration	1	Factory north	Sulfur dioxide: 1 mg/m <sup>3</sup> ; NOx: 124.92 mg/m <sup>3</sup> ; Soot: 1.63 mg/m <sup>3</sup>	Sulfur dioxide: 200.00 mg/m <sup>3</sup> ; NOx: 250 mg/m <sup>3</sup> ; Soot: 30.00 mg/m <sup>3</sup>	Sulfur dioxide: 1.445 tons, nitrogen oxides: 12.25 tons, soot: 1.12 tons	Sulfur dioxide: 10.67 tons/year, nitrogen oxides: 53.33 tons/year, soot: 8 tons/year	No exceeding the standard
Jiangsu Lianhua Technology Co., Ltd. A factory	COD, ammonia nitrogen, total phosphorus, total nitrogen	Tube	1	Wastewater station main discharge	COD: 256.8mg/L; Ammonia nitrogen: 2.12 mg/L; Total phosphorus: 0.26 mg/L; Total nitrogen: 3.58 mg/L	COD: 350.00mg/L; Ammonia nitrogen: 30.00 mg/L; Total phosphorus: 3.00 mg/L; Total nitrogen: 45.00 mg/L	COD: 49.66 tons; Ammonia nitrogen: 0.41 tons; Total phosphorus: 0.05 tons; Total nitrogen: 0.69 tons	COD: 53.0997 tons/year; Ammonia nitrogen: 0.5284 tons/year; Total phosphorus: 0.0656 tons/year; Total nitrogen: 0.856 tons/year	No exceeding the standard
Jiangsu Lianhua Technology Co., Ltd. A factory	Volatile organic compounds, particulate matter, sulfur dioxide, nitrogen oxides	Emissions from high altitudes	2	Incinerator exhaust gas 1#, 2# discharge port	Volatile organic compounds: 35.03 mg/m <sup>3</sup> ; particulate matter: 0.86 mg/m <sup>3</sup> ; Sulfur dioxide: 2.6 mg/m <sup>3</sup> ; NOx: 7.39 mg/m <sup>3</sup> ;	Volatile organic compounds: 80 mg/m <sup>3</sup> ; Particulate matter: 80.00 mg/m <sup>3</sup> ; Sulfur dioxide: 300 mg/m <sup>3</sup> ; NOx: 500 mg/m <sup>3</sup> ;	Volatile organic compounds: 12.61 tons; Particulate matter: 2.91 tons; Sulfur dioxide: 9.1 tons;	Volatile organic compounds: 35.8083 tons; Particulate matter: 9.403 tons/year; sulfur dioxide: 17.469 tons/year; nitrogen oxides: 52.2252 tons/year;	No exceeding the standard

Jiangsu Lianhua Technology Co., Ltd. E factory	COD, ammonia nitrogen, total phosphorus, total nitrogen	Tube	1	Wastewater station main discharge	COD: 123.7mg/L; Ammonia nitrogen: 1.29 mg/L; Total phosphorus: 0.19 mg/L; Total nitrogen: 2.13 mg/L	COD: 350.00mg/L; Ammonia nitrogen: 30.00 mg/L; Total phosphorus: 3.00 mg/L; Total nitrogen: 45.00 mg/L	COD: 9.06 tons; Ammonia nitrogen: 0.094 tons; Total phosphorus: 0.014 tons; Total nitrogen: 0.16 tons	COD: 10.3 tons/year; Ammonia nitrogen: 0.118 tons/year; Total phosphorus: 0.0213 tons/year; Total nitrogen: 0.172 tons/year	No exceeding the standard			
	Volatile organic compounds, particulate matter, sulfur dioxide, nitrogen oxides	Emissions from high altitudes	1	Incinerator exhaust outlet	Volatile organic compounds: 10.4 mg/m <sup>3</sup> , particulate matter: 0.26 mg/m <sup>3</sup> , Sulfur dioxide: 2.94 mg/m <sup>3</sup> , Nitrogen oxides: 0.19 mg/m <sup>3</sup>	Volatile organic compounds: 80 mg/m <sup>3</sup> , Particulate matter: 80.00 mg/m <sup>3</sup> , Sulfur dioxide: 200.00 mg/m <sup>3</sup> , Nitrogen oxides: 500.00 mg/m <sup>3</sup>	Volatile organic compounds: 0.75 tons; Particulate matter: 0.24 tons; Sulfur dioxide: 0.99 tons; Nitrogen oxides: 0.38 tons	Volatile organic compounds: 5.8912 tons; Particulate matter: 0.58 tons/year; Sulfur dioxide: 3.2 tons/year; Nitrogen oxides: 1.3 tons/year	No exceeding the standard			
Lianhua Technology (Texas) Co., Ltd	COD, ammonia nitrogen	Tube	1	Wastewater station main discharge	COD: 135mg/L; Ammonia nitrogen: 2.94 mg/L	COD: 450mg/L; Ammonia nitrogen: 35 mg/L	COD: 21.9 tons; Ammonia nitrogen: 0.40 tons	COD: 150 tons/year; Ammonia nitrogen: 13.5 tons/year	No exceeding the standard			
Lianhua Technology (Texas) Co., Ltd	Nitrogen oxides	Emissions from high altitudes	1	2# natural gas boiler	Nitrogen oxides: 31.1 mg/m <sup>3</sup>	Nitrogen oxides: 100 mg/m <sup>3</sup>	Nitrogen oxides: 4.64 tons	Nitrogen oxides: 69.72 tons / year	No exceeding the standard			

Lianhua Technology (Texas) Co., Ltd	Soot, sulfur dioxide, nitrogen oxides	Emissions from high altitudes	1	1# Incinerator	Soot: 14.8mg/m <sup>3</sup> , Sulfur dioxide: 27.7 mg/m <sup>3</sup> , Nitrogen oxides: 58.1 mg/m <sup>3</sup>	Soot: 20mg/m <sup>3</sup> , Sulfur dioxide: 100 mg/m <sup>3</sup> , Nitrogen oxides: 200 mg/m <sup>3</sup>	Soot: 1.44 tons; Sulfur dioxide: 2.10 tons; Nitrogen oxides: 4.60 tons	Soot: 6.228 tons/year; Sulfur dioxide: 31.14 tons/year; nitrogen oxides: 69.72 tons/year	No exceeding the standard
Lianhua Technology (Texas) Co., Ltd	Non-methane total hydrocarbons	Emissions from high altitudes	1	The total discharge port of the Lianhua incinerator	Total non-methane hydrocarbons: 0.445 mg/m <sup>3</sup>	Total non-methane hydrocarbons: 60 mg/m <sup>3</sup>	Total non-methane hydrocarbons: 0.171 tonnes	Total non-methane hydrocarbons: 168.6825 tons/year	No exceeding the standard
Lianhua Technology (Texas) Co., Ltd	Sulfur dioxide, nitrogen oxides	Emissions from high altitudes	1	3# TO furnace	Sulfur dioxide: 5.87 mg/m <sup>3</sup> ; Nitrogen oxides: 12.9 mg/m <sup>3</sup>	Sulfur dioxide: 50 mg/m <sup>3</sup> ; Nitrogen oxides: 100 mg/m <sup>3</sup>	Sulfur dioxide: 1.04 tons; Nitrogen oxides: 2.68 tons	Sulfur dioxide: 31.14 tons/year; nitrogen oxides: 69.72 tons/year	No exceeding the standard
Lianhua Technology (Texas) Co., Ltd	Non-methane total hydrocarbons	Emissions from high altitudes	1	To furnace total discharge port	Total non-methane hydrocarbons: 1.25 mg/m <sup>3</sup>	Total non-methane hydrocarbons: 60 mg/m <sup>3</sup>	Total non-methane hydrocarbons: 0.095 tonnes	Total non-methane hydrocarbons: 168.6825 tons/year	No exceeding the standard
Liaoning Tianyu Chemical Co., Ltd	Wastewater: COD, ammonia nitrogen, fluoride ions	Tube	1	The southeast corner of the factory area	COD: 217.8mg/L; Ammonia nitrogen: 6.3 mg/L;	COD: 500mg/L; Ammonia nitrogen: 30 mg/L;	COD: 13.34 tons; Ammonia nitrogen: 0.39 tons;	COD: 40.22 tons/year; Ammonia nitrogen: 2.42 tons /year	No exceeding the standard
Liaoning Tianyu Chemical Co., Ltd	Exhaust gases: (VOCs) volatile organic	Emissions from high altitudes	4	1# discharge port; 2#	VOCs: 29.02mg/m <sup>3</sup>	VOCs: 120mg/m <sup>3</sup>	VOCs: 2.09 tons	VOCs: 2.90 tons	No exceeding the

	compounds			discharge port, 3# discharge port, 4# discharge port					standard
Hubei Juntai Pharmaceutical Chemical Co., Ltd	Wastewater: COD, ammonia nitrogen	Tube 1	The total discharge of wastewater in the factory area	COD: 470mg/L; Ammonia nitrogen: 320 mg/L;	COD: 1000mg/L; Ammonia nitrogen: 1000 mg/L;	COD: 2.01 tons; Ammonia nitrogen: 0.23 tons	COD: 6.02 tons/year; Ammonia nitrogen: 0.52 tons /year	No exceeding the standard	
Hubei Juntai Pharmaceutical Chemical Co., Ltd	Exhaust gas: soot, sulfur dioxide, nitrogen oxides	Emissions from high altitudes 2	1# discharge port, 2# discharge port (northeast corner of the plant area).	Soot: 11.8mg/m <sup>3</sup> ; Sulfur dioxide: 0.01 mg/ m <sup>3</sup> ; Nitrogen oxides: 43 mg / m <sup>3</sup>	Soot: 30 mg/ m <sup>3</sup> ; Sulfur dioxide: 100 mg/ m <sup>3</sup> ; Nitrogen oxides: 400 mg / m <sup>3</sup>	Sulfur dioxide: 0.49 tons; Nitrogen oxides: 1.48 tons	Sulfur dioxide: 7.3 tons/year; Nitrogen oxides: 9.1 tons/year	No exceeding the standard	
Fine Organics Limited	TVOC, dichloromethane	Emissions from high altitudes 5	Workshop drain pipes	TVOC: 23.9kg/h; Dichloromethane: 34.4 kg/h	TVOC: 55.0kg/h; Dichloromethane: 50.0 kg/h	TVOC: 210 tons/year; Dichloromethane: 301 tons/year	TVOC: 483 tons/year; Dichloromethane: 439 tons/year	No exceeding the standard	

### **Construction and operation of pollution prevention and control facilities**

The company strictly follows the national laws and regulations on environmental protection and standards to deal with the three wastes generated in the production process, and networks with provinces and cities for real-time monitoring. Each subsidiary strictly implements the environmental protection management in the process of responsible care, and through the implementation of management programs such as waste gas treatment and control, noise control and management, pollution prevention and control plan, sewage treatment and supervision, waste management, environmental protection responsibility management, etc., comprehensively controls and manages the generation, treatment and discharge of pollutants, so as to achieve continuous reduction of the total amount of waste discharged and ensure that the impact on the environment in production and operation is minimized.

In terms of wastewater treatment: each subsidiary has established pollution control facilities that exceed the current production capacity needs, and Lianhua Technology, Taizhou Lianhua, Jiangsu Lianhua A plant, Jiangsu Lianhua E plant, Dezhou Lianhua, Tianyu Chemical and Juntai Pharmaceutical have built 1000t/d, 3500t/d, respectively Sewage treatment plants with 2500t/d, 4000t/d, 1000t/d, 500t/d and 600t/d treatment capacities.

Waste gas and solid waste treatment: Lianhua Technology and Taizhou Lianhua have built RTO exhaust gas incineration devices, and in 2020, Taizhou Lianhua will build a new set of 50,000m<sup>3</sup>/h RTO, which is mutually reserved with the old RTO. In addition, Taizhou Lianhua built a new set of waste liquid incinerators put into operation in May 2020, and installed online monitoring of plant boundaries and VOCs in the plant; Jiangsu Lianhua A plant built two sets of liquid waste incinerator devices. A set of solid waste incinerator device, a set of RTO, a set of TO waste gas incineration device and online monitoring of factory boundaries VOCs; Jiangsu Lianhua E plant has built a three-in-one incinerator and factory boundaries VOCs Online monitoring; Dezhou Lianhua has built TO furnaces and RTO furnaces, respectively, to dispose of high concentration organic waste gas and low concentration organic waste gas, built two sets of exhaust gas destruction devices, dispose of phosgene-containing exhaust gas, and build two sets of incinerators, one of which is 75 tons / The liquid incinerator is being commissioned; Juntai Pharmaceutical built a new RTO incinerator put into operation in May 2019, and the equipment is currently running stably, and the factory is equipped with foul odor and VOCs Online monitoring equipment. At the same time, each workshop has its own independent process exhaust gas treatment facilities. The company's solid waste is transferred and disposed of by incineration through self-built incinerators or partially entrusted to qualified disposal units.

Through the establishment and effective operation of these pollution control facilities, the company ensures the effective treatment and disposal of pollutants generated in production and operation activities, and ensures that pollutants are discharged in accordance with standards.

### **Environmental impact assessment of construction projects and other administrative permits for environmental protection**

Lianhua Technology and its subsidiaries have obtained the "Pollution Discharge Permit" issued by the local environmental protection bureau; the environmental impact assessment of its construction projects is prepared by the unit with environmental impact assessment qualification and approved by the environmental protection department.

### **Emergency response plan for environmental emergencies**

According to the relevant requirements of the "Implementation Measures for the Filing and Management of Emergency Response Plans for Environmental Emergencies in Enterprises and Public Institutions (Trial)", the company analyzes the risk of fire or explosion accidents and other environmental emergencies in the future production process of the project, evaluates and improves the emergency response capabilities of enterprises to respond to environmental emergencies, so as to prevent and respond to the occurrence of various emergencies, reduce the impact of environmental emergencies on the surrounding environment, and file with the government environmental protection department.

### **Environmental self-monitoring programme**

Lianhua Technology, Taizhou Lianhua, Jiangsu Lianhua, Dezhou Lianhua, Juntai Pharmaceutical and Tianyu Chemical have

formulated self-monitoring plans and announced them on the corresponding environmental monitoring platforms. At the same time, the online automatic monitoring and manual monitoring information of enterprises are disclosed in a timely manner on the platform, and the supervision of all sectors of society is fully accepted.

Administrative penalties for environmental problems during the reporting period

Name of the company or subsidiary	Reasons for penalties	Violations	Penalty result	Impact on the production and operation of listed companies	The company's corrective measures
Liaoning Tianyu Chemical Co., Ltd	The pilot test of the production project has not gone through the EIA approval procedures	The TF182 production project has been piloted, but has not gone through the EIA approval procedures	The fine was RMB55,500.00	There is no significant impact on the company's production and operation	The pilot project was immediately stopped, and some of the existing equipment was demolished, the plant was cut off and the public works pipeline was disconnected.
Jiangsu Lianhua Technology Co., Ltd. A factory	The environmental impact assessment documents of the construction project that have not been resubmitted for approval due to major changes in the production technology adopted by the construction project	After the approval of the environmental impact assessment documents of the company's Guangzhiling project, the production process of the construction project has undergone major changes, and the environmental impact assessment documents of the construction project have not been re-submitted for approval	The fine was RMB73,100	There is no significant impact on the company's production and operation	Resubmit the environmental impact assessment documents for the construction project
Jiangsu Lianhua Technology Co., Ltd. E factory	The environmental impact assessment documents of the construction project that have not been resubmitted for approval due to major changes in the production technology adopted by the construction project	After the approval of the company's JG303 project environmental impact assessment documents, the production process of the construction project has undergone major changes, and the environmental impact assessment documents of	The fine was RMB20,800	There is no significant impact on the company's production and operation	Resubmit the environmental impact assessment documents for the construction project

		the construction project have not been re-submitted for approval			
Lianhua Technology (Taizhou) Co., Ltd	In October 2020, when the Taizhou Municipal Bureau of Ecology and Environment inspected, it was found that a small amount of steam condensate from the company's three waste stations entered the wastewater discharge pool	The deactivated condensing tank was temporarily converted into a steam condensate pool, and a small amount of condensate overflowed into the wastewater discharge pool due to worker error	The fine was RMB270,000	There is no significant impact on the company's production and operation	Temporary steam cold water tanks have been abolished, the pool water has been beaten to a minimum, and the steam cold water pipes have been removed
Lianhua Technology (Taizhou) Co., Ltd	In December 2020, the concentration of bad breath emitted by RTO exceeded the standard	The old RTO outlet temperature is too high, causing the ammonium salt condensed at the outlet to volatilize and re-enter the exhaust gas, so that the odor concentration exceeds the standard	The fine was RMB120,000	There is no significant impact on the company's production and operation	Put in the new RTO and replace the old RTO filler, clean the salt at the bottom of the old RTO, and reduce the RTO outlet temperature

Other environmental information that should be disclosed

not

Measures taken and effects taken to reduce its carbon emissions during the reporting period

☐ Applicable ☒ Not applicable

Other environmentally-related information

not applicable

## Second, the situation of social responsibility

The Company has disclosed the "2021 Annual Social Responsibility Report", for details, please refer to the "2021 Annual Social Responsibility Report" disclosed by the Company on the Juchao Information Network on April 22, 2022.

Companies are required to comply with the disclosure requirements of the chemical industry in the Guidelines for Self-Regulatory Supervision of Listed Companies on the Shenzhen Stock Exchange No. 3 - Industry Information Disclosure

In September 2012, the company officially promulgated the "Guidelines for the Implementation of Responsible Care Management of Lianhua Technology", and in 2015, it officially committed to joining the Responsible Care Committee of the International Federation of Chemical Industry Associations. On the basis of the responsible care management system, in 2018, Lianhua Technology passed the PSM Steering Committee to

establish relevant management requirements for the 12 elements of process safety management, and required the heads of various business units, the general manager of the factory, and the deputy general manager to regularly participate in the PSM review. Every year, the main person in charge of each factory is benchmarked according to the management requirements of the company's PSM system, and a feasible improvement plan is formulated for the weaknesses of the previous year's review. In fiscal 2021, the RC organization and implementation of Lianhua Headquarters conducted 12 joint audits of the company's bases, and in 2021 At the end of the year, the content of the dual-system audit will be merged, and a more targeted audit of each base is planned to be conducted in 2022.

As early as 2009, Lianhua Technology introduced RC1, ReactIR and DSC and other instruments, the establishment of the precision instrument room (the predecessor of the process safety laboratory), and then the laboratory has undergone preliminary development, passive testing, active service and other development stages. After years of development, the process safety laboratory is fully equipped with instruments, the working environment and facilities are first-class, and has developed and transformed into an active service testing, research and evaluation department. Currently, the Process Safety Laboratory is equipped with differential scanning calorimeter (DSC), reaction calorimetry (RC1), adiabatic acceleration calorimetry (ARC), rapid screening instrument (RSD), and focused beam reflection measuring instrument (.D.). FBRM), online infrared instrument (ReactIR) and other instruments and equipment. In addition, the safety laboratory is also equipped with Chetah software, Aspen software and advanced dynamics software KineticsNeo, which provide important support and assistance for the research and evaluation of material thermal safety and reactive thermal safety. Since January 2020, the process safety laboratory has been fully responsible for and presided over the process safety assessment of the T0-T2 stage of the company's new product development project, and participated in and supported T3-T5 Stage process safety assessment seamlessly integrates the process safety laboratory and reaction safety risk assessment into the process life cycle of fine chemical products (especially in the early stage of process development), and takes the lead in fully practicing the "whole process reaction safety risk assessment" in China. In April 2021, the Process Safety Laboratory partnered with METTLER TOLEDO's Automated Chemistry Division to host the METTLER TOLEDO 2021 & Lianhua Technology Intrinsic Safety and Process Development Technology Seminar". The seminar invited senior experts in relevant fields in China to make wonderful and high-level special reports and sharing, which enhanced the awareness, concept and vision of intrinsic safety and process development of colleagues in relevant departments of the company, and

promoted the improvement of the intrinsic safety research, process development and technology application capabilities of the company's fine chemical projects.

In 2021, the company's RC headquarters adopted a unified risk assessment method through the construction of a dual prevention mechanism, completed the risk assessment and measure control of each workshop, and in the evaluation process, through the participation of employees, and workshops, functions, RC Departments and other departments jointly conduct a systematic assessment of each task on the site, identify risks, and evaluate the safety measures of the risks, and formulate a rectification plan for insufficient safety measures to ensure that the post risks on the site can be controlled. For areas with renovation and expansion, it is necessary to re-conduct post risk assessments, and it has been ensured that all operational risks have been identified and the existing hidden dangers have been rectified. At the same time, employees are actively encouraged to report attempted accidents and safety hazards, so as to achieve full participation.

In terms of safety production education and training, Lianhua bases have carried out various forms of emergency training and drills, such as organizing training and emergency drills for resuming work and resuming production and epidemic prevention, training drills for emergency disposal card preparation for key key positions, emergency drills on night duty, etc., and organized a total of 14 factory-level drills, 354 workshop-level drills, and 1135 squad-level drills. At the same time, the problems found in the process of the drill are summarized and rectified in a timely manner. In 2021, more than 4,000 people in the company have received various safety education and training.

### **Third, consolidate and expand the results of poverty alleviation and rural revitalization**

not applicable

## Section 6 Important Matters

### 1. Implementation of commitments

1. The company's actual controllers, shareholders, related parties, acquirers and other commitment parties have fulfilled the commitments that have been fulfilled during the reporting period and have not been fulfilled as of the end of the reporting period

☒ Applicable ☐ Not applicable

Commitment	Committing Party	Commitment type	Commitment content	Commitment time	Commitment period	Performance
Share reform commitment						
Commitments made in the Acquisition Report or Change of Equity Report						
Commitments made in connection with asset restructuring						
Commitments made in connection with an initial public offering or refinancing	Mou Jinxiang		1. Avoid competition in the same industry that harms the interests of the company and other shareholders. 2. Within 36 months from the date of listing of the shares, the issuer shall not transfer or entrust others to manage the issuer's shares held by it, nor shall the issuer acquire such shares. In addition to the aforementioned lock-up period, the number of shares transferred each year during his term of office shall not exceed 25% of the total number of shares in the company held by him; he shall not transfer his shares in the company within six months after leaving office; and the number of shares of the company sold through stock exchange listing transactions within twelve months after the declaration of departure shall not exceed 50% of the total number of shares of the company held by him.	September 18, 2007		Keep your promises

	Mou Jinxiang		During the period when I continue to be the controlling shareholder and actual controller of Lianhua Technology Co., Ltd., other enterprises invested by me will not directly or indirectly engage in the same or similar business as Lianhua Technology and its subsidiaries. If I violate the above commitments, I am willing to bear the corresponding legal liabilities, including but not limited to paying all the gains obtained due to competition in the same industry to Lianhua Technology or/and compensating for the losses caused by Lianhua Technology	November 08, 2015		Keep your promises
	Mou Jinxiang		During the period when I continue to be the controlling shareholder and actual controller of Lianhua Technology Co., Ltd., I will not interfere with the company's operation and management activities beyond my authority and will not encroach on the company's interests	February 04, 2016		Keep your promises
	Director s and senior manage ment of the Compan y		On February 4, 2016, the directors and senior management committed themselves to faithfully and diligently performing their duties, safeguarding the legitimate rights and interests of the company and all shareholders, and made the following commitments in accordance with the relevant provisions of the China Securities Regulatory Commission to effectively fulfill the company's immediate return measures: 1. Promise not to convey benefits to other units or individuals without compensation or on unfair terms, nor to harm the interests of the company in other ways; 2. Promise to restrain my own job consumption behavior; 3, promise not to use the company's assets to engage in investment and consumption activities unrelated to the performance of my duties; 4 3. Undertake to actively promote the improvement of the company's remuneration system to make it more in line with the requirements of the immediate fill return; support the company's board of directors or remuneration committee to link the implementation of the company's compensation system with the implementation of the company's compensation measures when formulating, modifying and supplementing the company's compensation system; 5. Undertake to link the conditions for the exercise of equity incentives with the implementation of the	February 04, 2016		Keep your promises

			<p>company's compensation measures when promoting the company's equity incentives (if any); 6 2. After the China Securities Regulatory Commission and the Shenzhen Stock Exchange separately issued the relevant opinions and implementation rules on the dilution of the immediate fill return measures and their commitments, if the relevant provisions of the company and my commitments are inconsistent with such provisions, I undertake to immediately issue supplementary commitments in accordance with the provisions of the China Securities Regulatory Commission and the Shenzhen Stock Exchange, and actively promote the company to make new regulations to meet the requirements of the China Securities Regulatory Commission and the Shenzhen Stock Exchange;7 3. Undertake to fully, completely and timely perform the relevant compensation measures formulated by the company and any commitments I have made in this regard to the filling return measures. If I violate such commitments and cause losses to the company or shareholders, I am willing to: (1) publicly explain and apologize at the shareholders' general meeting and newspapers designated by the CSRC; (2) bear the compensation liability for the company and/or shareholders in accordance with the law; (3). Unconditionally accept the penalties imposed or relevant regulatory measures imposed by the China Securities Regulatory Commission and/or the Shenzhen Stock Exchange and other securities regulatory agencies in accordance with the relevant provisions and rules formulated or issued by them.</p>			
Equity incentive commitments						
Other commitments made to minority shareholders of the Company						
Whether the commitment is fulfilled on time	be					

**2. If there is a profit forecast for the company's assets or projects, and the reporting period is still in the profit forecast period, the company will explain the assets or projects to achieve the original profit forecast and the reasons for them**

☐ Applicable ☒ Not applicable

**2. The non-operational appropriation of funds by controlling shareholders and other related parties to listed companies**

☐ Applicable ☒ Not applicable

During the Company's reporting period, there were no non-operating funds occupied by controlling shareholders and other related parties against the listed company.

**3. Violations of external guarantees**

☐ Applicable ☒ Not applicable

There were no violations of external guarantees during the Company's reporting period.

**4. Explanation of the Board of Directors on the relevant situation of the latest "non-standard audit report"**

☐ Applicable ☒ Not applicable

**5. Explanation** of the board of directors, the board of supervisors, and the independent directors (if any) on the "non-standard audit report" of the accounting firm in the reporting period

☐ Applicable ☒ Not applicable

**6. A description of accounting policies, changes in accounting estimates or corrections of material accounting errors compared to the previous year's financial reports**

☒ Applicable ☐ Not applicable

According to the Revised Accounting Standard for Business Enterprises No. 21 - Leasing (Cai Hui [2018] No. 35) (hereinafter collectively referred to as "Hereinafter collectively referred to as") revised and issued by the Ministry of Finance on December 7, 2018 "New Tenancy Standard", company as of January 1, 2021 The implementation of the new lease standard from the date of implementation, the accounting coup change is a change in accounting policy in accordance with the requirements of laws, administrative regulations or the national unified accounting system, and the change has no significant impact on the company's financial position, operating results and cash flow. For details, please refer to the company's announcement: 2021-024 (Juchao Network).

## 7. Explanation of changes in the scope of consolidated statements compared to the previous year's financial report

☒ Applicable ☐ Not applicable

In this period, 3 new consolidated units were added for the following reasons:

1. On March 9, 2021, the company newly established Lianhua Technology New Material (Taizhou) Co., Ltd.
2. Lianhua Technology (Taizhou) Co., Ltd., a subsidiary, was newly established on August 20, 2021 to establish Lianhua Angjian Pharmaceutical Technology (Shanghai) Co., Ltd.
3. Shanghai Baofeng Machinery Manufacturing Co., Ltd., a subsidiary, was newly established on December 20, 2021 to establish Yancheng Baofeng New Energy Equipment Co., Ltd.

In the current period, the number of consolidated units was reduced by 2, due to:

1. Lianhua Technology (Yancheng) Co., Ltd. has applied for industrial and commercial deregistration on August 17, 2021.
2. Taizhou Huangyan Lianhua Pharmaceutical Co., Ltd. has applied for industrial and commercial deregistration on August 10, 2021.

## VIII. The appointment and dismissal of accounting firms

Currently employed accounting firm

Name of a domestic accounting firm	Fong's Certified Public Accountants (Special General Partnership)
Remuneration of domestic accounting firms (10,000 yuan)	145
Consecutive years of audit services for domestic accounting firms	22
The name of the certified public accountant of a domestic accounting firm	Dai Jinyan, Chen Jian
Consecutive years of audit services for certified public accountants of domestic accounting firms	Dai Jinyan 2 years, Chen Jian 2 years
Name of overseas accounting firm (if any)	Shinewing UK
Remuneration of overseas accounting firm (10,000 yuan) (if any)	40
Consecutive years of audit services for overseas accounting firms (if any)	3
Name of certified public accountant of an overseas accounting firm (if any)	Julie Wilson
Consecutive years of audit services for certified public accountants in overseas accounting firms (if any)	3

Whether to re-hire an accounting firm in the current period

☐ Yes ☒ No

Engagement of internal control audits of accounting firms, financial advisers or sponsors

☐ Applicable ☒ Not applicable

## **9. Face delisting after the disclosure of the annual report**

☐ Applicable ☒ Not applicable

## **10. Matters related to bankruptcy reorganization**

☐ Applicable ☒ Not applicable

No bankruptcy reorganization-related matters occurred during the Company's reporting period.

## **11. Major litigation and arbitration matters**

☐ Applicable ☒ Not applicable

During the reporting period, the company had no major litigation or arbitration matters.

## **12. Penalties and rectifications**

☐ Applicable ☒ Not applicable

There were no penalties or rectifications during the Company's reporting period.

## **13. The creditworthiness of the company and its controlling shareholders and actual controllers**

☐ Applicable ☒ Not applicable

## 14. Material related party transactions

## 1. Related party transactions related to daily operations

√ Applicable □ Not applicable

Related Party Transactions	Association relationships	Type of related party transaction	Content of related party transactions	Pricing principles for related party transactions	Related party transaction prices	Amount of related party transactions (10,000 yuan)	Percentage of the amount of the same type of transaction	Approved transaction quota (10,000 yuan)	Whether the approved quota is exceeded	Settlement method of related party transactions	Available market prices for similar transactions	Date of Disclosure	Disclosure Index
Zhejiang Zhongke Chuangyue Pharmaceutical Co., Ltd	The Company's shareholding company, the Company's Chairman Ms. Wang Ping is its Vice Chairman	Office space leasing and integrated services	Office space rental	Market price pricing	-	104.76	0.03%	200	not	currency	-	August 21, 2021	2021-052
Zhejiang Zhongke Chuangyue Pharmaceutical Co., Ltd	The Company's shareholding company, the Company's Chairman Ms. Wang Ping is its Vice Chairman	Procurement of goods/reception of services	Purchase goods	Market price pricing	-	4,337.7	1.37%	8,000	not	currency	-	August 21, 2021	2021-052
total				--	--	4,442.46	--	8,200	--	--	--	--	--
Details of returns of large sales				not									
Actual performance (if any) during the reporting period, with a total				not									

estimated amount of day-to-day related party transactions to be incurred in the current period, by category	
Reasons for the large difference between the transaction price and the market reference price (if applicable)	not

## **2. Related party transactions that occur in the acquisition or sale of assets or equity**

☐ Applicable ☒ Not applicable

There were no related party transactions related to the acquisition or sale of assets or equity during the Company's reporting period.

## **3. Related party transactions of joint foreign investment**

☐ Applicable ☒ Not applicable

There were no related party transactions involving joint outbound investment during the reporting period.

## **4. Related creditor's rights and debts**

☐ Applicable ☒ Not applicable

There were no related creditor's rights and debts during the Company's reporting period.

## **5. Transactions with financial companies that have a related relationship**

☐ Applicable ☒ Not applicable

There are no deposits, loans, credit facilities or other financial business between the Company and the financial companies that are related to the related parties.

## **6. The transactions between the financial company controlled by the company and related parties**

☐ Applicable ☒ Not applicable

There are no deposits, loans, credit facilities or other financial business between the financial company controlled by the Company and related parties.

## **7. Other major related party transactions**

☐ Applicable ☒ Not applicable

There were no other material related party transactions during the Company's reporting period.

## **15. Major contracts and their performance**

### **1. Custody, contracting and leasing matters**

#### **(1) Hosting situation**

☐ Applicable ☒ Not applicable

There was no escrow during the Company's reporting period.

**(2) Contracting situation**

☐ Applicable ☒ Not applicable

There were no contracting situations during the Company's reporting period.

**(3) Lease situation**

☐ Applicable ☒ Not applicable

There were no leases during the Company's reporting period.

**2. Major guarantees**

☒ Applicable ☐ Not applicable

Unit: 10,000 yuan

External guarantees of the company and its subsidiaries (excluding guarantees to subsidiaries)										
Name of the object of sponsorship	Date of disclosure of the announcement related to the amount of guarantee	Amount of guarantee	The actual date of occurrence	The actual amount of the guarantee	Type of warranty	Collateral (if any)	Counter-warranty (if any)	Warranty Period	Whether the fulfillment is complete	Whether it is a guarantee for related parties
Huangyan Lianke Microfinance Co., Ltd	June 04, 2021	5,000	June 23, 2021	1,500	Joint and several liability guarantees		Other shareholders provide counter-guarantees for the guarantee in proportion to their shareholdings	Three years (from the date of occurrence of their bank financing)	not	be
Lianhua Technology Small and	November 01, 2019	60,000	October 27, 2021	233	Joint and several liability			From the date on which the	not	not

Micro Enterprise Entrepreneurship Park Project Mortgage Loan Customer					guarantees				lending bank signs the loan contract with the purchasing customer until the registration of the mortgage is completed for the industrial plant purchased by the purchasing customer		
The total amount of external guarantees approved during the reporting period (A1).		5,000		The total amount of external guarantees actually incurred during the reporting period (A2).		5,209					
The total amount of external guarantees approved at the end of the reporting period (A3).		65,000		The total balance of actual external guarantees at the end of the reporting period (A4).		1,733					
The Company's guarantee to its subsidiaries											
Name of the object of sponsorship	Date of disclosure of the announcement related to the amount of guarantee	Amount of guarantee	The actual date of occurrence	The actual amount of the guarantee	Type of warranty	Collateral (if any)	Counter-warranty (if any)	Warranty Period	Whether the fulfillment is complete	Whether it is a guarantee for related parties	

Jiangsu Lianhua Technology Co., Ltd	May 29, 2018	50,000	May 29, 2018	0	Joint and several liability guarantees		Five years (from the date of occurrence of their bank financing)	not	not
Lianhua Technology (Linhai) Co., Ltd	June 04, 2020	70,000	March 15, 2021	4,263.65	Joint and several liability guarantees		Five years (from the date of occurrence of its financing)	not	not
Lianhua Technology (Taizhou) Co., Ltd	November 29, 2019	100,000	December 16, 2019	20,280.12	Joint and several liability guarantees		Five years (from the date of occurrence of its financing)	not	not
Lianhua Technology (Taizhou) Co., Ltd	June 04, 2021	30,000	June 11, 2021	8,670.95	mortgage	Land, office buildings, factories	Five years (from the date of occurrence of its financing)	not	not
Fine Organic Limited	December 17, 2021	30,000	December 17, 2021	860.64	Joint and several liability guarantees		Five years (from the date of occurrence of its financing)	not	not
Fine Organic Limited	December 17, 2021	20,000	December 17, 2021	882.16	Joint and several liability guarantees		Three years (from the date of deliberation and approval by the General Meeting)	not	not

								of Sharehold ers)		
The total amount of guarantee approved for subsidiaries during the reporting period (B1).		80,000		The total amount of guarantees actually incurred for subsidiaries during the reporting period (B2).		85,979.88				
The total amount of guarantee approved for subsidiaries at the end of the reporting period (B3).		300,000		Total balance of actual guarantees for subsidiaries at the end of the reporting period (B4).		34,957.52				
Guarantees from subsidiaries to subsidiaries										
Name of the object of sponsorshi p	Date of disclosure of the announcem ent related to the amount of guarantee	Amount of guarantee	The actual date of occurrence	The actual amount of the guarantee	Type of warranty	Collateral (if any)	Counter - warrant y (if any)	Warranty Period	Whether the fulfillmen t is complete	Whether it is a guarante e for related parties
Lianhua Technology (Taizhou) Co., Ltd	December 17, 2021	10,000			mortgage	Land, office buildings		Five years (from the date of occurrenc e of its financing)	not	not
The total amount of guarantee approved for subsidiaries during the reporting period (C1).		10,000		The total amount of guarantees actually incurred for subsidiaries during the reporting period (C2).		0				
Total amount of guarantees approved for subsidiaries at the end of the reporting period (C3).		10,000		Total balance of actual guarantees to subsidiaries at the end of the reporting period (C4).		0				
Total company guarantees (i.e. the sum of the top three items)										
The total amount of guarantee		95,000		The total amount of		91,188.88				

approved during the reporting period (A1+B1+C1).		guarantees actually incurred during the reporting period (A2+B2+C2).	
The total amount of collateral approved at the end of the reporting period (A3+B3+C3).	375,000	The total actual guarantee balance at the end of the reporting period (A4+B4+C4).	36,690.52
The proportion of the total amount of actual guarantees (i.e. A4+B4+C4) to the company's net assets			5.82%
Thereinto:			
Balance (D) of guarantees provided to shareholders, actual controllers and their affiliates			0
Balance (E) of debt guarantees provided directly or indirectly to secured subjects with an asset-liability ratio of more than 70%.			1,613.85
The amount (F) of the total amount of the guarantee exceeding 50% of the net assets			0
The sum of the above three guarantee amounts (D+E+F).			1,613.85

Description of the specific circumstances of the use of composite guarantees

### 3. Entrust others to carry out cash asset management

#### (1) Entrusted financial management

☐ Applicable ☒ Not applicable

There is no entrusted wealth management during the company's reporting period.

#### (2) Entrusted loans

☐ Applicable ☒ Not applicable

There were no entrusted loans during the Company's reporting period.

### 4. Other major contracts

☐ Applicable ☒ Not applicable

There were no other material contracts during the Company's reporting period.

## 16. Explanation of other major matters

√ Applicable □ Not applicable

According to the company's strategic implementation plan, the needs of medium- and long-term development of high-quality platforms in the pharmaceutical sector, and in order to concentrate on the development of the business of Lianhua Technology (Taizhou) Co., Ltd., a subsidiary of the company, Mr. Zhang Jianzhong applied to resign as senior vice president of the company. According to the company's strategic implementation plan, the needs of the medium- and long-term development of the pharmaceutical sector and the construction of a high-quality platform, in order to better focus on corporate governance and development strategy, Mr. Xu Minghui applied to resign as the company's financial controller, as detailed in the company in 2021. On December 31, the "Announcement on the Resignation of Senior Management and change of Financial Director" was published in Securities Times, Shanghai Securities News and Juchao Information Network ([www.cninfo.com.cn](http://www.cninfo.com.cn)). (Announcement No. 2021-072). The Company held the 21st meeting of the Seventh Board of Directors in 2021 on December 31, 2021 to deliberate and pass the "Proposal on Changing the Chief Financial Officer", and Mr. Xue Yunxuan was appointed as the Financial Controller of the Company, as detailed in the Company.1 Announcement on resignation of senior management and change of chief financial officer published in Securities Times, Shanghai Securities News and Juchao Information Network ([www.cninfo.com.cn](http://www.cninfo.com.cn)) on December 31, 2021 (Announcement No. 2021-072).

On June 3, 2021, the company deliberated and approved the "2020 Annual Profit Distribution Plan" to all shareholders for every 10 shares of cash dividend of 0.5 yuan (including tax), 0 bonus shares, as detailed in the company's April 23, 2021 publication in Securities Times, Shanghai Securities News and Juchao Information Network ([www.cninfo.com.cn](http://www.cninfo.com.cn)) Announcement on the 2020 Profit Distribution Plan (Announcement No. 2020-021).

## 17. Major matters of the company's subsidiaries

√ Applicable □ Not applicable

Sound water 3- 21 Affected by the explosion accident, the company's subsidiaries Jiangsu Lianhua and Yancheng Lianhua temporarily stopped production. For details, please refer to the Indicative Announcement on Wholly-Owned Subsidiaries (Announcement No. 23) published in Securities Times, Shanghai Securities News and Juchao Information Network ([www.cninfo.com.cn](http://www.cninfo.com.cn)) on 23 March 2019 2019-017) .

As of March 19, 2021, 11 production lines of the company's subsidiaries Jiangsu Lianhua and Yancheng Lianhua have resumed production, with a total of 20 production lines resuming production. For details, please refer to the "Announcement on the Resumption of Production of Some Production Lines of subsidiaries" published in Securities Times, Shanghai Securities News and Juchao Information Network ([www.cninfo.com.cn](http://www.cninfo.com.cn)) on March 19, 2021. (Announcement No. 2021-013).

## Section 7 Changes in Shares and Shareholders

### 1. Changes in shares

#### 1. Changes in shares

Unit: Shares

	Before this change		Increase or decrease in this change (+,-)					After this change	
	quantity	proportion	Issuance of new shares	Send shares	CPF conversion	other	subtotal	quantity	proportion
1. Limited sale of conditional shares	5,032,736	0.55%				-856,625	-856,625	4,176,111	0.45%
1. State shareholding									
2. Shareholding of state-owned legal persons									
3. Other domestic shareholdings	5,032,736	0.55%				-856,625	-856,625	4,176,111	0.45%
Among them: domestic legal persons hold shares									
Domestic natural persons hold shares	5,032,736	0.55%				-856,625	-856,625	4,176,111	0.45%
4. Foreign ownership									
Among them: overseas legal persons hold shares									
Shareholding by overseas natural persons									
2. Unlimited sale of conditional shares	918,213,520	99.45%				856,625	856,625	919,070,145	99.55%
1. RMB ordinary shares	918,213,520	99.45%				856,625	856,625	919,070,145	99.55%
2. Foreign-funded shares listed in China									
3. Foreign stocks listed overseas									
4. Others									
3. Total number of shares	923,246,256	100.00%				0	0	923,246,256	100.00%

Reasons for changes in shares

☐ Applicable ☒ Not applicable

Approval of changes in shares

☐ Applicable ☒ Not applicable

Transfer of changes in shares

☐ Applicable ☒ Not applicable

The impact of changes in shares on financial measures such as basic earnings per share and diluted earnings per share, net assets per share attributable to the Company's common shareholders for the most recent year and the most recent period

☐ Applicable ☒ Not applicable

Other content that the Company deems necessary or required to be disclosed by the securities regulator

☐ Applicable ☒ Not applicable

## 2. Changes in restricted shares

☒ Applicable ☐ Not applicable

Unit: Shares

Shareholder name	Number of restricted shares at the beginning of the period	The number of restricted shares was increased during the period	The number of restricted shares released in the current period	Number of restricted shares at the end of the period	Reason for restriction	Release date
Peng Yinsheng	3,612,577	0	697,875	2,914,702	Executive lock-up shares	Unlock as required by law
Fan Xiaobin	891,409	0	221,250	670,159	Executive lock-up shares	Unlock as required by law
Chen Feibiao	341,250	0	0	341,250	Executive lock-up shares	Unlock as required by law
Xu Minghui	187,500	62,500	0	250,000	Executive departure lockdown	Unlock as required by law
total	5,032,736	62,500	919,125	4,176,111	--	--

## 2. Securities issuance and listing

### 1. Securities issuance (excluding preferred shares) during the reporting period

☐ Applicable ☒ Not applicable

## 2. Explanation of the changes in the total number of shares and shareholder structure of the company, and the changes in the structure of the company's assets and liabilities

☐ Applicable ☒ Not applicable

## 3. The existing internal staff unit situation

☐ Applicable ☒ Not applicable

## 3. Shareholders and actual controllers

### 1. The number of shareholders and shareholding of the company

Unit: Shares

Total number of common shareholders at the end of the reporting period	15,936	The total number of common shareholders at the end of the previous month prior to the annual report disclosure date	17,309	The total number of preferred shareholders whose voting rights were restored at the end of the reporting period, if any, (see Note 8).	0	The total number of preferred shareholders whose voting rights were restored at the end of the previous month prior to the disclosure date of the annual report, if any (see Note 8).	0	
Shareholding of shareholders holding more than 5% of the shares or the top 10 shareholders								
Shareholder name	Shareholder nature	Shareholding ratio	Number of holdings at the end of the reporting period	Changes in the reporting period	Number of shares held on limited sale terms	The number of shares held on an unlimited sale condition	Pledge, marking or freezing	
							Status of shares	quantity
Mou Jinxiang	Natural persons within the territory	25.40%	234,535,853	-20,000,000	0	234,535,853		
Zhang Youzhi	Natural persons within the	2.37%	21,905,482	-264,700	0	21,905,482		

	territory							
China Merchants Bank Co., Ltd. - Xingquan Herun Hybrid Securities Investment Fund	other	2.19%	20,175,514	20,175,514	0	20,175,514		
Hong Kong Securities Clearing Company Limited	Overseas legal persons	1.93%	17,844,039	3,624,040	0	17,844,039		
China Merchants Bank Co., Ltd. - Xingquan Heyi Flexible Allocation Hybrid Securities Investment Fund (LOF).	other	1.87%	17,222,840	17,222,840	0	17,222,840		
China Merchants Bank Co., Ltd. - Xingquan Hetai Hybrid Securities Investment Fund	other	1.41%	12,983,185	12,983,185	0	12,983,185		
Blue Songhua	Natural persons within the territory	1.36%	12,600,000	2,246,400	0	12,600,000		
Central Huijin Asset Management Co., Ltd	State-owned legal person	1.30%	12,034,956	-6,870,444	0	12,034,956		
Shanghai Gao Yi Asset Management Partnership (Limited Partnership) - Gao Yi Liwei SelectEd Weishi Fund	other	1.26%	11,586,993	7,175,493	0	11,586,993		
Zhang Xiangui	Natural persons within the territory	1.13%	10,465,000	-1,122,400	0	10,465,000		

In the case where a strategic investor or a general legal entity becomes one of the top 10 shareholders (if any) as a result of placing new shares (see Note 3).	not applicable		
A description of the above-mentioned shareholder affiliation or concerted action	The company's controlling shareholder, Mou Jinxiang, has no relationship with the other shareholders mentioned above, nor does he belong to the concerted actor stipulated in the Administrative Measures for the Disclosure of Information on Changes in Shareholding of Shareholders of Listed Companies; it is not known whether there is a related relationship between other shareholders, nor is it known whether they are consistent actors.		
Explanation of the above-mentioned shareholders' representation of delegated/entrusted voting rights and waiver of voting rights	not		
There is a special note (if any) for the existence of a special repurchase account among the top 10 shareholders (see Note 10).	not applicable		
Shareholding of the top 10 shareholders with unlimited sale conditions			
Shareholder name	The number of shares held at the end of the reporting period with unlimited conditions for sale	Types of shares	
		Types of shares	quantity
Mou Jinxiang	234,535,853	RMB ordinary shares	234,535,853
Zhang Youzhi	21,905,482	RMB ordinary shares	21,905,482
China Merchants Bank Co., Ltd. - Xingquan Herun Hybrid Securities Investment Fund	20,175,514	RMB ordinary shares	20,175,514
Hong Kong Securities Clearing Company Limited	17,844,039	RMB ordinary shares	17,844,039
China Merchants Bank Co., Ltd. - Xingquan Heyi Flexible Allocation Hybrid Securities Investment	17,222,840	RMB ordinary shares	17,222,840

Fund (LOF).			
China Merchants Bank Co., Ltd. - Xingquan Hetai Hybrid Securities Investment Fund	12,983,185	RMB ordinary shares	12,983,185
Blue Songhua	12,600,000	RMB ordinary shares	12,600,000
Central Huijin Asset Management Co., Ltd	12,034,956	RMB ordinary shares	12,034,956
Shanghai Gao Yi Asset Management Partnership (Limited Partnership) - Gao Yi Liwei SelectEd Weishi Fund	11,586,993	RMB ordinary shares	11,586,993
Zhang Xiangui	10,465,000	RMB ordinary shares	10,465,000
A description of the affiliation or concerted action between the top 10 unrestricted shareholders and between the top 10 shareholders and the top 10 shareholders	The company's controlling shareholder, Mou Jinxiang, has no relationship with the other shareholders mentioned above, nor does he belong to the concerted actor stipulated in the Administrative Measures for the Disclosure of Information on Changes in Shareholding of Shareholders of Listed Companies; it is not known whether there is a related relationship between other shareholders, nor is it known whether they are consistent actors.		
A description of the participation of the top 10 common shareholders in the margin business (if any) (see Note 4).	Lan Songhua participates in the margin credit transaction guarantee securities account and holds 12,600,000 shares		

Whether the company's top 10 common shareholders and the top 10 common shareholders with unlimited sale conditions conducted agreed repurchase transactions during the reporting period

☐ Yes ☒ No

The Company's top 10 common shareholders and top 10 common shareholders with unlimited sale conditions did not conduct agreed repurchase transactions during the reporting period.

## 2. The controlling shareholder of the company

Nature of controlling shareholder: controlled by natural persons

Type of controlling shareholder: natural person

The name of the controlling shareholder	nationality	Whether to obtain residency in other countries or regions
Mou Jinxiang	China	not

Major occupations and positions	not
The equity of other domestic and foreign listed companies in which it controlled and participated during the reporting period	not

Change of controlling shareholder during the reporting period

☐ Applicable ☒ Not applicable

There was no change in the controlling shareholder of the Company during the reporting period.

### 3. The actual controller of the company and its consistent actors

Nature of actual controller: domestic natural person

Type of actual controller: natural person

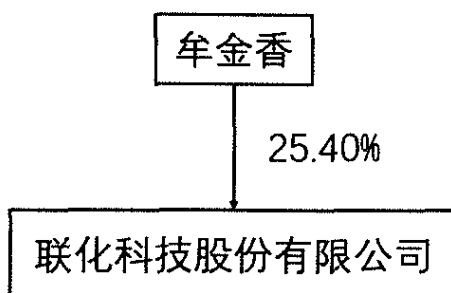
Name of the actual controller	Relationship with the actual controller	nationality	Whether to obtain residency in other countries or regions
Mou Jinxiang	Myself	China	not
Major occupations and positions	not		
Domestic and foreign listed companies that have been controlled in the past 10 years	Lianhua Technology		

Changes in the actual controller during the reporting period

☐ Applicable ☒ Not applicable

There was no change in the actual controller of the Company during the reporting period.

Block diagram of the property rights and control relationship between the company and the actual controller



The actual controller controls the company through trust or other asset management methods

☐ Applicable ☒ Not applicable

**4. The cumulative number of pledged shares of the company's controlling shareholder or the largest shareholder and its concerted actors accounts for 80% of the number of shares of the company held by them**

☐ Applicable ☒ Not applicable

**5. Other corporate shareholders holding more than 10% of the shares**

☐ Applicable ☒ Not applicable

**6. Restricted reduction of shares of controlling shareholders, actual controllers, restructuring parties and other committed entities**

☐ Applicable ☒ Not applicable

**4. The specific implementation of the share repurchase in the reporting period**

Progress in the implementation of share repurchases

☐ Applicable ☒ Not applicable

Progress in the implementation of the use of centralized bidding to reduce the repurchased shares

☐ Applicable ☒ Not applicable

## **Section 8 Information relating to preferred shares**

☐ Applicable ☒ Not applicable

The Company did not have preferred shares during the Reporting Period.

## Section 9 Bond-related situations

☐ Applicable ☒ Not applicable

## Section 10 Financial reports

### 1. Audit report

Types of audit opinions	Standard unqualified opinion
Date of signing of the audit report	April 20, 2022
The name of the auditor	Fong's Certified Public Accountants (Special General Partnership)
Audit report number	Letter Master Newspaper [2022] No. ZA11098
Name of the certified public accountant	Dai Jinyan, Chen Jian

The body of the audit report

### All shareholders of Lianhua Technology Co., Ltd.:

#### 一、 Audit Opinions

We have audited the financial statements of Lianhua Technology Co., Ltd. (hereinafter referred to as Lianhua Technology), including the consolidated and parent balance sheet as at December 31, 2021, the consolidated and parent income statement for 2021, the consolidated and parent cash flow statement, the consolidated and parent owners' equity statement and the related financial statement notes.

In our opinion, the attached financial statements have been prepared in all material respects in accordance with the provisions of the Accounting Standards for Business Enterprises and fairly reflect the consolidated and parent financial position of Lianhua Technology as at December 31, 2021 and the consolidated and parent operating results and cash flows for 2021.

#### 二、 Form the basis of the audit opinion

We performed the audit in accordance with the provisions of the China Certified Public Accountants Auditing Standards. Our responsibilities under these standards are further elaborated in the "Responsibility of Certified Public Accountants for the Audit of Financial Statements" section of the audit report. In accordance with the Code of Ethics for Certified Public Accountants in China, we are independent of Lianhua Technology and fulfill other responsibilities in terms of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for issuing an audit opinion.

### 三、 Key audit matters

The key audit matters are the most important matters that we consider to be the most important for the audit of the financial statements for the current period based on our professional judgment. These matters should be addressed against the backdrop of an audit of the financial statements as a whole and the formation of an audit opinion, and we do not express a separate opinion on these matters.

The key audit matters identified in our audit are summarized below:

Key audit matters	How the matter was handled in the audit
<b>(1) Revenue recognition</b>	
For details and analysis of the accounting policies for revenue recognition, please refer to the accounting policies described in Note (xxiv) to the Notes to the Consolidated Financial Statements in Note to "III. Significant Accounting Policies and Accounting Estimates" and the	For revenue recognition, the audit procedures we perform mainly include: Evaluate and test the design and effectiveness of internal controls related to operating income; Select samples to examine sales contracts, identify contractual terms and conditions related to the transfer of control of goods sold, and evaluate whether the time point of

Key audit matters	How the matter was handled in the audit
<p>Notes to the Items to the Consolidated Financial Statements (42).</p> <p>In2021, the operating income reported in the consolidated financial statements of Lianhua Technology was RMB6,586,780,700, mainly from the production and sales of intermediates for fine chemical products.</p> <p>Operating income is a key performance indicator of Lianhua Technology, which has a greater impact on profits, and there is an inherent risk that management will manipulate the timing of revenue recognition to achieve specific goals or expectations. Therefore, the recognition of operating income is important for our audit, which we judge as a key audit matter.</p>	<p>revenue recognition meets the requirements of accounting standards for business enterprises;</p> <p>Compare the current year's operating income with the previous year's and analyze the reasonableness of the change in revenue;</p> <p>For the revenue from the sale of goods, perform detailed tests, check supporting documents including sales orders, invoices, outbound receipts, logistics documents, etc., and evaluate whether the relevant revenue recognition complies with the accounting policies of Lianhua Technology Co., Ltd. for revenue recognition;</p> <p>Select a sample of sales of commodity transactions recorded before and after balance sheet date, check the supporting documents related to revenue recognition, and evaluate whether the relevant income was recorded in the appropriate accounting period.</p> <p>(7) Review the adequacy and completeness of disclosures relating to operating income in the notes to the consolidated financial statements.</p>

## (2) Impairment of goodwill

<p>For details and analysis of the accounting policies for the impairment of goodwill, please refer to the accounting policies described in Note (XIX) to the Notes to the Consolidated Financial Statements in Note "III. Significant Accounting Policies and Accounting Estimates" and the Notes to the Items to the Consolidated Financial Statements (XIX).</p> <p>As of December 31, 2021, the carrying amount of Lianhua Technology's goodwill totaled RMB5,897,900.</p> <p>Management annually assesses the potential impairment of goodwill. The result of the impairment assessment of goodwill is an estimate by management of the use value of goodwill based on discounted cash flows prepared by various divisions of the company. The preparation of discounted cash flow projections involves the use of significant judgments and estimates, in particular the determination of revenue growth rates, cost increases and the determination of the applied risk-adjusted discount rates, all of which are inherently uncertain and may be influenced by management preferences.</p> <p>As the impairment projections and discounting of future cash flows of goodwill</p>	<p>In response to the impairment of goodwill, the audit procedures we perform mainly include:</p> <p>Assess and test the effectiveness of the design and execution of management's internal controls in relation to goodwill impairment testing;</p> <p>Evaluate the competence, professionalism and objectivity of external valuation experts appointed by management;</p> <p>Understand management's use of the work of its valuation experts to review the Company's identification and identification of asset groups and assess the reasonableness of key assumptions and judgments used by management in use of impairment testing;</p> <p>(5) Introduce valuation experts to assist in reviewing valuation methods and key assumptions.</p>
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**(2) Impairment of goodwill**

involve inherent uncertainty and the risk of management's preferences in selecting assumptions and estimates, we regard the assessment of impairment of goodwill as a key audit matter of Lianhua Technology.

**四、 Additional Information**

The management of Lianhua Technology (hereinafter referred to as the management) is responsible for other information. Other information includes information covered in Lianhua Technology's 2021 annual report, but excludes financial statements and our audit reports.

Our audit opinion on the financial statements does not cover other information, nor do we issue any form of assurance conclusions on other information.

In conjunction with our audit of the financial statements, it is our responsibility to read additional information, in doing so, to consider whether there are material inconsistencies or appear to be material misstatements in the financial statements or what we have learned during the course of the audit.

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

**五、 Responsibility of management and governance for financial statements**

Management is responsible for preparing the financial statements in accordance with the provisions of the Accounting Standards for Business Enterprises to achieve fair reflection and for designing, implementing and maintaining the internal controls necessary to make the financial statements free of material misstatement due to fraud or error.

In preparing the financial statements, management is responsible for assessing Lianhua Technology's ability to continue as a going concern, disclosing matters related to going concern (if applicable), and applying the going concern assumptions unless liquidation, termination of operations or other realistic options are planned.

The governance layer is responsible for overseeing the financial reporting process of Lianhua Technology.

## 六、 The responsibility of the certified public accountant for the audit of financial statements

Our goal is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements due to fraud or error, and to issue an audit report containing an audit opinion. Reasonable assurance is a high level of assurance, but there is no guarantee that an audit performed in accordance with auditing standards will always be detected in the presence of a material misstatement. Misstatements can result from fraud or errors and are generally considered material if there is a reasonable expectation that misstatements, individually or collectively, may affect the economic decisions made by users of the financial statements based on the financial statements.

In the process of performing audit work in accordance with the Auditing Standards, we use professional judgment and maintain professional suspicion. At the same time, we also perform the following tasks:

(a) identify and assess the risk of material misstatement of financial statements due to fraud or error, design and implement audit procedures to address these risks, and obtain sufficient and appropriate audit evidence as a basis for issuing an audit opinion. Since fraud may involve collusion, forgery, intentional omission, misrepresentation or override of internal controls, the risk of material misstatement due to fraud is higher than the risk of failure to discover material misstatement due to error.

(b) understand the internal controls associated with the audit in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.

(c) evaluate the appropriateness of management's selection of accounting policies and the reasonableness of making accounting estimates and related disclosures.

(iv) Draw conclusions about the appropriateness of management's use of the going concern assumption. At the same time, based on the audit evidence obtained, it is concluded whether there are material uncertainties about matters or circumstances that may lead to significant doubts about Lianhua Technology's ability to continue as a going concern. If we conclude that there are significant uncertainties, the auditing standards require us to bring the relevant disclosures in the financial statements to the attention of users of the statements in our audit reports; Our conclusions are based on information available as of the date of the

audit report. However, future events or circumstances may result in Lianhua Technology not being able to continue to operate.

(e) evaluate the overall presentation (including disclosure), structure and content of the financial statements, and evaluate whether the financial statements fairly reflect relevant transactions and events.

(6) Obtain sufficient and appropriate audit evidence on the financial information of entities or business activities in Lianhua Technology to express audit opinions on the consolidated financial statements. We are responsible for directing, supervising and executing Group audits and take full responsibility for audit opinions.

We communicate with governance on matters such as the scope of the planned audit, timing and major audit findings, including the internal control deficiencies we identified as noteworthy in our audits.

We also provide a statement to the governance layer that we have complied with the ethical requirements related to independence and communicate with the governance layer about all relationships and other matters that may reasonably be considered to affect our independence, as well as related precautions, if applicable.

From the matters we have communicated with the governance layer, we determine which matters are most important for the audit of the financial statements for the current period and thus constitute key audit matters. We describe these matters in our audit reports, unless public disclosure of these matters is prohibited by law or, in rare cases, if we reasonably expect to communicate a matter in the audit report that the negative consequences outweigh the benefits in the public interest, we

determine that the matter should not be communicated in the audit report.

**Fong's Certified Public Accountants China: Dai Jinyan**  
**(Special General Partnership) (Project Partner)**

**Chinese Certified Public**

**Accountant: Chen Jian**

**Shanghai, China**

**April 20, 2022**

## Lianhua Technology Co., Ltd

## Consolidated balance sheets

December 31, 2021

(Unless otherwise specified, the amount unit is RMB)

asset	Note V	Closing balances	Balance at the end of the previous year
Liquid asset:			
Monetary funds	(i)	561,008,407.63	635,608,160.71
Settle the reserve			
Withdraw funds			
Trading financial assets			
Derivative financial assets	(ii)	12,566,512.80	7,032,181.21
Bills receivable	(iii)		5,233,295.43
Accounts receivable	(iv)	1,331,890,991.32	871,182,790.71
Receivables financing	(5)	455,901,847.19	368,369,438.92
Advance Payments	(6)	123,210,827.89	67,670,721.08
Premiums receivable			
Accounts receivable from ceded			
Reserves receivable for reinsurance contracts			
Other receivables	(vii)	45,387,403.24	43,077,723.06
Buy and sell back financial assets			
stocks	(viii)	2,252,795,104.03	1,859,763,636.51
Contract assets			
Holding assets for sale			
Non-current assets due within one year	(IX)	163,575,000.00	9,953,188.50
Other current assets	(x)	204,915,673.59	124,027,391.80
<b>Total current assets</b>		<b>5,151,251,767.69</b>	<b>3,991,918,527.93</b>
Non-current assets:			
Disbursement of loans and advances			
Debt investments			
Other debt investments			
Long-term receivables	(xi)	4,430,579.87	4,087,467.20
Long-term equity investment	(xii)	70,862,471.29	81,496,390.56
Investments in other equity instruments	(xiii)	500,000.00	500,000.00
Other non-current financial assets			
Investment real estate	(xiv)	3,670,772.87	3,995,948.72
fixed asset	(xv)	4,192,642,416.11	3,979,442,282.27
Works under construction	(xvi)	2,472,236,751.53	1,378,902,483.27
Productive biological assets			
Oil and gas assets			
Right-of-use assets	(xvii)	18,186,468.21	
intangible asset	(xviii)	512,296,081.35	506,295,693.04
Development expenditure			
goodwill	(XIX)	5,897,874.00	49,951,807.69
Long-term amortization of costs			
Deferred tax assets	(xx)	130,359,440.21	87,554,952.09
Other non-current assets	(xxi)	79,445,892.25	324,264,441.41
<b>Total non-current assets</b>		<b>7,490,528,747.69</b>	<b>6,416,491,466.25</b>
<b>Total assets</b>		<b>12,641,780,515.38</b>	<b>10,408,409,994.18</b>

The notes to the financial statements are an integral part of the financial statements.

Person in charge of the company: Person in charge of accounting work: Head of accounting agency:

**Lianhua Technology Co., Ltd**  
**Consolidated balance sheet (continued).**  
**December 31, 2021**

(Unless otherwise specified, the unit of amount is RMB).

Liabilities and owner's equity	Note V	Closing balances	Balance at the end of the previous year
<b>Current liabilities:</b>			
Short-term borrowing	(xxii)	1,659,769,696.60	666,507,732.46
Borrowing from the central bank			
Withdraw funds			
Transactional financial liabilities			
Derivative financial liabilities			
Bills payable	(xxiii)	1,076,857,096.03	643,238,599.00
Accounts Payable	(XXIV)	1,599,645,309.27	1,036,731,357.75
Advance receipts			
Contractual liabilities	(XXV)	163,867,912.64	104,052,675.12
Sale of repurchased financial assets			
Take deposits and interbank deposits			
Agent for the purchase and sale of securities			
Acting as an underwriter for securities payments			
Remuneration payable to employees	(XXVI)	231,529,901.65	177,234,805.88
Taxes payable	(XXVII)	51,265,145.70	111,478,236.30
Other payables	(XXVIII)	132,813,668.12	120,958,929.41
Fees and commissions payable			
Accounts payable for reinsurance			
Holding liabilities for sale			
Non-current liabilities due within one year	(XXIX)	104,074,554.78	257,851,748.96
Other current liabilities	(xxx)	5,877,862.19	
<b>Total current liabilities</b>		<b>5,025,701,146.98</b>	<b>3,118,054,084.88</b>
<b>Non-current liabilities:</b>			
Insurance contract reserves			
Long-term borrowing	(XXXI)	679,438,306.00	646,899,320.00
Bonds payable			
Among them: preferred stock			
Perpetual bonds			
Lease liabilities	(xxxii)	14,265,579.40	
Long-term payables	(xxxiii)	29,660,226.90	62,799,567.94
Long-term payable to employees			
Projected liabilities			
Deferred earnings	(xxxiv)	91,288,555.34	85,900,596.53
Deferred tax liabilities	(xx)	14,138,176.17	14,704,400.02
Other non-current liabilities	(xxxv)	458,151,997.48	411,868,173.08
<b>Total non-current liabilities</b>		<b>1,286,942,841.29</b>	<b>1,222,172,057.57</b>
<b>Total liabilities</b>		<b>6,312,643,988.27</b>	<b>4,340,226,142.45</b>
<b>Owner's Equity:</b>			
share capital	(xxxvi)	923,246,256.00	923,246,256.00
Other equity tools			
Among them: preferred stock			
Perpetual bonds			
Capital reserve	(XXXVII)	2,214,878,001.76	2,208,985,896.80
Minus: Treasury shares			
Other comprehensive income	(XXXVIII)	4,999,757.49	6,763,011.11
Special reserves	(XXXIX)		
Surplus reserve	(40)	330,822,173.32	309,829,027.10
General risk preparedness			
Undistributed profit	(41)	2,827,252,084.18	2,579,002,522.52
Total equity attributable to owners of the parent company		6,301,198,272.75	6,027,826,713.53
Minority shareholders' interests		27,938,254.36	40,357,138.20
<b>Total owner's equity</b>		<b>6,329,136,527.11</b>	<b>6,068,183,851.73</b>
<b>Total liabilities and owner's equity</b>		<b>12,641,780,515.38</b>	<b>10,408,409,994.18</b>

The notes to the financial statements are an integral part of the financial statements.

Person in charge of the company: Person in charge of accounting work: Head of accounting agency:

**Lianhua Technology Co., Ltd**  
**Balance sheet of the parent company**  
**December 31, 2021**  
**(Unless otherwise specified, the amount unit is RMB)**

asset	Note XV	Closing balances	Balance at the end of the previous year
Liquid asset:			
Monetary funds		401,697,450.95	549,899,737.18
Trading financial assets			
Derivative financial assets		12,566,512.80	7,032,181.21
Bills receivable			
Accounts receivable	(i)	380,662,412.89	307,101,182.64
Receivables financing	(ii)	380,531,366.37	326,511,282.74
Advance Payments		9,706,935.47	8,890,361.02
Other receivables	(iii)	3,443,038,068.08	2,289,549,307.41
stocks		354,601,799.71	391,150,645.63
Contract assets			
Holding assets for sale			
Non-current assets due within one year		60,000,000.00	9,953,188.50
Other current assets		19,006,785.22	7,672,038.33
<b>Total current assets</b>		<b>5,061,811,331.49</b>	<b>3,897,759,924.66</b>
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investment	(iv)	3,227,076,508.40	3,003,705,719.51
Investments in other equity instruments		500,000.00	500,000.00
Other non-current financial assets			
Investment real estate			
fixed asset		348,504,666.83	268,369,522.01
Works under construction		63,322,090.23	52,478,434.61
Productive biological assets			
Oil and gas assets			
Right-of-use assets		3,213,209.16	
intangible asset		14,866,717.19	15,913,633.07
Development expenditure			
goodwill			
Long-term amortization of costs			
Deferred tax assets		11,441,485.46	6,661,566.14
Other non-current assets		22,764,066.27	148,424,428.90
<b>Total non-current assets</b>		<b>3,691,688,743.54</b>	<b>3,496,053,304.24</b>
<b>Total assets</b>		<b>8,753,500,075.03</b>	<b>7,393,813,228.90</b>

The notes to the financial statements are an integral part of the financial statements.

Person in charge of the company: Person in charge of accounting work: Head of accounting agency:

**Lianhua Technology Co., Ltd**  
**Balance sheet of the parent company (continued).**  
**December 31, 2021**  
**(Unless otherwise specified, the amount unit is RMB)**

Liabilities and owner's equity	Note XV	Closing balances	Balance at the end of the previous year
<b>Current Liabilities:</b>			
Short-term borrowing		1,275,301,348.76	544,256,700.00
Transactional financial liabilities			
Derivative financial liabilities			
Bills payable		734,854,356.47	357,570,026.68
Accounts Payable		208,198,800.19	152,779,327.31
Advance receipts			
Contractual liabilities		55,333,591.53	6,496,904.67
Remuneration payable to employees		119,028,566.46	74,716,154.36
Taxes payable		6,701,424.52	35,596,987.39
Other payables		336,197,964.02	341,542,515.23
Holding liabilities for sale			
Non-current liabilities due within one year		13,148,520.88	127,726,945.05
Other current liabilities			
<b>Total current liabilities</b>		<b>2,748,764,572.83</b>	<b>1,640,685,560.69</b>
<b>Non-current liabilities:</b>			
Long-term borrowing		412,801,806.00	323,149,320.00
Bonds payable			
Among them: preferred stock			
Perpetual bonds			
Lease liabilities		1,246,156.56	
Long-term payables			
Long-term payable to employees			
Projected liabilities			
Deferred earnings			
Deferred tax liabilities		3,265,073.35	6,325,031.34
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>417,313,035.91</b>	<b>329,474,351.34</b>
<b>Total liabilities</b>		<b>3,166,077,608.74</b>	<b>1,970,159,912.03</b>
<b>Owner's Equity:</b>			
share capital		923,246,256.00	923,246,256.00
Other equity tools			
Among them: preferred stock			
Perpetual bonds			
Capital reserve		2,255,888,383.63	2,255,888,383.63
Minus: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserve		330,822,173.32	309,829,027.10
Undistributed profit		2,077,465,653.34	1,934,689,650.14
<b>Total owner's equity</b>		<b>5,587,422,466.29</b>	<b>5,423,653,316.87</b>
<b>Total liabilities and owner's equity</b>		<b>8,753,500,075.03</b>	<b>7,393,813,228.90</b>

The notes to the financial statements are an integral part of the financial statements.

Person in charge of the company: Person in charge of accounting work: Head of accounting agency:

**Lianhua Technology Co., Ltd**  
**Consolidated income statement**  
**FY2021**

(Unless otherwise specified, the amount unit is RMB)

project	Note V	The amount for the current period	The amount of the previous period
1. Total operating income		6,586,780,685.31	4,781,798,712.79
Among them: operating income	(42)	6,586,780,685.31	4,781,798,712.79
Interest income			
Premiums earned			
Fee and commission income			
Second, the total cost of operations		6,081,781,617.46	4,344,651,892.09
Where: operating costs	(42)	4,814,318,812.28	3,056,168,848.40
Interest expense			
Handling fees and commission expenses			
Surrender payment			
Net compensation expenditure			
Withdrawal of net insurance liability reserves			
Policy dividend payouts			
Reinsurance fees			
Taxes and Surcharges	(43)	63,244,584.92	54,488,167.96
Selling expenses	(44)	14,703,225.24	11,458,924.65
Management expenses	(45)	771,523,094.55	831,049,990.05
R&D expenses	(46)	317,120,216.22	262,761,333.36
Finance expenses	(47)	100,871,684.25	128,724,627.67
Where: Interest expense	(47)	66,108,378.03	78,639,436.52
Interest income	(47)	7,130,413.36	14,592,748.17
Plus: Other benefits	(48)	32,598,239.62	47,877,274.79
Investment income (losses are listed with a "-" sign)	(49)	37,113,807.70	28,970,613.32
Among them: income from investments in associates and joint ventures	(49)	2,511,832.66	10,350,565.95
Financial assets measured at amortized cost are derecognized earnings			
Exchange gains (losses are indicated with a "-" sign)			
Net exposure hedging gains (losses are shown with a "-" sign)			
Gain on fair value change (loss is indicated with a "-" sign)	(Fifty)	5,534,331.59	2,979,809.46
Credit impairment loss (loss is listed with a "-" sign)	(Fifty-one)	-48,737,063.33	2,763,265.31
Impairment losses on assets (losses are listed with a "-" sign)	(Fifty-two)	-79,498,662.15	-295,445,860.35
Proceeds from disposal of assets (losses are listed with a "-" sign)	(Fifty-three)	-2,454,311.28	-2,005,437.86
3. Operating profit (loss is filled in with a "-" sign)		449,555,410.00	222,286,485.37
Plus: Non-operating income	(Fifty-four)	15,100,357.19	13,530,653.66
Less: Non-operating expenses	(Fifty-five)	47,815,205.27	26,461,910.13
4. Total profit (total loss is filled in with a "-" sign)		416,840,561.92	209,355,228.90
Minus: Income tax expense	(Fifty-six)	93,854,425.08	75,766,394.68
V. Net profit (net loss is filled in with a "-" sign)		322,986,136.84	133,588,834.22
(1) Classification according to business continuity			
1. Net Profit from Continuing Operations (Net Loss is indicated with a "-" sign)		322,986,136.84	133,588,834.22
2. Net profit from termination of operations (net loss is indicated with a "-" sign)			
(2) Classification according to ownership			
1. Net profit attributable to shareholders of the parent company (net loss is indicated by a "-" sign)		315,405,020.68	110,031,914.36
2. Minority shareholders' profit and loss (net loss is indicated with a "-" sign)		7,581,116.16	23,556,919.86
6. Net after-tax of other comprehensive income		-1,763,253.62	3,817,578.31
Net after-tax other comprehensive income attributable to owners of the parent company		-1,763,253.62	3,817,578.31
(1) Other comprehensive income that cannot be reclassified into profit or loss			
1. Remeasure the change in the set benefit plan			
2. Other comprehensive income under the equity method that cannot be converted into profit or loss			
3. Changes in the fair value of investments in other equity instruments			
4. Changes in the fair value of the enterprise's own credit risk			
(b) Other comprehensive income that will be reclassified into profit or loss		-1,763,253.62	3,817,578.31
1. Other comprehensive income of convertible gains and losses under the equity method			
2. Changes in the fair value of other debt investments			
3. The amount by which financial assets are reclassified into other comprehensive income			
4. Other debt investment credit impairment provisions			
5. Cash flow hedging reserves			
6. Foreign currency financial statements translate the difference		-1,763,253.62	3,817,578.31
7. other			

project	Note V	The amount for the current period	The amount of the previous period
Net after-tax other comprehensive income attributable to minority shareholders			
7. Total comprehensive income		321,222,883.22	137,406,412.53
Total comprehensive income attributable to owners of the parent company		313,641,767.06	113,849,492.67
Total comprehensive income attributable to minority shareholders		7,581,116.16	23,556,919.86
8. Earnings per share:			
(1) Basic earnings per share (RMB/share)		0.34	0.12
(2) Diluted earnings per share (yuan/share)		0.34	0.12

Where a merger of enterprises under the same control occurs in the current period, the net profit realized by the merged party before the merger is: \_\_\_\_\_ The notes to the financial statements are an integral part of the financial statements.

Person in charge of the company: Person in charge of accounting work: Head of accounting agency:

**Lianhua Technology Co., Ltd**  
**Income statement of the parent company**  
**FY2021**

(Unless otherwise specified, the amount unit is RMB)

project	Note XV	The amount for the current period	The amount of the previous period
1. Operating income	(5)	2,404,697,962.51	2,097,297,417.71
Less: Operating costs	(5)	1,925,749,055.97	1,577,070,865.44
Taxes and Surcharges		33,254,315.53	29,715,144.56
Selling expenses		4,102,212.72	5,075,041.84
Manage expenses		184,531,052.37	120,766,298.45
R&D expenses		97,608,619.64	84,897,367.48
Finance expenses		-7,347,380.70	51,348,471.10
Where: Interest expense		41,009,618.67	58,287,690.47
Interest income		62,832,897.83	58,196,566.67
Plus: Other benefits		3,106,616.97	17,696,759.20
Investment income (losses are listed with a "-" sign)	(6)	117,113,807.70	554,193,646.45
Among them: income from investments in associates and joint ventures	(6)	2,511,832.66	10,350,565.95
Financial assets measured at amortized cost are derecognized earnings			
Net exposure hedging gains (losses are shown with a "-" sign)			
Gain on fair value change (loss is indicated with a "-" sign)		5,534,331.59	2,979,809.46
Credit impairment loss (loss is listed with a "-" sign)		-37,605,951.00	9,581,403.50
Impairment losses on assets (losses are listed with a "-" sign)		-28,448,164.51	-273,550,277.92
Proceeds from disposal of assets (losses are listed with a "-" sign)		85,468.67	47,081.19
2. Operating profit (loss is filled in with a "-" sign)		226,586,196.40	539,372,650.72
Plus: Non-operating income		12,420,953.87	322,471.50
Less: Non-operating expenses		5,512,056.56	12,474,920.95
3. Total profit (total loss is filled in with a "-" sign)		233,495,093.71	527,220,201.27
Minus: Income tax expense		23,563,631.49	23,328,916.22
4. Net profit (net loss is filled in with a "-" sign)		209,931,462.22	503,891,285.05
(1) Net profit from continuing operations (net loss is listed with a "-" sign)		209,931,462.22	503,891,285.05
(2) Net profit from termination of operation (net loss is listed with a "-" sign)			
5. Net after-tax income of other comprehensive income			
(1) Other comprehensive income that cannot be reclassified into profit or loss			
1. Remeasure the change in the set benefit plan			
2. Other comprehensive income under the equity method that cannot be converted into profit or loss			
3. Changes in the fair value of investments in other equity instruments			
4. Changes in the fair value of the enterprise's own credit risk			
(b) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income of convertible gains and losses under the equity method			
2. Changes in the fair value of other debt investments			

project	Note XV	The amount for the current period	The amount of the previous period
3. The amount by which financial assets are reclassified into other comprehensive income			
4. Other debt investment credit impairment provisions			
5. Cash flow hedging reserves			
6. Foreign currency financial statements translate the difference			
7. other			
6. Total comprehensive income		209,931,462.22	503,891,285.05
7. Earnings per share:			
(1) Basic earnings per share (RMB/share)			
(2) Diluted earnings per share (yuan/share)			

The notes to the financial statements are an integral part of the financial statements.

Person in charge of the company: Person in charge of accounting work: Head of accounting agency:

**Lianhua Technology Co., Ltd**  
**Consolidated cash flow statement**  
**FY2021**

(Unless otherwise specified, the amount unit is RMB)

project	Note V	The amount for the current period	The amount of the previous period
<b>1. Cash flow from operating activities</b>			
Cash received from the sale of goods and the provision of services		5,253,007,034.45	4,213,239,649.78
Net increase in customer deposits and interbank deposits			
Net increase in borrowing from the Central Bank			
Net increase in the amount of funds transferred to other financial institutions			
Receipt of cash from premiums from the original insurance contract			
Net cash received from reinsurance operations			
Net increase in policyholders' savings and investments			
Cash for interest, handling fees and commissions			
Net increase in inward funds			
Net increase in repurchase operations			
Net cash received for the agency to buy or sell securities			
Tax refunds received		453,307,702.81	301,867,978.36
Receipt of other cash related to operating activities	(Fifty-seven)	62,421,826.52	131,020,747.60
Subtotal of cash inflows from operating activities		5,768,736,563.78	4,646,128,375.74
Cash for the purchase of goods and payment for services		3,157,846,901.05	1,818,462,500.46
Net increase in customer loans and advances			
Net increase in deposits with central banks and interbanks			
Cash for payment of the original insurance contract indemnity payment			
Net increase in the amount of funds withdrawn			
Cash for interest, handling and commission payments			
Cash for the payment of policy dividends			
Cash paid to and for employees		1,132,236,144.99	868,351,630.38
Taxes paid		297,545,222.46	204,620,639.80
Payment of other cash related to operating activities	(Fifty-seven)	443,319,912.11	375,415,256.60
Subtotal of cash outflows from operating activities		5,030,948,180.61	3,266,850,027.24
<b>Net cash flow from operating activities</b>		737,788,383.17	1,379,278,348.50
<b>2. Cash flow from investing activities</b>			
Recover the cash received from the investment			
Cash received to receive investment income		12,000,000.00	6,150,000.00
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		2,336,501.63	114,942,291.36
Net cash received from disposal subsidiaries and other business units			
Receipt of other cash related to investment activities	(Fifty-seven)	114,834,197.26	20,676,047.37
Subtotal of cash inflows from investment activities		129,170,698.89	141,768,338.73
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		1,645,246,595.90	1,462,395,140.24
Invest in cash paid			15,000,000.00
Net increase in pledge loans			
Net cash payments from subsidiaries and other business units			
Payment of other cash related to investment activities	(Fifty-seven)	20,000,000.00	
Subtotal of cash outflows from investment activities		1,665,246,595.90	1,477,395,140.24
<b>Net cash flow from investing activities</b>		-1,536,075,897.01	-1,335,626,801.51
<b>3. Cash flows from fund-raising activities</b>			
Absorb cash received from investments			
Among them: subsidiaries absorb cash received from minority shareholders' investments			
Obtain cash received from borrowings		2,401,487,018.76	3,463,862,780.00
Other cash received in connection with fund-raising activities	(Fifty-seven)	101,587,656.79	17,006,516.67
Subtotal of cash inflows from fund-raising activities		2,503,074,675.55	3,480,869,296.67
Cash paid to repay debts		1,434,272,810.00	3,574,790,880.00

project	Note V	The amount for the current period	The amount of the previous period
Cash paid for the distribution of dividends, profits, or interest payments		142,151,225.72	173,662,753.32
Among them: dividends and profits paid by subsidiaries to minority shareholders		20,000,000.00	49,000,000.00
Payment of other cash related to fund-raising activities	(Fifty-seven)	134,307,274.87	114,612,751.23
Subtotal of cash outflows from financing activities		1,710,731,310.59	3,863,066,384.55
<b>Net cash flow from fund-raising activities</b>		<b>792,343,364.96</b>	<b>-382,197,087.88</b>
<b>4. The impact of exchange rate changes on cash and cash equivalents</b>		<b>-17,667,323.69</b>	<b>-34,161,568.88</b>
<b>5. Net increase in cash and cash equivalents</b>		<b>-23,611,472.57</b>	<b>-372,707,109.77</b>
Plus: Opening cash and cash equivalent balances		494,308,003.98	867,015,113.75
<b>6. Balance of cash and cash equivalents at the end of the period</b>		<b>470,696,531.41</b>	<b>494,308,003.98</b>

The notes to the financial statements are an integral part of the financial statements.

Person in charge of the company: Person in charge of accounting work: Head of accounting agency:

**Lianhua Technology Co., Ltd**  
**Parent company cash flow statement**  
**FY2021**

(Unless otherwise specified, the amount unit is RMB)

project	annotati ons	The amount for the current period	The amount of the previous period
<b>1. Cash flow from operating activities</b>			
Cash received from the sale of goods and the provision of services		2,250,599,243.33	1,651,785,750.11
Tax refunds received		62,170,342.87	88,525,953.19
Receipt of other cash related to operating activities		82,152,589.82	152,774,925.41
Subtotal of cash inflows from operating activities		2,394,922,176.02	1,893,086,628.71
Cash for the purchase of goods and payment for services		1,252,203,884.72	1,354,359,221.81
Cash paid to and for employees		281,774,189.52	234,125,846.92
Taxes paid		98,230,217.65	22,805,397.88
Payment of other cash related to operating activities		177,334,829.04	23,078,659.48
Subtotal of cash outflows from operating activities		1,809,543,120.93	1,634,369,126.09
<b>Net cash flow from operating activities</b>		<b>585,379,055.09</b>	<b>258,717,502.62</b>
<b>2. Cash flow from investing activities</b>			
Recover the cash received from the investment			
Cash received to receive investment income		92,000,000.00	532,150,000.00
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		535,035.84	127,731.19
Net cash received from disposal subsidiaries and other business units			4,303,033.13
Receipt of other cash related to investment activities		426,349,453.26	677,200,581.43
Subtotal of cash inflows from investment activities		518,884,489.10	1,213,781,345.75
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		106,468,164.82	57,751,076.03
Invest in cash paid		256,800,000.00	15,000,000.00
Net cash payments from subsidiaries and other business units			
Payment of other cash related to investment activities		1,612,880,353.11	974,889,359.92
Subtotal of cash outflows from investment activities		1,976,148,517.93	1,047,640,435.95
<b>Net cash flow from investing activities</b>		<b>-1,457,264,028.83</b>	<b>166,140,909.80</b>
<b>3. Cash flows from fund-raising activities</b>			
Absorb cash received from investments			
Obtain cash received from borrowings		1,851,731,678.76	2,015,006,500.00
Other cash received in connection with fund-raising activities		1,013,290,087.77	1,079,937,186.55
Subtotal of cash inflows from fund-raising activities		2,865,021,766.53	3,094,943,686.55
Cash paid to repay debts		1,045,493,350.00	2,208,771,380.00
Cash paid for the distribution of dividends, profits, or interest payments		86,582,795.96	79,903,936.60

project	annotati ons	The amount for the current period	The amount of the previous period
Payment of other cash related to fund-raising activities		928,658,275.43	1,125,036,346.62
Subtotal of cash outflows from financing activities		2,060,734,421.39	3,413,711,663.22
<b>Net cash flow from fund-raising activities</b>		<b>804,287,345.14</b>	<b>-318,767,976.67</b>
<b>4. The impact of exchange rate changes on cash and cash equivalents</b>		<b>-10,969,583.07</b>	<b>-28,504,483.58</b>
<b>5. Net increase in cash and cash equivalents</b>		<b>-78,567,211.67</b>	<b>77,585,952.17</b>
Plus: Opening cash and cash equivalent balances		432,024,090.98	354,438,138.81
<b>6. Balance of cash and cash equivalents at the end of the period</b>		<b>353,456,879.31</b>	<b>432,024,090.98</b>

The notes to the financial statements are an integral part of the financial statements.

Person in charge of the company: Person in charge of accounting work: Head of accounting agency:

**Lianhua Technology Co., Ltd**  
**Consolidated Statement of Changes in Owners' Equity**  
**FY2021**  
**(Unless otherwise specified, the amount unit is RMB)**

The amount for the current period														
project	share capital	Other equity tools			Attributable to the owners' equity of the parent company							Minority shareholders' interests	Total owner's equity	
		Preferred stock	Perpetual bonds	other	Capital reserve	Minority Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	General risk preparedness	Undistributed profit			subtotal
1. Balance at the end of the previous year	923,246,256.00				2,208,985,896.80		6,763,011.11		309,829,027.10		2,579,002,522.52	6,027,826,713.53	40,357,138.20	6,068,183,851.73
Plus: Changes in accounting policies														
Correction of previous errors														
Business combination under the same control														
other														
2. Balance at the beginning of the current year	923,246,256.00				2,208,985,896.80		6,763,011.11		309,829,027.10		2,579,002,522.52	6,027,826,713.53	40,357,138.20	6,068,183,851.73
3. Amount of increase or decrease in the current period (the reduction is listed with a "-" sign)					5,892,104.96		-1,763,253.62		20,993,146.22		248,249,561.66	273,371,559.22	-12,418,883.84	260,952,675.38
(1) Total comprehensive income							-1,763,253.62				315,405,020.68	313,641,767.06	7,581,116.16	321,222,883.22
(b) Owners invest and reduce capital					5,892,104.96							5,892,104.96		5,892,104.96
1. The common stock invested by the owner														
2. Holders of other equity instruments invest capital														
3. The amount of share payments that are included in the owner's equity														
4. other					5,892,104.96							5,892,104.96		5,892,104.96
(3) P of distribution									20,993,146.22		-67,155,459.02	-46,162,312.80	-20,000,000.00	-66,162,312.80
1. Extract the surplus reserve									20,993,146.22		-20,993,146.22			
2. Extract general risk preparation														
3. Distribution to owners (or shareholders)											-46,162,312.80	-46,162,312.80	-20,000,000.00	-66,162,312.80
4. other														
(d) Internal carry-over of owners' equity														
1. Conversion of capital reserve into capital (or equity)														
2. Surplus reserves into capital (or equity)														
3. The surplus reserve covers the loss														
4. Set the change in the benefit plan to carry forward retained earnings														



**Lianhua Technology Co., Ltd**  
**Consolidated Statement of Changes in Owners' Equity (continued).**  
**FY2021**  
**(Unless otherwise specified, the amount unit is RMB)**

[illegible]

The amount of the previous period														
project	Attributable to the owners' equity of the parent company										Minority shareholders' interests	Total owner's equity		
	share capital	Other equity tools			Capital reserve	Minus Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	General risk preparedness			Undistributed profit	subtotal
		Prefered stock	Perpetual bonds	other										
3 The surplus reserve covers the loss														
4 Set the change in the benefit plan to carry forward retained earnings														
5 Other comprehensive income carries forward retained earnings														
6. other														
(5) Special reserves														
1 Extracted in this issue								39,190,566.80				39,190,566.80		
2. Use in this issue								39,190,566.80				39,190,566.80		
(6) Others														
4. Closing balances of the current period	923,246,256.00				2,208,985,896.80		6,763,011.11		309,829,027.10		2,579,002,522.52	6,027,826,713.53	40,357,138.20	6,068,183,851.73

The notes to the financial statements are an integral part of the financial statements.

Person in charge of the company: Person in charge of accounting work: Head of accounting agency:

**Lianhua Technology Co., Ltd**  
**Statement of changes in owners' equity of the parent company**  
**FY2021**  
**(Unless otherwise specified, the amount unit is RMB)**

project	share capital	Other equity tools			Capital reserve	Minus Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profit	Total owner's equity
		Preferred stock	Perpetual bonds	other							
1 Balance at the end of the previous year	923,246,256.00				2,255,888,383.63				309,829,027.10	1,934,689,650.14	5,423,653,316.87
Plus: Changes in accounting policies											
Correction of previous errors											
other											
2 Balance at the beginning of the current year	923,246,256.00				2,255,888,383.63				309,829,027.10	1,934,689,650.14	5,423,653,316.87
3 Amount of increase or decrease in the current period (the reduction is listed with a "-" sign)									20,993,146.22	142,776,003.10	163,769,149.42
(1) Total comprehensive income										209,931,462.22	209,931,462.22
(b) Owners invest and reduce capital											
1 The common stock invested by the owner											
2 Holders of other equity instruments invest capital											
3 The amount of share payments that are included in the owner's equity											
4 other											
(3) Profit distribution									20,993,146.22	-67,155,459.02	-46,162,312.80
1 Extract the surplus reserve									20,993,146.22	-20,993,146.22	
2 Distribution to owners (or shareholders)										-46,162,312.80	-46,162,312.80
3 other											
(d) Internal carry-over of owner's equity											
1 Conversion of capital reserve into capital (or equity)											
2 Surplus reserves into capital (or equity)											
3 The surplus reserve covers the loss											
4 Set the change in the benefit plan to carry forward retained earnings											
5 Other comprehensive income carries forward retained earnings											
6 other											
(5) Special reserves											
1 Extended in this issue								8,894,594.83			8,894,594.83
2 Use in this issue								8,894,594.83			8,894,594.83
(6) Others											
4 Closing balances of the current period	923,246,256.00				2,255,888,383.63				330,822,173.32	2,077,405,653.34	5,587,472,466.29

The notes to the financial statements are an integral part of the financial statements.

Person in charge of the company: Person in charge of accounting work: Head of accounting agency:

**Lianhua Technology Co., Ltd**  
**Statement of Changes in Owners' Equity of the Parent Company (continued).**  
**FY2021**  
**(Unless otherwise specified, the amount unit is RMB)**

project	share capital	Other equity tools			The amount of the previous period				
		Preferred stock	Perpetual bonds	other	Capital reserve	Minus Treasury shares	Other comprehensive income	Special reserves	Surplus reserve
1. Balance at the end of the previous year	923,878,056.00				2,255,470,562.63	55,124,244.00			259,439,898.59
Plus: Changes in accounting policies									
Correction of previous errors									
other									
2. Balance at the beginning of the current year	923,878,056.00				2,255,470,562.63	55,124,244.00			259,439,898.59
3. Amount of increase or decrease in the current period (the reduction is listed with a " - " sign)	-631,800.00				417,821.00	-55,124,244.00			50,389,128.51
(1) Total comprehensive income									503,891,285.05
(b) Owners invest and reduce capital	-631,800.00				417,821.00	-55,124,244.00			54,910,265.00
1. The common stock invested by the owner	-631,800.00				-4,409,964.00	-55,124,244.00			50,082,480.00
2. Holders of other equity instrument invest capital									
3. The amount of share payments that are included in the owner's equity					4,827,785.00				4,827,785.00
4. other									
(3) Profit distribution									50,389,128.51
1. Extract the surplus reserve									-50,389,128.51
2. Distribution to owners (or shareholders)									-46,023,316.80
3. other									
(4) Interim carry-over of owners' equity									
1. Conversion of capital reserve into capital (or equity)									
2. Surplus reserves into capital (or equity)									
3. The surplus reserve covers the loss									
4. Set the change in the benefit plan to carry forward retained earnings									
5. Other comprehensive income carries forward retained earnings									
6. other									
(5) Special reserves									
1. Extracted in this issue								8,114,596.61	8,114,596.61
2. Issued in this issue								8,114,596.61	8,114,596.61

project	The amount of the previous period										
	share capital	Other equity tools			Capital reserve	Minus Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profit	Total owner's equity
		Preferred stock	Perpetual bonds	other							
(6) Others											
4 Closing balances of the current period	923,246,256.00				2,255,888,383.63				309,829,027.10	1,934,689,650.14	5,423,653,316.87

The notes to the financial statements are an integral part of the financial statements.

Person in charge of the company: Person in charge of accounting work: Head of accounting agency:

# Lianhua Technology Co., Ltd

## Notes to the 2021 Financial Statements

(Unless otherwise specified, the amount unit is RMB)

### 一、 Basic information of the company

#### (一) Company Profile

Lianhua Technology Co., Ltd. (hereinafter referred to as the "Company") is a joint-stock limited company established by Zhejiang Lianhua Group Co., Ltd. as a whole with the approval of Zhejiang Listing Leading Group [2001] No. 49 of the Leading Group for the Listing of Enterprises of the People's Government of Zhejiang Province. With Mou Jinxiang, Chen Jianlang, Zhang Youzhi, Wang Jiangtao, Dong Zhigang, Zhang Xiangui, Zheng Xianping, Peng Yinsheng and Bao Zhenyong as the promoters, the company has a registered capital of RMB53.8 million and a total share capital of RMB53.8 million with a par value of RMB1 per share. The company was registered in The Administration for Industry and Commerce of Zhejiang Province on August 29, 2001 and obtained a business license as an enterprise legal person with a registration number of 3300001008115.

On April 29, 2007, the Company, by resolution of the General Meeting of Shareholders, agreed to distribute 8 bonus shares (including tax) and cash of RMB2.30 (including tax) to all shareholders on the basis of the total share capital of 53.8 million shares at the end of 2006. The registered capital after the change is RMB 96.84 million. The registered capital has been verified by Fong's Certified Public Accountants Limited and issued a capital verification report No. 23097 (2007). On July 19, 2007, with the approval of Zhejiang Provincial Administration for Industry and Commerce, it obtained the business license of enterprise legal person with the registration number of 330000000000312.

According to the resolution of the Company's first Extraordinary General Meeting of Shareholders in 2007 and approved by the China Securities Regulatory Commission 'Csrc regulatory approval [2008] No. 732 document, the Company publicly issued 32.3 million RMB ordinary shares (A shares) to the public, and the total share capital after the issuance was 129.14 million shares. It was listed on the Shenzhen Stock Exchange on June 19, 2008. As of December 31, 2021, the Company had issued a total of 923,246,256.00 shares and a registered capital of RMB923,246,256.00. Unified social credit code: 9133000014813673X3.

Place of registration: No. 8, Yongjiao Road, Economic Development Zone, Huangyan

District, Taizhou City, Zhejiang Province, with the same headquarters address as the registered place.

The company's industry is chemical raw materials and chemical products manufacturing industry, the scope of business is: the manufacture of fine chemical products intermediates (dangerous goods production see the "safety production license"), the operation of the enterprise and the enterprise member enterprises self-produced products and related technology export business; the operation of the enterprise and the enterprise member enterprises production, scientific research required raw and auxiliary materials, machinery and equipment, instrumentation, spare parts and related technologies import and export business; the operation of the enterprise's import processing and "three to one supplement" business (according to the law must be approved projects, Business activities can only be carried out after approval by the relevant departments). On January 19, 2022, the Company completed the registration of the change of industry and commerce, and deleted the "real estate development and operation" in the original business scope.

The actual controller of the Company is Ms. Mou Jinxiang, a natural person.

This financial statement was approved by all directors of the Company on 20 April 2022.

## (二) Consolidated financial statement scope

For the year ended December 31, 2021, the subsidiaries within the scope of the Company's consolidated financial statements are as follows:

Subsidiary name
Taizhou Lianhua Import & Export Co., Ltd
Shanghai Baofeng Machinery Manufacturing Co., Ltd
Jiangsu Lianhua Technology Co., Ltd
Lianhua Technology (Taizhou) Co., Ltd
Lianhua Technology (Shanghai) Co., Ltd
Lianhua Technology (Texas) Co., Ltd
Liaoning Tianyu Chemical Co., Ltd
Hubei Juntai Pharmaceutical Chemical Co., Ltd
LIANHETECH SINGAPORE PTE. LTD.
LIANHETECH HOLDCO LIMITED
LIANHETECH EUROPE LIMITED
PROJECT BOND HOLDCO LIMITED
PROJECT BOND BIDCO LIMITED

Subsidiary name
FINE INDUSTRIES LIMITED
FINE ORGANICS LIMITED
FINE ENVIRONMENTAL SERVICE LIMITED
FINE FACILITIES MANAGEMENT LIMITED
FINE CONTRACT RESEARCH LIMITED
Yancheng Lianke Environmental Protection Technology Co., Ltd
Lianhua Technology (Linhai) Co., Ltd
Yancheng Baofeng New Energy Equipment Co., Ltd
Lianhua Angjian Pharmaceutical Technology (Shanghai) Co., Ltd
Lianhua Technology New Material (Taizhou) Co., Ltd

The scope of the consolidated financial statements for the period and its changes are detailed in the notes "VI. Changes in the Scope of consolidation" and "VII. Interests in Other Entities".

## 二、Basis for the preparation of financial statements

### (一) Preparation of the foundation

This financial statement is in accordance with the Accounting Standards for Business Enterprises - Basic Standards promulgated by the Ministry of Finance, various specific accounting standards, the Guide to the Application of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other relevant provisions (hereinafter collectively referred to as "Accounting Standards for Business Enterprises"), as well as the China Securities Regulatory Commission's Rules for the Compilation of Information Disclosure of Companies Publicly Offering Securities No. 15 - General Provisions on Financial Reporting Preparation of relevant regulations.

### (二) Going concern

The Company has the ability to continue as a going concern for at least 12 months from the end of the reporting period, and there are no material matters affecting the ability to continue as a going concern.

## 三、Significant accounting policies and accounting estimates

The following disclosures have covered the specific accounting policies and accounting estimates formulated by the Company based on the actual production and operation characteristics. For details, see "III(IX)6, Testing Methods and Accounting Treatment of Impairment of Financial Assets", "III(15) 2. Depreciation method", "three (eighteen)

intangible assets", "three, (twenty-four)" 2. Specific principles of revenue recognition".

**(一) Declaration of compliance with accounting standards for business enterprises**

This financial statement complies with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance and provides a true and complete reflection of the consolidated and parent financial position of the Company as at December 31, 2021 and the consolidated and parent operating results and cash flows for the year 2021.

**(二) Fiscal periods**

It is a fiscal year from January 1 to December 31 in the Gregorian calendar.

**(三) Business cycle**

The company's business cycle is 12 months.

**(四) Accounting base currency**

The Company adopts RMB as the base currency for bookkeeping.

**(五) Accounting treatment of business combinations under the same control and non-under the same control**

Business combinations under the same control: The assets and liabilities acquired by the merging party in the business combination (including the goodwill formed by the acquisition of the merged party by the ultimate controlling party) are measured on the basis of the carrying amount of the assets and liabilities of the merged party in the consolidated financial statements of the final controlling party at the date of the merger. The difference between the carrying amount of net assets acquired in the consolidation and the carrying amount of the consolidated consideration paid (or the total par value of the issued shares) is adjusted for the equity premium in the capital reserve, and the retained earnings are adjusted if the equity premium in the capital reserve is insufficient to be offset.

Business combinations that are not under the same control: The cost of the merger is the assets, liabilities incurred or incurred by the purchaser and the fair value of the equity securities issued by the purchaser to acquire control of the purchased party on the date of purchase. The difference between the cost of consolidation that is greater than the fair value share of the recognized net assets of the purchased party acquired in the merger shall be recognized as goodwill, and the difference between the cost of the merger is less than the fair value share of the recognized net assets of the purchased party obtained in the merger

and is included in the profit or loss of the current period. Recognizable assets, liabilities and contingent liabilities of the purchased party acquired in the consolidation that are eligible for recognition are measured at fair value at the date of purchase.

Expenses directly related to a business combination are included in the profit or loss of the current period at the time of occurrence, and the transaction costs of issuing equity or debt securities for the purpose of the business combination are included in the initial recognition amount of the equity or debt securities.

## **(六) Methodology for the preparation of consolidated financial statements**

### **1、 Merge scopes**

The scope of consolidation of the consolidated financial statements is determined on the basis of control, which includes the Company and all subsidiaries. Control means that the company has power over the investee, enjoys a variable return by participating in the relevant activities of the investee, and has the ability to use the power over the investee to influence the amount of its return.

### **2、 Merge programs**

The Company treats the entire corporate group as an accounting entity and prepares consolidated financial statements in accordance with a unified accounting policy that reflects the overall financial position, results of operations and cash flows of the group. The impact of internal transactions between the Company and its subsidiaries and subsidiaries is offset. Where an internal transaction indicates an impairment loss on the underlying assets, the loss is recognized in full. If the accounting policies and accounting periods adopted by the subsidiary are inconsistent with those of the Company, the necessary adjustments shall be made in accordance with the accounting policies and accounting periods of the Company when preparing the consolidated financial statements.

The shares of minority shareholders in subsidiary owners' equity, current net profit or loss and current comprehensive income are presented separately under the heading of owners' equity in the consolidated balance sheet, under the net profit item of the consolidated income statement and under the item of total comprehensive income, respectively. The current period loss shared by the minority shareholders of the subsidiary exceeds the balance formed by the minority shareholders' share in the initial owners' equity of the subsidiary, which reduces the equity of several

shareholders.

(1) Increase subsidiaries or businesses

During the reporting period, if a subsidiary or business is added as a result of a business combination under the same control, the operating results and cash flows of the subsidiary or business consolidation from the beginning of the current period to the end of the reporting period are included in the consolidated financial statements, and the opening number of the consolidated financial statements and the relevant items in the comparative statements are adjusted, The deemed merged report body exists from the point when the final controller begins to control.

Where the controlling party under the same control is possible due to additional investments, etc., the equity investment held before the acquisition of the control of the merged party has been recognized between the date of acquisition of the original equity and the date on which the merged party and the merged party are in the same control, and the relevant gains and losses, other comprehensive income and other changes in net assets have been recognized, respectively, and the opening retained earnings or profits and losses of the current period are deducted respectively.

Where subsidiaries or businesses are added as a result of a business combination that is not under the same control during the reporting period, it is included in the consolidated financial statements on the basis of the fair value of identifiable assets, liabilities and contingent liabilities determined on the date of purchase.

Where it is possible to exercise control over an investee that is not under the same control due to additional investment or other reasons, the equity of the purchased party held before the purchase date shall be remeasured according to the fair value of the equity on the purchase date, and the difference between the fair value and its carrying amount shall be included in the investment income of the current period. The equity of the purchased party held before the purchase date involves other comprehensive income that can be reclassified into profit or loss later, and other changes in owner's equity under the equity method accounting are converted into investment income for the current period on the purchase date.

(2) Disposal of subsidiaries

(1) General treatment methods

When the controlling interest in the investee is lost due to the disposal of part of the equity investment or other reasons, the remaining equity investment after disposal shall be remeasured according to its fair value on the date of loss of control. The sum

of the consideration obtained for the disposal of the equity and the fair value of the remaining equity, less the difference between the share of the net assets and the sum of the goodwill that the original subsidiary should have enjoyed since the date of purchase or merger calculated in proportion to the original shareholding, is included in the investment income of the period in which control is lost. Other comprehensive income related to the equity investment of the original subsidiary that can be reclassified into profit or loss in the future, and other changes in owner's equity under the equity method accounting, are converted into investment income for the current period when control is lost.

## (2) Step-by-step disposal of subsidiaries

Where equity investments in subsidiaries are disposed of in a step-by-step manner through multiple transactions until control is lost, the terms, conditions and economic impact of the disposal of the equity investment in the subsidiary are consistent with one or more of the following circumstances, which usually indicates that the multiple transactions are a package transaction:

- i. These transactions are entered into at the same time or with consideration of each other's influence;
- ii. These transactions as a whole can achieve a complete commercial outcome;
- iii. The occurrence of one transaction depends on the occurrence of at least one other transaction;
- iv. A transaction is not economical in isolation, but it is economical when considered in conjunction with other transactions.

Where transactions are a package transaction, the transactions are accounted for as a transaction for the disposal of the subsidiary and the loss of control; the difference between the price of each disposal prior to the loss of control and the corresponding share of the net assets of the disposal investment is recognized as other comprehensive income in the consolidated financial statements and, in the event of loss of control, is transferred to the profit or loss of the period in which the control is lost.

Where transactions are not part of a package transaction, the equity investments of the subsidiary shall be partially disposed of without loss of control before the loss of control shall be accounted for;

## (3) Purchase of minority stake in subsidiaries

The difference between the newly acquired long-term equity investment due to the purchase of minority equity and the share of net assets that should be enjoyed by the

subsidiary from the date of purchase or the date of consolidation calculated in proportion to the new shareholding shall be adjusted, and the equity premium in the capital reserve shall be adjusted if the equity premium in the consolidated balance sheet is insufficient, and retained earnings shall be adjusted.

**(4) Partial disposal of equity investment in subsidiaries without loss of control**

The difference between the disposal price and the disposition of the long-term equity investment shall be the difference between the share of net assets calculated continuously by the subsidiary since the date of purchase or the date of consolidation, adjust the equity premium in the capital reserve on the consolidated balance sheet, and adjust the retained earnings if the equity premium in the capital reserve is insufficient to be offset.

**(七) Criteria for determining cash and cash equivalents**

Cash refers to cash on hand by the Company and deposits that can be used for payment at any time. Cash equivalents are investments held by the Company that have a short term, are highly liquid, are easy to convert into cash in a known amount, and have little risk of change in value.

**(八) Foreign currency transactions and foreign currency report translation**

**1、 Foreign currency business**

The foreign currency business uses the spot exchange rate on the date of the transaction as the conversion rate to convert the foreign currency amount into RMB for accounting.

The balance of foreign currency monetary items at the balance sheet date is translated at the spot exchange rate at the balance sheet date, and the resulting exchange difference is included in the profit or loss of the current period, except for the exchange difference resulting from the foreign currency special borrowing related to the acquisition and construction of assets eligible for capitalization, which is treated in accordance with the principle of capitalization of borrowing costs.

**2、 Translation of foreign currency financial statements**

The assets and liabilities in the balance sheet are converted using the spot exchange rate at the balance sheet date, and the items of owner's equity except for the "undistributed profit" item are converted at the spot exchange rate at the time of

occurrence. Income and expense items in the income statement are subject to the spot exchange rate on the date of the transaction (or: an exchange rate similar to the spot exchange rate on the date of the transaction, as determined in accordance with a systematic and reasonable method. Tip: If this method is used, it should be clearly indicated which method and which caliber) conversion.

When disposing of an overseas operation, the difference in the foreign currency financial statements related to the overseas operation is converted and transferred from the owner's equity item to the profit or loss of the current period of disposal.

## (九) Financial instruments

When the Company becomes a party to a contract for financial instruments, it recognizes a financial asset, financial liability or equity instrument.

### 1、 Classification of financial instruments

Based on the Company's business model for managing financial assets and the characteristics of contractual cash flows of financial assets, financial assets are classified at initial recognition as: financial assets measured at amortized cost, financial assets measured at fair value and the change of which is included in other comprehensive income, and financial assets measured at fair value and the change of which is included in the profit or loss of the current period.

The Company will classify financial assets measured at amortized cost as financial assets that meet the following criteria and are not designated as measured at fair value and the change of which is included in the profit or loss of the current period:

- The business model is aimed at collecting contractual cash flows;
- Contractual cash flows are payments only to the principal and interest based on the amount of the principal outstanding.

The Company will classify financial assets (debt instruments) that meet the following criteria and are not designated as measured at fair value and the change of which is included in the profit or loss of the current period, as financial assets measured at fair value and the change of which is included in other comprehensive income:

- The business model is aimed both at receiving contractual cash flows and at the sale of the financial asset;
- Contractual cash flows are payments only to the principal and interest based on the amount of the principal outstanding.

For investments in non-tradable equity instruments, the Company may irrevocably designate them at initial recognition as financial assets (equity instruments) measured at fair value and the change thereof is included in other comprehensive income. The designation is made on the basis of a single investment and the underlying investment meets the definition of an equity instrument from the issuer's point of view.

With the exception of the above-mentioned financial assets measured at amortized cost and measured at fair value, the Company classifies all remaining financial assets as financial assets measured at fair value and the change of which is included in the profit or loss of the current period. At the time of initial recognition, if an accounting mismatch can be eliminated or significantly reduced, the Company may irrevocably designate financial assets that should have been classified as a measure of amortized cost or measured at fair value and the change of which is included in other comprehensive income as financial assets measured at fair value and the change of which is included in the profit or loss of the current period.

Financial liabilities are classified at initial recognition as financial liabilities measured at fair value and the change thereof being included in the profit or loss of the current period and financial liabilities measured at amortized cost.

Financial liabilities that meet one of the following criteria may be designated as financial liabilities measured at fair value at the time of initial measurement and the change of which is included in the profit or loss of the current period:

- 1) The designation eliminates or significantly reduces accounting mismatches.
- 2) Manage and evaluate the financial liability portfolio or the financial asset and financial liability portfolio on the basis of fair value based on the enterprise risk management or investment strategy stated in the official written documents, and report to key management personnel on this basis within the enterprise.
- 3) The financial liability contains embedded derivative instruments that need to be spun off separately.

## **2、Basis for recognition and measurement of financial instruments**

### **(1) Financial assets measured at amortized cost**

Financial assets measured at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, debt investments, etc., which are initially measured at fair value, and the relevant transaction costs are included in

the initial recognition amount Accounts receivable that do not contain a significant financing component and accounts receivable that the Company decides not to take into account financing components for no more than one year are initially measured at the contract transaction price.

Interest calculated using the effective interest rate method during the holding period is included in the profit or loss of the current period.

When recovered or disposed of, the difference between the price acquired and the carrying amount of the financial asset is included in the profit or loss of the current period.

(2) Financial assets (debt instruments) measured at fair value and the change thereof is included in other comprehensive income

Financial assets (debt instruments) measured at fair value and the change of which is included in other comprehensive income, including receivables financing, other debt investments, etc., are initially measured at fair value, and the relevant transaction costs are included in the initial recognition amount. The financial asset is subsequently measured at fair value, and changes in fair value are included in comprehensive income in addition to interest, impairment losses or gains and gains and losses on exchange rates calculated using the effective interest rate method.

On derecognition, accrued gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and are included in the profit or loss of the current period.

(3) Financial assets measured at fair value and the change thereof is included in other comprehensive income (equity instruments)

Financial assets (equity instruments) measured at fair value and the change thereof included in other comprehensive income, including investments in other equity instruments, etc., are initially measured at fair value, and the relevant transaction costs are included in the initial recognition amount. The financial asset is subsequently measured at fair value, and changes in fair value are included in other comprehensive income. Dividends received are included in the profit or loss of the current period.

On derecognition, accumulated gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings.

(4) Financial assets measured at fair value and the change thereof is included in the profit or loss of the current period

Financial assets measured at fair value and the change of which is included in the profit or loss of the current period include trading financial assets, derivative financial assets, other non-current financial assets, etc., which are initially measured at fair value, and the relevant transaction costs are included in the profit or loss of the current period. The financial asset is subsequently measured at fair value, and the change in fair value is included in the profit or loss of the current period.

(5) Financial liabilities measured at fair value and the change of which is included in the profit or loss of the current period

Financial liabilities measured at fair value and the change of which is included in the

profit or loss of the current period include transactional financial liabilities, derivative financial liabilities, etc., which are initially measured at fair value, and the relevant transaction costs are included in the profit or loss of the current period. The financial liability is subsequently measured at fair value, and the change in fair value is included in the profit or loss of the current period.

At the time of derecognition, the difference between its carrying amount and the consideration paid is included in the profit or loss of the current period.

**(6) Financial liabilities measured at amortized costs**

Financial liabilities measured at amortized cost include short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, bonds payable, long-term payables, which are initially measured at fair value and the associated transaction costs are included in the initial recognition amount.

Interest calculated using the effective interest rate method during the holding period is included in the profit or loss of the current period.

At the time of derecognition, the difference between the consideration paid and the carrying amount of the financial liability is included in the profit or loss of the current period.

**3、Derecognition of financial assets and transfer of financial assets**

The Company terminates the recognition of financial assets when one of the following conditions is met:

- Termination of contractual right to receive cash flows from financial assets;
- The financial asset has been transferred and substantially all of the risks and rewards of ownership of the financial asset have been transferred to the transferee;
- Financial assets have been transferred, and although the Company has neither transferred nor retained substantially all of the risks and rewards in the ownership of financial assets, it has not retained control over financial assets.

In the event of a transfer of a financial asset, the recognition of the financial asset is not terminated if almost all of the risks and rewards on the ownership of the financial asset are retained.

The principle of substance over form is adopted when judging whether the transfer of financial assets satisfies the above-mentioned conditions for derecognition of financial assets.

The Company distinguishes the transfer of financial assets into the transfer of financial assets as a whole and a partial transfer. If the overall transfer of financial

assets satisfies the conditions for derecognition, the difference between the following two amounts shall be included in the profit or loss of the current period:

- (1) the carrying amount of the financial assets transferred;
- (2) The consideration received as a result of the transfer is the sum of the cumulative amount of the change in fair value that was originally directly recorded in the owner's equity (where the financial asset involved in the transfer is measured at fair value and the change is included in other comprehensive income (debt instruments)).

If the partial transfer of a financial asset satisfies the conditions for derecognition, the carrying amount of the financial asset transferred as a whole is apportioned between the derecognition portion and the non-derecognized portion at their respective relative fair values, and the difference between the following two amounts is included in the profit or loss of the current period:

- (1) the carrying amount of the derecognition portion;
- (2) The consideration for the derecognition portion is the sum of the corresponding de-recognition portion of the accumulated change in fair value that was originally directly recorded in the owner's equity (where the financial asset involved in the transfer is measured at fair value and the change is included in other comprehensive income (debt instruments).)

If the transfer of a financial asset does not meet the conditions for derecognition, the financial asset shall continue to be recognized and the consideration received shall be recognized as a financial liability.

#### **4、 Financial liabilities are derecognized**

If the current obligation of the financial liability has been discharged in whole or in part, the recognition of the financial liability or part thereof shall be terminated; if the Company signs an agreement with the creditor to replace the existing financial liability by assuming the new financial liability, and the contractual terms of the new financial liability and the existing financial liability are substantially different, the existing financial liability shall be terminated and the new financial liability shall be recognized at the same time.

Where substantial modifications are made to all or part of the contractual terms of existing financial liabilities, the recognition of existing financial liabilities or part thereof is terminated, and the financial liabilities after the amended terms are recognized as a new financial liability.

When financial liabilities are de-recognized in whole or in part, the difference between the carrying amount of the de-recognized financial liabilities and the consideration paid (including non-cash assets transferred out or new financial liabilities assumed) is included in the profit or loss of the current period.

If the Company repurchases part of the financial liabilities, the carrying amount of the financial liabilities as a whole will be allocated on the repurchase date according to the relative fair value of the continued recognition and derecognition parts. The difference between the carrying amount allocated to the derecognition portion and the consideration paid (including non-cash assets transferred out or new financial liabilities assumed) is recognized in the profit or loss for the current period.

**5、 A method for determining the fair value of financial assets and financial liabilities**

A financial instrument with an active market in which its fair value is determined by the quotes in the active market. Financial instruments that do not have an active market employ valuation techniques to determine their fair value. In valuation, the Company selects input values that are consistent with the characteristics of the assets or liabilities considered by market participants in their transactions with the underlying assets or liabilities, using valuation techniques that are applicable in the current circumstances and sufficiently supported by data and other information, and prioritizes the use of the relevant observable inputs. Observable input values are used only if the relevant observable input value is not available or is not practicable.

**6、 Testing methods and accounting treatment methods for impairment of financial assets**

The Company estimates, on a single or combined basis, expected credit losses for financial assets measured at amortized cost, financial assets measured at fair value and the change of which is included in other comprehensive income (debt instruments), and financial guarantee contracts.

The Company calculates the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to be received, taking into account reasonable and evidenced information such as past events, current conditions, and forecasts of future economic conditions, and recognizes expected credit losses, weighted by the risk of default.

If the credit risk of the Financial Instrument has increased significantly since the

initial recognition, the Company measures its loss provision in an amount equivalent to the expected credit loss of the Financial Instrument throughout its lifetime, and if the credit risk of the Financial Instrument has not increased significantly since the initial recognition, the Company measures its loss provision in an amount equivalent to the expected credit loss of the Financial Instrument in the next 12 months. The amount of the resulting increase or reversal of the loss provision is included in the profit or loss of the current period as an impairment loss or gain.

The Company assesses whether the credit risk of financial instruments has increased significantly since the initial recognition by comparing the risk of default on financial instruments at the balance sheet date with the risk of default on the initial recognition date to determine the relative change in the risk of default occurring during the expected life of financial instruments. Normally, if the default is more than 30 days, the Company considers that the credit risk of the Financial Instrument has increased significantly, unless there is conclusive evidence that the credit risk of the Financial Instrument has not increased significantly since the initial recognition. If the credit risk of a Financial Instrument is low at the balance sheet date, the Company considers that the credit risk of the Financial Instrument has not increased significantly since the initial recognition.

If there is objective evidence that a financial asset has been credited with impairment, the Company makes an impairment provision for that financial asset on a single basis. For receivables and contractual assets arising from transactions regulated by Accounting Standard for Business Enterprises No. 14 Revenue (2017), the Company has always measured its provision for losses in an amount equivalent to the expected credit losses over the lifetime, regardless of whether they contain a material financing component.

For lease receivables, the Company chooses to always measure its loss provision in an amount equivalent to the expected credit loss over the lifetime.

If the Company no longer reasonably expects that the contractual cash flow of a financial asset can be recovered in whole or in part, the carrying amount of the financial asset shall be written down directly.

Separate impairment tests are conducted for notes receivable, accounts receivable, other receivables and receivable financing that are applicable to individual valuations, to recognize expected credit losses and to make provision for individual impairments; for notes receivable, accounts receivable, advance payments, other

receivables and receivables financing where there is no objective evidence of impairment, or when a single financial asset cannot assess expected credit losses at a reasonable cost, the Company will make notes receivable based on credit risk characteristics. Accounts receivable, advance payments, other receivables and receivables financing are divided into several combinations, and the expected credit loss is calculated on the basis of the combination, and the basis of the recognized combination and the expected credit loss method are as follows:

The basis for the recognition portfolio of accounts receivable and the method for calculating expected credit losses are as follows:

Combination name	Determine the basis for the combination	A method for measuring expected credit losses
Aging combinations	Receivables of the same age have similar credit risk characteristics	Referring to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, measured according to the age of the account and the expected credit loss ratio for the entire duration of the transaction table, the expected credit loss ratio of the portfolio is detailed in Notes 5 and (4) Accounts Receivable
Combine combinations of related parties within scope	Related parties within the scope of the merger have similar credit risk characteristics	Measures based on historical credit loss experience, combined with current conditions and projections of future economic conditions

The basis for the recognition portfolio of notes receivable and receivables financing and the method of calculating expected credit losses are as follows:

Combination name	Determine the basis for the combination	A method for measuring expected credit losses
Banker's acceptance draft combination	The credit risk characteristic is based on the credit rating of the accepting bank in the banker's acceptance draft	Measured empirically with reference to historical credit losses, combined with current conditions and projections of future economic conditions

Combination name	Determine the basis for the combination	A method for measuring expected credit losses
Commercial acceptance draft combination	The credit risk characteristic is characterized by the credit rating of the accepting company in the commercial acceptance draft	The provision for expected losses is carried out with reference to accounts receivable

The basis for the recognition portfolio of other receivables and the method for calculating expected credit losses are as follows:

Combination name	Determine the basis for the combination	A method for measuring expected credit losses
Aging combinations	Receivables of the same age have similar credit risk characteristics	Referring to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, measured by the age of the account and the expected credit loss ratio for the next twelve months or the entire duration of the transaction, the expected credit loss ratio of the portfolio is detailed in Notes 5, (7) Other Receivables
Combine combinations of related parties within scope	Related parties within the scope of the merger have similar credit risk characteristics	Measures based on historical credit loss experience, combined with current conditions and projections of future economic conditions
A combination of deposit deposits for employee borrowings and others	Deposit deposits, employee borrowings, etc. have similar credit risk characteristics	

The basis for the recognition portfolio of long-term receivables and the method for calculating expected credit losses are as follows:

Combination name	Determine the basis for the combination	A method for measuring expected credit losses
Aging combinations	Receivables of the same age have similar credit risk characteristics	With reference to the experience of historical credit losses, combined with the current situation and the forecast of future economic conditions, the expected credit loss is calculated by compiling a comparison table between the age of long-term receivables and the expected credit loss ratio for the entire duration
Combine combinations of related parties within scope	Related parties within the scope of the merger have similar credit risk characteristics	Measures based on historical credit loss experience, combined with current conditions and projections of future economic conditions

#### (十) stocks

##### 1、 Classification and cost of inventory

Inventory is classified as: raw materials, low-value consumables, in-process products, finished products, inventory goods, commissioned processing materials, development costs and development products.

##### 2、 The valuation method for issuing inventories

Inventories are valued on a weighted average basis at the time of issuance.

##### 3、 The basis for determining the net realizable value of different types of inventories

In the course of normal production and operation, the net realizable value of the inventory of goods directly used for sale, such as finished products, inventory commodities and materials for sale, is determined by the estimated selling price of the inventory less the estimated sales costs and related taxes; The net realizable value of inventories held for the purpose of enforcing a contract of sale or labour contract is calculated on the basis of the contract price, and if the quantity of inventory held is greater than the quantity ordered in the sales contract, the net realizable value of the excess inventory is calculated on the basis of the general sales price.

Provision for inventory price declines is made at the end of the period on the basis

of individual inventory items, but for inventories with large quantities and lower unit prices, provisions for inventory declines are made in accordance with inventory categories, and for inventories related to product lines produced and sold in the same region, with the same or similar end-use or purpose, and which are difficult to measure separately from other items, are combined.

Unless there is clear evidence of abnormal market prices at balance sheet date, the net realizable value of inventory items is determined on the basis of the balance sheet date market price.

The net realizable value of inventory items at the end of the current period is determined on the basis of the market price at the balance sheet date.

#### **4、 Inventory system**

Perpetual inventory system is adopted.

#### **5、 Amortization method for low-value consumables and packaging**

- (1) Low-value consumables adopt the one-time resale method;
- (2) The packaging adopts the one-time resale method.

### **(十一) Contract assets**

#### **1、 Methods and standards for the recognition of contractual assets**

The Company presents contractual assets or contractual liabilities in the balance sheet based on the relationship between the performance obligation and the payment by the customer. The Company's right to receive consideration for the transfer of goods or services to the Customer (and such right depends on factors other than the passage of time) is listed as a contractual asset. Contractual assets and contractual liabilities under the same contract are presented on a net basis. The Company's right to collect consideration from the Client unconditionally (subject only to the passage of time) is presented separately as receivables.

#### **2、 Methods for determining expected credit losses of contractual assets and accounting treatment**

The method of determining the expected credit loss of contract assets and the accounting treatment method are detailed in "III (9)6, Test method and accounting treatment method for impairment of financial assets" in this note.

**(十二) Held for sale**

Where a non-current asset or disposal group is recovered primarily through the sale (including the exchange of non-monetary assets of commercial substance) rather than the continued use of a non-current asset or disposal group, it is classified as a holding category for sale.

The Company classifies non-current assets or disposal groups that meet the following conditions into holding categories for sale:

- (1) in accordance with the practice of selling such assets or disposal groups in similar transactions, they may be sold immediately under current conditions;
- (2) The sale is highly likely, i.e. the Company has made a resolution on a sale plan and has obtained a confirmed purchase commitment, and it is expected that the sale will be completed within one year. Where the relevant provisions require the approval of the relevant authorities or regulatory authorities of the company before they can be sold, they have been approved.

If the carrying amount of non-current assets (excluding financial assets, deferred tax assets) or disposal groups divided into holdings for sale is higher than the net amount of fair value less the sale expense, the carrying amount is written down to the net amount of fair value less the sale cost, and the amount of the write-down is recognized as an asset impairment loss, which is included in the profit or loss of the current period, and the impairment provision for the assets held for sale is also accrued.

**(十三) Long-term equity investment****1、 Criteria for judging common control and significant impact**

Joint control refers to the control common to an arrangement in accordance with the relevant agreement, and the relevant activities of the arrangement must be unanimously agreed by the participants who share the control before decision-making. If the Company and other joint venture partners jointly exercise joint control over the investee unit and have rights over the net assets of the investee unit, the investee unit is the joint venture of the Company.

Significant influence means that the investee unit has the right to participate in the decision-making of financial and operational decisions, but is not able to control or jointly control the formulation of these policies with other parties. If the Company is able to exert significant influence on the investee unit, the investee unit is an associate of the Company.

## 2、 **Determination of the initial investment costs**

Business combination under the same control: Where a company pays cash, transfers non-cash assets or assumes liabilities, and issues equity securities as the consolidated consideration, the initial investment cost of a long-term equity investment is taken as the initial investment cost of the long-term equity investment on the date of the merger in accordance with the share of the owner's equity of the merged party in the carrying amount of the consolidated financial statements of the final controlling party. Where it is possible to exercise control over an investee unit under the same control due to additional investment, etc., the initial investment cost of the long-term equity investment shall be determined on the date of consolidation based on the share of the net assets of the merged party in the carrying amount of the final controlling party's consolidated financial statements. The difference between the initial investment cost of the long-term equity investment on the merger date and the carrying amount of the long-term equity investment before the merger plus the sum of the carrying amount of the new consideration for the shares further acquired on the merger date, adjusts the equity premium, and if the equity premium is insufficient, the retained earnings are reduced.

Business combinations that are not under the same control: The company uses the merger costs determined on the date of purchase as the initial investment cost of a long-term equity investment. If it is possible to exercise control over an investee unit that is not under the same control due to additional investment or other reasons, the initial investment cost shall be used as the initial investment cost according to the sum of the carrying amount of the equity investment originally held plus the additional investment cost.

### (2) Long-term equity investment obtained by other means

Long-term equity investments made by way of cash payments are based on the actual purchase price paid as the initial investment cost.

Long-term equity investments obtained through the issuance of equity securities shall be the initial investment cost according to the fair value of the equity securities issued.

Where the non-monetary asset exchange has commercial substance and the fair value of the assets swapped in or out can be reliably measured, the long-term equity investment in the non-monetary asset exchange is determined by the fair value of the assets exchanged and the relevant taxes payable, unless there is conclusive evidence

that the fair value of the assets swapped in is more reliable;

The initial investment cost of a long-term equity investment obtained through debt restructuring is determined on the basis of fair value.

### **3、 Subsequent measurement and profit and loss recognition methods**

#### **(1) Long-term equity investments accounted for by the cost method**

The company's long-term equity investment in subsidiaries is accounted for by the cost method. In addition to the declared but not yet disbursed cash dividends or profits included in the price or consideration actually paid at the time the investment was acquired, the company recognizes the investment income for the current period in accordance with the cash dividends or profits declared by the investee unit.

#### **(2) Long-term equity investments accounted for by the equity method**

Long-term equity investments in associates and joint ventures are accounted for using the equity method. The initial investment cost is greater than the difference between the fair value share of the investee unit's recognizable net assets at the time of investment, and the initial investment cost of the long-term equity investment is not adjusted; the difference between the initial investment cost and the fair value share of the investee unit's recognizable net assets at the time of investment is included in the profit or loss of the current period.

The company recognizes investment income and other comprehensive income according to the share of net profit and loss and other comprehensive income realized by the investee unit that should be enjoyed or should be shared, and adjusts the carrying amount of the long-term equity investment, according to the part of the profit or cash dividend declared and distributed by the investee unit, correspondingly reducing the carrying amount of the long-term equity investment; and other changes in the owner's equity of the investee unit other than net profit and loss, other comprehensive income and profit distribution, Adjust the carrying amount of long-term equity investments and include them in owners' equity.

When recognizing the share of the investee unit's net profit or loss, it is based on the fair value of the investee unit's identifiable net assets at the time the investment is acquired, and the net profit of the investee unit is adjusted in accordance with the company's accounting policies and accounting periods. During the period of holding an investment, if the investee unit prepares consolidated financial statements, it shall be accounted for on the basis of the amount attributable to the investee unit in the consolidated financial statements in the net profit, other comprehensive income and

other changes in owner's equity.

The profit or loss of unrealized internal transactions between the company and the associated enterprise and the joint venture shall be offset by the part attributable to the company in the proportion of the proportion due, and the investment income shall be recognized on this basis. Unrealized internal transaction losses incurred with the investee unit, which are asset impairment losses, are fully recognized. Where an asset is invested or sold between a company and an associated enterprise or joint venture, and the asset constitutes a business, the accounting treatment shall be carried out in accordance with the relevant policies disclosed in "III. (v) Accounting Treatment of Business Combinations Under the Same Control and Non-Under The Same Control" and "III. (VI) Method for Preparing Consolidated Financial Statements".

When the company recognizes that it should share the losses incurred by the investee unit, it is treated in the following order: First, the carrying amount of the long-term equity investment is reduced. Second, if the carrying amount of the long-term equity investment is insufficient to be offset, the carrying amount of the long-term equity interest that substantially constitutes a net investment in the investee unit shall continue to be recognized to the extent of the carrying amount of other long-term equity interests that substantially constitute the net investment in the investee unit, and the carrying amount of the long-term receivable items shall be reduced. Finally, after the above treatment, if the enterprise still bears additional obligations in accordance with the investment contract or agreement, the estimated liabilities are recognized according to the expected obligations and included in the investment losses of the current period.

### (3) Disposal of long-term equity investments

The difference between the carrying amount of the carrying amount of the long-term equity investment and the actual price obtained shall be included in the profit or loss of the current period.

For long-term equity investments accounted for using the equity method, when disposing of the investment, the same basis as the direct disposal of the relevant assets or liabilities by the investee unit is adopted, and the part originally included in other comprehensive income is accounted for in the corresponding proportion. Owners' equity recognized as a result of changes in the investee's equity other than net profit or loss, other comprehensive income and profit distribution is carried forward pro rata to the profit or loss of the current period, except for other

comprehensive income arising from the remeasurement of the net debt of the investee's set benefit plan or changes in net assets.

If the common control or material impact on the investee unit is lost due to the disposal of part of the equity investment, etc., the remaining equity after disposal shall be accounted for in accordance with the recognition and measurement standards of financial instruments, and the difference between the fair value and the carrying amount on the date of loss of common control or significant impact shall be included in the profit or loss of the current period. Other comprehensive income recognized by the original equity investment due to the use of equity method accounting shall be accounted for on the same basis as the direct disposal of relevant assets or liabilities by the investee unit when the equity method of accounting is terminated. Owners' equity recognized as a result of changes in the investee's owner's equity other than net profit and loss, other comprehensive income and profit distribution shall be transferred to the profit or loss of the current period when the equity method is terminated.

Where the control over the investee unit is lost due to the disposal of part of the equity investment, the decline in the shareholding ratio of the company due to the capital increase of the subsidiary by other investors, etc., when preparing the individual financial statements, the remaining equity can exercise common control or major influence on the investee unit, it shall be accounted for in accordance with the equity method, and the remaining equity shall be regarded as if it were adjusted by the equity method from the time of acquisition; Instead, the accounting treatment was carried out in accordance with the relevant provisions of the Standard for recognition and measurement of financial instruments, and the difference between the fair value and the carrying amount on the date of loss of control was included in the profit or loss of the current period.

When preparing individual financial statements, the remaining equity after disposal is accounted for by the cost method or equity method, and the equity investment held before the purchase date is carried forward proportionally to other comprehensive income and other owner's equity recognized due to the use of equity method accounting; if the remaining equity after disposal is accounted for according to the recognition and measurement standards of financial instruments, the other comprehensive income and other owner's equity are carried forward in full.

**(十四) Investment real estate**

Investment real estate is real estate held to earn rent or capital appreciation, or both, including land use rights that have been leased, land use rights that are held and intended to be transferred after appreciation, buildings that have been leased (including buildings that are self-constructed or used for rent after the completion of development activities, and buildings that are being built or developed for rent in the future).

Subsequent expenditures related to investment real estate are included in the cost of investment real estate when the relevant economic benefits are likely to flow in and their costs can be reliably measured; otherwise, they are included in the profit or loss of the current period when they occur.

The Company uses cost model measurement for existing investment real estate. The same depreciation policy is applied to the investment real estate- rental buildings measured according to the cost model as the Company's fixed assets, and the leased land use rights are subject to the same amortization policy as intangible assets.

**(十五) fixed asset****1、 Recognition and initial measurement of fixed assets**

Fixed assets are tangible assets held for the purpose of producing goods, providing services, leasing or operating management, and have a useful life of more than one fiscal year. Fixed assets are recognized when the following conditions are met at the same time:

- (1) the economic benefits associated with the fixed asset are likely to flow into the enterprise;
- (2) The cost of the fixed asset can be measured reliably.

**2、 Depreciation method**

Depreciation of fixed assets is classified using the average age method, and the depreciation rate is determined according to the type of fixed asset, the estimated service life and the estimated net residual value rate. If the service life of each component of a fixed asset is different or the economic benefit is provided to the enterprise in different ways, different depreciation rates or depreciation methods are selected and depreciation is calculated separately.

If a fixed asset leased in the form of a financial lease can reasonably determine that the ownership of the leased asset will be acquired at the expiration of the lease period,

depreciation shall be accrued within the service life of the leased asset; if it is impossible to reasonably determine that the ownership of the leased asset can be obtained at the expiration of the lease period, depreciation shall be accrued in the shorter period between the lease period and the lease asset's service life.

The depreciation methods, depreciation periods, salvage rates and annual depreciation rates of various fixed assets are as follows:

category	Depreciation period (years)	Salvage rate (%).	Annual depreciation rate (%).
Houses and buildings	20	3-5	4.85-4.75
General purpose equipment	3-10	3-5	32.33-9.50
Specialized equipment	10	3-5	9.70-9.50
Means of transport	4	3-5	24.25-23.75
land	not applicable	not applicable	not applicable

The net value of the UK subsidiary's own land at cost less impairment provisions is shown in the financial statements, and the recorded value is the consideration paid for the purchase of own land. There is no depreciation on owned land.

#### (十六) Works under construction

A project under construction is recorded as the recorded value of a fixed asset based on the necessary expenses incurred before the asset is constructed before it reaches its intended usable state. If the fixed assets constructed have reached the predetermined state of use in the project, but the final accounts of completion have not yet been processed, from the date of reaching the predetermined state of use, according to the project budget, cost or actual cost of the project, etc., according to the estimated value of the fixed assets, and the depreciation of the fixed assets is calculated according to the depreciation policy of the company's fixed assets, and after the final account of completion is processed, the original provisional value is adjusted according to the actual cost, but the depreciation amount that has been originally calculated is not adjusted.

**(十七) Borrowing costs****1、 The principle of recognition of the capitalization of borrowing costs**

Borrowing costs, including interest on borrowings, amortization of discounts or premiums, ancillary expenses, and exchange differences incurred as a result of borrowing in foreign currencies.

The borrowing expenses incurred by the company, which can be directly attributed to the purchase, construction or production of assets eligible for capitalization, shall be capitalized and included in the cost of relevant assets; other borrowing expenses shall be recognized as expenses according to the amount incurred at the time of occurrence and included in the profit or loss of the current period.

Assets that meet the conditions for capitalization refer to assets such as fixed assets, investment real estate and inventory that require a considerable period of purchase, construction or production activities to reach the intended state of use or saleability. Capitalization of borrowing costs begins when the following conditions are met:

- (1) Asset expenditure has already been incurred, and asset expenditure includes expenditure incurred in the form of cash payments, transfer of non-cash assets or assumption of interest-bearing liabilities for the purchase, construction or production of assets eligible for capitalization;
- (2) The borrowing cost has been incurred;
- (3) The acquisition, construction or production activities necessary to bring the assets to their intended usable or saleable state have begun.

**2、 Borrowing costs during the period of capitalization**

The period of capitalization refers to the period from the time when the borrowing cost began to the time when the capitalization stopped, and the period during which the capitalization of the borrowing cost was suspended is not included.

Borrowing costs cease to be capitalized when assets that are eligible for capitalization are purchased, constructed, or produced in a state where they are intended to be usable or sold.

When part of the projects in the assets that meet the conditions for capitalization are completed separately and can be used separately, the borrowing costs of that part of the assets stop capitalizing.

Where each part of an asset purchased, constructed or produced is completed separately, but must wait until the overall completion is completed before it can be

used or can be sold to the outside world, the capitalization of borrowing costs shall cease when the asset is completed as a whole.

### **3、 Period of suspension of capitalization**

If an asset eligible for capitalization is subject to an irregular interruption in the process of acquisition, construction or production, and the interruption lasts for more than 3 consecutive months, the borrowing cost is suspended; if the asset purchased or constructed or produced eligible for capitalization reaches the necessary procedure for the intended usable or saleable state, the borrowing cost continues to be capitalized. Borrowing costs incurred during the interruption period are recognized as profit or loss for the current period until the acquisition and construction of assets or the restart of production activities continue to be capitalized.

### **4、 How to calculate the capitalization rate and capitalization amount of borrowing costs**

For special borrowings borrowed for the purpose of purchasing, constructing or producing assets eligible for capitalization, the amount of capitalization of borrowing costs is determined by the actual borrowing costs incurred in the current period of the special borrowing, minus the interest income obtained from the unused borrowing funds deposited in the bank or the investment income obtained from temporary investments.

For general borrowings occupied for the purpose of purchasing, constructing or producing assets eligible for capitalization, the amount of borrowing costs that should be capitalized for general borrowings is calculated based on the weighted average of asset expenditures accumulated in excess of the special borrowing portion multiplied by the capitalization rate of the general borrowings occupied. The capitalization rate is determined based on the calculation of the weighted average interest rate on general borrowings.

## **(十八) intangible asset**

### **1、 Valuation methods for intangible assets**

(1) The company acquires intangible assets at the initial cost

The cost of outsourcing an intangible asset includes the purchase price, related taxes

and other expenses directly attributable to the purpose for which the asset was intended. Where the purchase price of the intangible asset exceeds the normal credit conditions and is deferred from payment, and is essentially of a financing nature, the cost of the intangible asset is determined on the basis of the present value of the purchase price.

Debt restructuring acquires intangible assets used by the debtor to cover debts, determines its recorded value on the basis of the fair value of the intangible assets, and includes the difference between the carrying amount of the restructured debt and the fair value of the intangible assets used to cover the debt in the profit or loss of the current period.

Where the exchange of non-monetary assets has commercial substance and the fair value of the assets swapped in or out can be reliably measured, the intangible assets exchanged for non-monetary assets are based on the fair value of the assets swapped out, unless there is conclusive evidence that the fair value of the swap-in assets is more reliable;

## (2) Follow-up measurement

Analyze and judge the service life of intangible assets when acquiring them.

Intangible assets with a limited useful life shall be amortized according to the straight-line method within the period of time that bring economic benefits to the enterprise; if the period for which the intangible assets cannot be foreseen to bring economic benefits to the enterprise, the intangible assets with an uncertain service life shall be regarded as intangible assets with an uncertain service life and shall not be amortized.

## 2、 Estimated useful life of intangible assets with a limited useful life

Projects	Expected service life	According to that
Land use rights	50 years	The age of the land use right
Trademark	5 to 10 years	The useful life of the trademark right
Know-how	6 to 19 years	Purchase technology validity period
Computer software	3 years	Purchase software validity period
Non-patented technology	5 to 10 years	Expected years of benefit

At the end of each year, the useful life and amortization method of intangible assets with limited useful life are reviewed.

Upon review, the useful life and amortization methodology of intangible assets at the end of the current year were not different from previous estimates.

### 3、 Specific criteria for dividing the research phase and the development phase

The expenditure of the company's internal research and development projects is divided into research phase expenditure and development phase expenditure.

Research Phase: The phase of original planned investigations and research activities to acquire and understand new scientific or technical knowledge, etc.

Development phase: The stage in which research results or other knowledge are applied to a plan or design to produce new or substantially improved materials, devices, products, etc., before commercial production or use.

## (十九) Impairment of long-term assets

Long-term equity investments, investment real estate measured using the cost model, fixed assets, construction in progress, assets with right-of-use assets, intangible assets with limited useful life, etc., where there are signs of impairment at the balance sheet date, an impairment test is carried out. If the results of the impairment test show that if the recoverable amount of the asset is lower than its carrying amount, an impairment provision is made according to its difference and included in the impairment loss. The recoverable amount is the higher of the net amount of the fair value of the asset less disposal costs and the present value of the asset's projected future cash flows. An asset impairment provision is calculated and recognized on a single asset basis, and if it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group is determined by the asset group to which the asset belongs. An asset group is the smallest portfolio of assets that can generate cash inflows independently.

Intangible assets with uncertain goodwill and useful life are subject to impairment testing at least at the end of each year.

The Company conducts a goodwill impairment test, and the carrying amount of goodwill arising from a business combination is apportioned to the relevant asset group in a reasonable manner from the date of purchase, and if it is difficult to allocate to the relevant asset group, it is apportioned to the relevant asset group portfolio. When the carrying amount of goodwill is apportioned to the relevant asset group or portfolio of asset groups, the fair value of each asset group or combination of asset groups is apportioned in proportion to the total fair value of the relevant asset group or combination of asset groups. Where fair value is difficult to measure reliably, it shall be apportioned in proportion to the

carrying amount of each asset group or combination of asset groups to the total book value of the relevant asset group or asset group portfolio.

When conducting an impairment test on a related asset group or combination of asset groups containing goodwill, if there are signs of impairment in the asset group or asset group combination related to goodwill, an impairment test is first conducted on the asset group or asset group combination that does not contain goodwill, the recoverable amount is calculated, and the corresponding impairment loss is recognized compared with the relevant book value. The impairment test is then carried out on the asset group or combination of asset groups containing goodwill, and the carrying amount of these relevant asset groups or asset group combinations (including the carrying amount of the apportioned goodwill) is compared with their recoverable amount, if the recoverable amount of the relevant asset group or combination of asset groups is lower than its carrying amount, the impairment loss of goodwill is recognized. Once recognized, the impairment loss of the above assets will not be reversed in subsequent accounting periods.

## **(二十) Contractual liabilities**

The Company presents contractual assets or contractual liabilities in the balance sheet based on the relationship between the performance obligation and the payment by the customer. The Company's obligation to transfer goods or provide services to the Customer for consideration received or receivable from the Customer is listed as a contractual liability. Contractual assets and contractual liabilities under the same contract are presented on a net basis.

## **(二十一) Employee compensation**

### **1、 Accounting for short-term compensation**

The Company recognizes the short-term compensation actually incurred as liabilities during the accounting period in which employees provide services to the Company and includes them in the profit or loss of the current period or the cost of related assets.

The social insurance premiums and housing provident fund paid by the company for the employees, as well as the trade union funds and employee education funds withdrawn according to the regulations, shall determine the corresponding amount of employee remuneration according to the prescribed basis and proportion of the employees during the accounting period when the employees provide services to the

company.

Employee welfare expenses incurred by the Company are included in the profit or loss of the current period or the cost of related assets according to the actual amount incurred, of which the non-monetary benefits are measured at fair value.

## **2、 Accounting for after-service benefits**

### **(1) Set up a deposit plan**

The company pays basic pension insurance and unemployment insurance for employees in accordance with the relevant provisions of the local government, and during the accounting period when the employees provide services to the company, the amount to be paid is calculated according to the local payment base and proportion, recognized as a liability, and included in the profit or loss of the current period or the cost of related assets.

### **(2) Set a benefit plan**

The Company shall, in accordance with the formula established by the Expected Cumulative Benefit Unit Act, attribute the benefit obligations arising from the set benefit plan to the employee during the period during which the employee provides the service and include it in the profit or loss of the current period or the cost of related assets.

The deficit or surplus resulting from the present value of the obligations of the defined benefit plan minus the fair value of the assets of the set benefit plan is recognized as the net liability or net assets of a defined benefit plan. If there is a surplus in the set benefit plan, the Company measures the net assets of the set benefit plan by the lower of the surplus and the asset cap of the set benefit plan.

All defined benefit plan obligations, including obligations expected to be paid within twelve months of the end of the annual reporting period for employees to provide services, are discounted according to the market yield of Treasury bonds or high-quality corporate bonds in active markets that match the maturity and currency of the set benefit plan obligations at the balance sheet date.

The cost of services arising from the set-up benefit plan and the net interest on the net liabilities or net assets of the set-benefit plan are included in the profit or loss or the cost of related assets for the current period; the change in the net liability or net assets of the defined benefit plan is remeasured and is not carried back to profit or loss in subsequent accounting periods, and the portion of the other comprehensive

income originally included in the benefit plan is carried forward to undistributed profit within the scope of equity upon termination of the original set benefit plan.

At the time of settlement of the defined benefit plan, the settlement gain or loss is recognized by the difference between the present value of the obligations of the defined benefit plan and the settlement price determined on the settlement date.

### **3、 Accounting for dismissal benefits**

If the Company provides dismissal benefits to employees, the employee's compensation liabilities arising from the dismissal benefits shall be recognized as soon as possible and included in the profit or loss of the current period: when the Company cannot unilaterally withdraw the dismissal benefits provided as a result of the termination of the employment relationship plan or the reduction proposal, and when the Company recognizes the costs or expenses associated with the reorganization involving the payment of the dismissal benefits.

## **(二十二) Projected liabilities**

The Company recognizes the obligations related to contingencies as projected liabilities when they meet the following conditions:

- (1) The obligation is the current obligation of the Company;
- (2) The fulfillment of this obligation is likely to result in the outflow of economic benefits from the Company;
- (3) The amount of the obligation can be measured reliably.

The projected liabilities are initially measured at the optimal estimate of the expenditure required to meet the relevant current obligations.

In determining the optimal estimate, factors such as risks, uncertainties and the time value of the currency in relation to contingencies are taken into account. Where the time value of money has a significant impact, the optimal estimate is determined by discounting the relevant future cash outflows.

Where there is a continuous range of expenditures within which the likelihood of occurrence of various outcomes is the same, the best estimate is determined by the median value in that range;

- Contingencies involving a single project shall be determined in accordance with the most likely amount.
- Where there are contingent matters involving more than one project, it is determined

according to the calculation of various possible outcomes and related probabilities.

Where all or part of the expenditure required to satisfy the projected liability is expected to be reimbursed by a third party, the amount of compensation shall be recognized separately as an asset when it is basically determined that it can be received, and the amount of compensation recognized shall not exceed the carrying amount of the projected liability.

The Company reviews the carrying amount of its projected liabilities at the balance sheet date and, where there is conclusive evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted against the current best estimate.

### **(二十三) Share disbursements**

The Company's share payment is a transaction in which an equity instrument is granted or a liability is determined on the basis of an equity instrument for the purpose of obtaining services from an employee or other party. The Company's share payments are divided into equity-settled share payments and cash-settled share payments.

#### **1、 Equity-settled share payments and equity instruments**

Where the payment of shares settled by equity is exchanged for the provision of services by employees, the fair value of the instrument granted to employees' rights is measured. If the Company pays for shares with restricted shares, the employees subscribe for shares, and the shares shall not be listed for circulation or transfer until the unlocking conditions are met and unlocked; if the unlocking conditions stipulated in the final equity incentive plan are not met, the Company shall repurchase the shares at a pre-agreed price. When the Company obtains the payment paid by employees for the subscription of restricted shares, it recognizes the share capital and capital reserve (equity premium) according to the subscription amount obtained, and at the same time recognizes a liability and recognizes treasury shares in full with respect to the repurchase obligation. At each balance sheet date during the waiting period, the Company makes the best estimate of the number of vestable equity instruments based on subsequent information such as the change in the number of employees with the most recently acquired exercisable rights and whether the required performance conditions have been met, and on this basis, the services obtained in the current period are included in the relevant costs or expenses accordingly according to the fair value of the grant date, and the capital reserve is increased accordingly. No adjustments are made to the recognized associated costs or expenses and the total amount of owner's equity after the exerciseable date.

However, if the right is immediately practicable after grant, the relevant costs or expenses shall be included in the relevant costs or expenses at fair value on the date of grant, and the capital reserve shall be increased accordingly.

Costs or expenses are not recognized for payments of shares that ultimately fail to be exercised, unless the exercise conditions are market conditions or non-feasible conditions, in which case the non-market conditions are considered to be feasible, regardless of whether the market conditions or non-feasible conditions are satisfied. If the terms of equity-settled share payment are modified, at least the services obtained are confirmed in accordance with the unmodified terms. In addition, any modification that increases the fair value of the equity instrument granted, or changes that are beneficial to the employee on the date of the modification, recognizes an increase in access to services.

If an equity-settled share payment is cancelled, the amount that has not yet been confirmed is immediately confirmed on the cancellation date as an accelerated exercise. Employees or other parties who can choose to meet the conditions of non-viability but are not met within the waiting period shall be treated as a share payment for cancellation settled by equity. However, if a new equity instrument is granted and it is determined on the date of the grant of the new equity instrument that the new equity instrument is granted to replace the cancelled equity instrument, the granted alternative instrument will be processed in the same manner as the modification of the terms and conditions of the original equity instrument.

#### (二十四) revenue

##### 1、 Accounting policies applied to revenue recognition and measurement

The Company has fulfilled its contractual obligation to recognize revenue when the Customer acquires control of the relevant goods or services. To take control of the goods or services concerned is to be able to dominate the use of the goods or services and to derive almost all of the economic benefits from them.

If the contract contains two or more performance obligations, the Company shall, on the date of commencement of the contract, apportion the transaction price to each individual performance obligation in proportion to the individual selling price of the goods or services promised by each individual performance obligation. The Company measures revenue at transaction prices apportioned to each individual performance obligation.

Transaction Price means the amount of consideration that the Company is expected to be entitled to receive as a result of the transfer of goods or services to the Customer, excluding payments received on behalf of third parties and amounts expected to be returned to the Customer. The Company determines the transaction price in accordance with the terms of the contract, in conjunction with its past customary practice, and takes into account the impact of variable consideration, the presence of significant financing components in the contract, non-cash consideration, consideration payable to the customer and other factors when determining the transaction price. The Company determines the transaction price that contains the variable consideration by an amount not exceeding the amount in which the accumulated recognized revenue is likely to occur at the time of the elimination of the relevant uncertainty, which is likely to be a material reversal. Where there is a significant financing component in the contract, the Company determines the transaction price on the amount payable in cash that is assumed to be paid by the customer when it acquires control of the goods or services, and amortizes the difference between the transaction price and the contract consideration using the effective interest rate method during the contract period.

If one of the following conditions is met, the performance obligation is performed within a certain period of time, otherwise, the performance obligation is performed at a certain point in time:

- The client obtains and consumes the economic benefits arising from the Company's performance of the contract at the same time as the company performs the contract.
- The customer is able to control the goods under construction during the performance of the contract by the Company.
- The goods produced by the Company in the course of performance have an irreplaceable use and the Company is entitled to collect payment for the performance portion accumulated so far throughout the contract period.

For performance obligations performed within a certain period of time, the Company recognizes revenue in accordance with the performance progress during that period, except where the performance progress cannot be reasonably determined. The Company considers the nature of the goods or services and uses the output method or the input method to determine the progress of performance. If the performance progress cannot be reasonably determined and the costs incurred are expected to be

reimbursed, the Company recognizes revenue according to the amount of the costs already incurred until the performance progress can be reasonably determined.

For performance obligations performed at a certain point in time, the Company recognizes revenue at the point when the Customer acquires control of the relevant goods or services. In determining whether a Customer has acquired control of the Goods or Services, the Company considers the following indications:

- The Company has the right to receive payments in the present time in respect of the goods or services, i.e. the Customer is obligated to pay in the present time in respect of the goods or services.
- The Company has transferred the legal ownership of the Goods to the Customer, i.e. the Customer already has the legal ownership of the Goods.
- The Company has transferred the Goods in kind to the Customer, i.e. the Customer has physically possessed the Goods.
- The Company has transferred the primary risk and reward in the ownership of the Goods to the Client, i.e. the Client has acquired the primary risks and rewards in respect of ownership of the Goods.
- The customer has accepted the goods or services, etc.

## 2、 Specific principles of revenue recognition

### 1) Domestic sales business

The Company recognizes revenue after the goods are delivered to the place agreed in the contract and confirmed by the customer's signature.

### 2) Export business

For customers who trade by FOB, CIF, CFR, etc., the company takes the goods crossing the ship's side at the port of shipment as the revenue recognition time point; for customers who trade by DAP, DDP, etc., the company takes the goods to the customer's designated place as the revenue recognition time.

## 3、 In the case of differences in revenue recognition accounting policies due to the adoption of different business models in the same business: None

## (二十五) Contract costs

Contract costs include contract performance costs and contract acquisition costs.

Costs incurred by the Company for the performance of a contract that do not fall within the

scope of the relevant standards such as inventory, fixed assets or intangible assets shall be recognized as an asset as a contract performance cost if the following conditions are met:

- The cost is directly related to a current or expected contract.
- This cost increases the Company's future resources to meet its performance obligations.
- The cost is expected to be recovered.

If the incremental cost incurred by the Company in order to obtain the contract is expected to be recovered, it is recognized as an asset as the cost of obtaining the contract.

Assets related to the cost of the contract are amortized on the same basis as the revenue recognition of goods or services associated with the asset, but where the amortization period for which the cost of the contract is not more than one year, the Company shall include it in the profit or loss of the current period when it occurs.

If the carrying amount of an asset related to the cost of the contract is higher than the difference between the following two items, the Company shall make an impairment provision for the excess and recognize it as an asset impairment loss:

1. The remaining consideration expected to be obtained as a result of the transfer of goods or services related to the asset;
2. Estimate the costs to be incurred for the transfer of the relevant goods or services.

If the factors of impairment in the previous period change after that the aforementioned difference is higher than the carrying amount of the asset, the Company shall reverse the impairment provision originally made and include it in the profit or loss of the current period, provided that the carrying amount of the asset after the reversal does not exceed the carrying amount of the asset on the date of the reversal assuming that no provision for impairment is made.

## **(二十六) Government grants**

### **1、 type**

Government subsidies are monetary assets or non-monetary assets obtained by the Company from the government free of charge, and are divided into government subsidies related to assets and government subsidies related to earnings.

Asset-related government subsidies are government subsidies obtained by the Company for the purchase, construction or other forming of long-term assets. Government grants related to earnings refer to government grants other than those related to assets.

**2、 Confirm the point in time**

Government subsidies are recognized when the Company is able to meet the conditions attached to it and can receive them.

**3、 Accounting treatment**

Asset-related government grants that offset the carrying amount of the underlying assets or are recognized as deferred gains. If it is recognized as deferred income, it shall be included in the profit or loss of the current period in a reasonable and systematic manner during the life of the relevant assets (other income related to the company's daily activities; and non-operating income if it is not related to the company's daily activities).

Government grants related to earnings, which are used to compensate the Company for related cost expenses or losses in subsequent periods, are recognized as deferred gains and are recognized in the profit or loss of the current period (and Related to the Company's daily activities, included in other income; unrelated to the Company's daily activities, included in non-operating income) or offset related costs or losses; used to compensate the Company for the related costs or losses that have been incurred, directly included in the current period Profit or loss (related to the Company's day-to-day activities, included in other income; unrelated to the Company's day-to-day activities, included in non-operating income) or offset related costs, expenses or losses.

The policy-based preferential loan discount obtained by the Company distinguishes the following two situations and is accounted for separately:

(1) If the finance department allocates the discounted interest funds to the lending bank, and the lending bank provides a loan to the company at a preferential policy interest rate, the company shall take the actual amount of the loan received as the recorded value of the loan, and calculate the relevant borrowing cost according to the principal amount of the loan and the preferential interest rate of the policy.

(2) If the finance department directly allocates the discount funds to the company, the company will offset the relevant borrowing costs with the corresponding discounted interest.

**(二十七) Deferred tax assets and deferred tax liabilities**

Income tax includes current income tax and deferred income tax. Except for income tax arising from business combinations and transactions or events that are directly included in the owner's equity (including other comprehensive income), the Company will include current income tax and deferred income tax in the profit or loss of the current period.

Deferred tax assets and deferred tax liabilities are recognized based on the difference between the tax basis of the assets and liabilities and their carrying amount (temporary differences).

For deferred tax assets recognized for deductible temporary differences, the taxable income that is likely to be acquired in future periods to offset the deductible temporary differences is limited. For deductible losses and tax credits that can be carried forward to future years, the corresponding deferred tax assets are recognized to the extent that future taxable income that is likely to be used to offset deductible losses and tax credits is recognized.

For taxable temporary differences, deferred tax liabilities are recognized, except in exceptional circumstances.

Special cases where deferred tax assets or deferred tax liabilities are not recognized include:

- Initial confirmation of goodwill;
- Transactions or events that are neither business combinations, occurrences, nor affect accounting profits and taxable income (or deductible losses).

Recognize deferred tax liabilities for taxable temporary differences related to investments in associates and joint ventures, unless the Company is able to control the timing of the reversal of such temporary differences and the likelihood that the temporary differences will not be reversed in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences relating to investments in associates and joint ventures when the temporary differences are likely to be reversed in the foreseeable future and taxable income to be used to offset the deductible temporary differences in the future.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the expected recovery of the underlying assets or the liquidation of the relevant liabilities in accordance with the provisions of the tax law.

At the balance sheet date, the Company reviews the carrying amount of the deferred tax assets. If it is likely that sufficient taxable income will not be available for future periods to offset the benefits of deferred tax assets, the carrying amount of deferred tax assets is written down. When it is likely that sufficient taxable income will be obtained, the amount of the write-down will be reversed.

When there is a statutory right to netting and the intention is to net settle or acquire assets and liquidate liabilities at the same time, the current income tax assets and current income tax liabilities are presented as net offsets.

At the balance sheet date, deferred tax assets and deferred tax liabilities are shown as net offsets when the following conditions are met at the same time:

- The taxpayer has the statutory right to net settle the current income tax assets and current income tax liabilities;
- Deferred tax assets and deferred tax liabilities are related to income tax levied by the same tax collection authority on the same taxpayer or to different taxpayers, but during the future period of the reversal of each significant deferred tax asset and liability, the taxpayer involved intends to net settle the current income tax assets and liabilities or acquire assets and liquidate the liabilities at the same time.

## (二十八) lease

### Accounting policies as of January 1, 2021

Lease refers to a contract in which the lessor transfers the right to use the assets to the lessee for a certain period of time to obtain consideration. On the contract commencement date, the Company evaluates whether the contract is a lease or contains a lease. If a party to a contract cedes the right to control the use of one or more of the identified assets for a certain period of time in exchange for consideration, the contract is either a lease or includes a lease.

If the contract contains multiple separate leases at the same time, the Company will split the contract and account for each separate lease. If the contract contains both the leased and non-leased parts, the lessee and the lessor will split the leased and non-leased parts.

For rent concessions such as rent reductions and deferrals reached in connection with existing lease contracts directly caused by the COVID-19 pandemic, and the following conditions are met, the Company adopts a simplified approach to all lease choices, without assessing whether there has been a lease change or re-evaluating the lease classification:

- The lease consideration after the concession is reduced or substantially unchanged from before the concession, of which the lease consideration is not discounted or discounted at the discount rate before the concession;
- The concession is limited to lease payments payable before June 30, 2022, and the increase in lease payments payable after June 30, 2022 does not affect the satisfaction of this condition, and the decrease in lease payments payable after June 30, 2022 does

not meet this condition; and

- After taking into account both qualitative and quantitative factors, it is determined that there are no material changes to the other terms and conditions of the lease.

# **1、 The Company acts as the lessee**

## **(1) Right-of-use assets**

At the commencement date of the lease term, the Company recognizes the right to use the assets for leases other than short-term leases and leases of low-value assets.

Right-of-use assets are initially measured at cost. The cost includes:

- The initial measured amount of the lease liability;
- The amount of rental payment paid on or before the start date of the lease period, where there is a rental incentive, deducting the amount related to the rental incentive already enjoyed;
- Initial direct expenses incurred by the Company;
- The costs that the Company expects to incur to dismantle and remove the leased assets, restore the premises on which the leased assets are located, or restore the leased assets to the state agreed upon in the terms of the lease, but excluding costs incurred for the production of inventory.

The Company subsequently used the straight-line method to depreciate the assets of the right of use. Where it is reasonable to determine that ownership of the leased assets is acquired at the end of the lease term, the Company shall depreciate during the remaining useful life of the leased assets; otherwise, the leased assets shall be depreciated during the shorter period between the lease term and the remaining useful life of the leased assets.

The Company shall determine whether the assets of the right of use have been impaired in accordance with the principles set out in "III. (XIX) Impairment of Long-term Assets" in this Note and shall account for the identified impairment losses.

## **(2) Lease liabilities**

At the commencement date of the lease period, the Company recognizes lease liabilities for leases other than short-term leases and leases of low-value assets. Lease liabilities are initially measured at the present value of the amount of lease payments that have not yet been paid. Lease payments include:

- Fixed payment amount (including substantial fixed payment amount), where

there is a lease incentive, deduct the amount related to the lease incentive;

- Variable lease payment amount depending on index or ratio;
- The amount that is expected to be payable based on the balance of the guarantee provided by the Company;
- the exercise price of the purchase option, provided that the Company reasonably determines that the option will be exercised;
- The amount to be paid to exercise the option to terminate the lease, provided that the lease period reflects that the Company will exercise the option to terminate the lease.

The Company uses the lease inclusion rate as the discount rate, but if it is not possible to reasonably determine the lease inclusion rate, the Company's incremental borrowing rate is used as the discount rate.

The Company calculates interest expense for each period of the lease term at a fixed periodic interest rate and includes the profit or loss of the current period or the cost of related assets.

Variable lease payments that are not included in the measure of lease liabilities are included in the current period profit or loss or the cost of related assets when actually incurred.

After the commencement date of the lease period, the Company shall remeasure the lease liabilities and adjust the corresponding right-of-use assets, and if the carrying amount of the right-of-use assets has been reduced to zero, but the lease liabilities still need to be further reduced, the difference will be included in the profit or loss of the current period:

- When the assessment result of the purchase option, renewal option or termination option changes, or the actual exercise of the foregoing option is inconsistent with the original assessment result, the Company remeasures the lease liability at the present value calculated by the amount of the lease payment after the change and the revised discount rate;
- When there is a change in the amount of substantial fixed payments, a change in the amount expected to payable of the residual value of the guarantee, or a change in the index or ratio used to determine the amount of lease payment, the Company remeasures the lease liability at the present value calculated by the changed lease payment amount and the original discount rate. However, where the change in the amount of lease payments originates from a change in the

floating interest rate, the revised discount rate is used to calculate the present value.

### (3) Short-term leases and leases of low-value assets

The Company has chosen not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and to include the relevant lease payments in the profit or loss of the current period or the cost of related assets in a straight-line manner during each period of the lease period. A short-term lease is a lease that does not exceed 12 months at the beginning of the lease period and does not include the option to purchase. A lease of a low-value asset is a lease that is less valuable when a single leased asset is a brand new asset. If the company subleases or expects to sublease the leased assets, the original lease is not a lease of low-value assets.

### (4) Lease change

If there is a change in the lease and the following conditions are met, the Company shall account for the change of lease as a separate lease:

- The lease change expands the scope of the lease by adding the right to use one or more of the leased assets;
- The increased consideration is equivalent to the amount of the individual price of the expanded portion of the lease, adjusted for the circumstances of the contract.

If the lease change is not accounted for as a separate lease, on the effective date of the lease change, the company reassorts the consideration of the contract after the change, re-determines the lease term, and remeasures the lease liability at the present value calculated according to the amount of the lease payment after the change and the revised discount rate.

If the lease change results in a narrowing of the scope of the lease or a shortening of the lease period, the Company shall accordingly reduce the carrying amount of the assets of the right of use and include the gains or losses related to the partial or complete termination of the lease in the profit or loss of the current period. If other lease changes result in a remeasurement of the lease liability, the Company adjusts the carrying amount of the right-of-use assets accordingly.

### (5) Rent concessions related to covid-19 pandemics

For those who adopt the simplified approach to rent concessions related to COVID-

19, the Company does not assess whether there has been a lease change, continues to calculate the interest expense of the lease liabilities at the discount rate consistent with before the concession and includes it in the profit or loss of the current period, and continues to depreciate the right-of-use assets in the same way as before the concession. In the event of rent reduction, the Company will take the reduced rent as the variable lease payment amount, and when the original rent payment obligation is lifted, such as a concession agreement, etc., the relevant asset cost or expense shall be reduced according to the discounted amount of the discount rate before the discount or concession, and the lease liability shall be adjusted accordingly; if the rent is deferred, the Company shall offset the lease liability recognized in the previous period when the actual payment is deferred.

For short-term leases and leases of low-value assets, the Company continues to include the original contract rent in the cost or expense of the underlying asset in the same manner as before the concession. In the event of rent reduction, the Company will take the reduced rent as a variable lease payment and reduce the cost or expense of the relevant assets during the reduction period; if the payment of rent is deferred, the Company will recognize the rent payable as payable during the original payment period, and reduce the amount due recognized in the previous period when actually paid.

## **2、 The Company acts as a lessor**

On the commencement date of the lease, the Company divides the lease into a financial lease and an operating lease. A financial lease is a lease in which almost all of the risks and rewards associated with the ownership of the leased asset are substantially transferred, regardless of whether ownership is ultimately transferred or not. Operating lease refers to a lease other than a financial lease. When the Company acts as a sublease lessor, it classifies the sublease based on the assets of the right of use arising from the original lease.

### **(1) Accounting treatment of operating leases**

Lease receipts for operating leases are recognized as rental income on a straight-line basis during each period of the lease period. The Company capitalizes the initial direct expenses incurred in connection with the operating lease and accrues them in the profit or loss for the current period on the same basis as the rental income recognition. Variable lease payments that are not included in the amount of lease

collections are included in the profit or loss of the current period when they are actually incurred. In the event of a change in the operating lease, the Company shall account for it as a new lease from the effective date of the change, and the amount of advance receipts or receivables from leases received in connection with the lease prior to the change shall be deemed to be the amount of receipts for the new lease.

## (2) Accounting treatment of financial leases

On the commencement date of the lease, the Company recognizes the financial lease receivables for the financial lease and terminates the recognition of the financial lease assets. When the Company makes an initial measurement of the financial lease payments receivable, it shall record the net lease investment as the recorded value of the financial lease receivables receivable. The net lease investment is the sum of the unsecured residual value and the present value of the lease receipts not received at the beginning of the lease period at the interest rate included in the lease.

The Company calculates and recognizes interest income for each period of the lease term at a fixed cyclical interest rate. Derecognition and impairment of financial lease receivables are accounted for in accordance with the financial instruments in accordance with the "iii. (ix) financial instruments" in this note.

Variable lease payments that are not included in the net lease investment measure are included in the profit or loss for the current period when actually incurred.

If there is a change in a financial lease that meets the following conditions, the Company shall account for the change as a separate lease:

- The change expands the scope of the lease by adding the right to use one or more of the leased assets;
- The increased consideration is equivalent to the amount of the individual price of the expanded portion of the lease, adjusted for the circumstances of the contract.

If the change of financial lease is not accounted for as a separate lease, the Company shall treat the changed lease in the following circumstances:

- If the change is effective on the commencement date of the lease, the lease will be classified as an operating lease, and the Company shall account for it as a new lease from the effective date of the lease change and shall use the net lease investment prior to the effective date of the lease change as the carrying amount of the leased asset;
- If the change takes effect on the commencement date of the lease, the lease will

be classified as a financial lease, and the Company shall account for it in accordance with the policy of amending or renegotiating the contract in "III. (IX) Financial Instruments" in this Note.

(3) Rent concessions related to covid-19 pandemics

- For operating leases that use the simplified method of rent reduction related to COVID-19, the Company continues to recognize the original contract rent as lease income in the same way as before the concession; in the event of rent reduction, the Company will use the reduced rent as a variable lease payment to reduce the lease income during the reduction period; if the rent collection is deferred, the Company will recognize the rent due as a receivable during the original collection period and deduct the receivables recognized in the previous period when it is actually received.
- For financial leases that use the simplified approach to rent concessions related to COVID-19, the Company continues to calculate interest at a discount rate consistent with before the concession and recognizes it as lease income. In the event of rent reduction, the Company will take the reduced rent as the variable lease payment amount, and when reaching a concession agreement, etc., to waive the original rent collection right, the originally recognized lease income shall be offset according to the discounted amount of the discount rate before the discount or concession, and the insufficient part shall be included in the investment income, and the financial lease receivable shall be adjusted accordingly; if the rent is deferred, the Company shall offset the financial lease receivable recognized in the previous period when the rent is deferred.

**3、 Sale and leaseback transaction**

The Company evaluates and determines whether the transfer of assets in a sale-leaseback transaction is a sale in accordance with the principles set out in "III. (XXIV) Income" in this Note.

(1) As a lessee

If the transfer of assets in a sale-leaseback transaction is a sale, the company, as the lessee, measures the right-of-use assets formed by the sale and leaseback according to the part of the carrying amount of the original assets related to the right to use obtained by the leaseback, and only recognizes the relevant gains or losses in respect of the rights transferred to the lessor; if the transfer of assets in the sale-leaseback transaction is not a sale, the company, as the lessee, continues to recognize the

transferred assets, and at the same time recognizes a financial liability equal to the transfer income. The accounting treatment of financial liabilities is detailed in the "III. (IX) Financial Instruments" in this note.

(2) As a lessor

If the transfer of assets in a sale-leaseback transaction is a sale, the company, as the lessor, conducts accounting treatment for the purchase of assets and accounts for the asset leasing in accordance with the above-mentioned policy of "2. The company as the lessor"; if the transfer of assets in the sale-leaseback transaction is not a sale, the company, as the lessor, does not recognize the transferred assets. However, a financial asset equal to the income from the transfer is recognized. The accounting treatment of financial assets is detailed in "III. (IX) Financial Instruments" in this note.

#### **Accounting policies until January 1, 2021**

Leasing is divided into financial leasing and operating lease. A financial lease is a lease that substantially transfers all the risks and rewards associated with the ownership of an asset. Operating lease refers to a lease other than a financial lease.

For rent concessions such as rent reductions and deferrals reached in connection with existing lease contracts directly caused by the COVID-19 pandemic, and the following conditions are met, the Company adopts a simplified approach to all lease choices, without assessing whether there has been a lease change or re-evaluating the lease classification:

- The lease consideration after the concession is reduced or substantially unchanged from before the concession, of which the lease consideration is not discounted or discounted at the discount rate before the concession;
- The concession is limited to lease payments payable before June 30, 2021, and an increase in lease payments payable after June 30, 2021 does not affect the satisfaction of this condition, and a decrease in lease payments payable after June 30, 2021 does not meet this condition; and
- After taking into account both qualitative and quantitative factors, it is determined that there are no material changes to the other terms and conditions of the lease.

#### **1、 Accounting for operating leases**

(1) The lease fee paid by the company for the leased assets shall be apportioned according to the straight-line method for the entire lease period without deducting

the rent-free period, and shall be included in the expenses of the current period. The initial direct costs paid by the Company in connection with the leasing transaction are included in the current period charges.

When the lessor of the asset bears the lease-related expenses that should be borne by the company, the company deducts this part of the expense from the total rent and allocates it during the lease period according to the deducted rental expenses, which are included in the expenses of the current period.

For operating leases that use the simplified approach to RENT reduction in relation to COVID-19, the Company continues to include the original contract rent in the cost or expense of the underlying asset in the same manner as before the concession. In the event of rent reduction, the Company shall include the reduced rent as contingent rent and include it in profit or loss during the period of reduction or reduction, and if the payment of rent is deferred, the Company shall recognize the rent payable as a payable amount during the original payment period and reduce the amount due recognized in the previous period when the actual payment is made.

(2) The lease fee charged by the company for leasing assets shall be apportioned according to the straight-line method for the entire lease period without deducting the lease-free period, and recognized as lease-related income. Initial direct expenses paid by the Company in connection with the lease transaction are included in the expenses of the current period, and in the case of larger amounts, they are capitalized and included in the income of the current period on the same basis as the lease-related income recognition throughout the lease period.

When the Company bears the lease-related expenses that should be borne by the lessee, the Company deducts this part of the expenses from the total rental income and distributes them during the lease period according to the deducted rental expenses.

For operating leases that use the simplified method of rent concessions related to covid-19 pandemics, the Company continues to recognize the original contract rent as lease income in the same way as before the concession; in the event of rent reduction, the Company will treat the reduced rent as contingent rent and write off the lease income during the reduction period; if the rent collection is deferred, the Company will recognize the rent due as receivable during the original collection period and deduct the receivables recognized in the previous period when it is actually received.

## 2. Accounting for financial leases

(1) Financing leased assets: At the commencement date of leasing, the company takes the lower of the fair value of the leased assets and the present value of the minimum lease payment as the recorded value of the leased assets, the minimum lease payment as the recorded value of the long-term payables, and the difference as an unrecognized financing expense. The Company uses the effective interest rate method to amortize unrecognized financing expenses during the asset lease period and are included in the finance expenses. Initial direct expenses incurred by the Company are included in the value of the leased assets.

For financial leases that use the simplified method of rent concessions related to the COVID-19 epidemic, the Company will continue to recognize unrecognized financing expenses as financing expenses for the current period at a discount rate consistent with before the concession, continue to depreciate the assets leased in the financing in accordance with the method consistent with the pre-concession method, and for the rent reductions incurred, the Company will treat the reduced rent as contingent rent, and when the original rent payment obligation is lifted in the concession agreement, etc., it will be included in the profit or loss of the current period, and the long-term payables will be adjusted accordingly. Or discounted at the pre-concession discount rate is included in the profit or loss of the current period and the unrecognized financing expenses are adjusted; if the payment of rent is deferred, the Company deducts the long-term payables recognized in the previous period when the actual payment is made.

(2) Financing leased assets: On the date of the commencement of the lease, the company recognizes the difference between the sum of the unsecured residual value of the financial lease receivable and its present value as unrealized financing income, and recognizes it as lease income in the future period of receiving rent. The initial direct expenses incurred by the Company in connection with the rental transaction are included in the initial measurement of the financial lease receivable and the amount of revenue recognized during the lease period is reduced.

For financial leases that use the SIMPLIFIED METHOD OF RENT CONCESSIONS related to COVID-19, the Company continues to recognize unrealized financing gains as lease income at the lease inclusion rate consistent with the pre-concessional inclusion rate. In the event of rent reduction, the Company will treat the reduced rent as contingent rent, and when the original rent collection right is waived in the agreement on concession, etc., the originally recognized lease

income will be reduced, and the insufficient part will be included in the investment income, and the long-term receivables will be adjusted accordingly, or the discounted before the concession rate will be included in the profit or loss of the current period and the unrealized financing income will be adjusted; if the rent is deferred, the Company will offset the long-term receivables recognized in the previous period when it is actually received.

### **(二十九) Termination of business**

Termination of business is a separately distinguishable component that satisfies one of the following conditions and has been disposed of by the Company or classified by the Company as being held for sale:

- (1) the component represents an independent principal business or a separate principal area of operation;
- (2) the component is part of a related plan to dispose of a separate principal business or a separate principal area;
- (3) This component is a subsidiary acquired exclusively for resale.

Profit or loss on going concern and profit and loss on termination of operations are presented separately in the income statement. Operating gains and losses such as impairment losses and reversal amounts of discontinued operations and gains and losses on disposal are reported as gains and losses on termination of operations. For discontinued operations reported for the current period, the Company has re-reported the information originally presented as a profit or loss from continuing operations as a profit or loss from discontinued operations for a comparable accounting period in the financial statements for the current period.

### **(三十) Changes in significant accounting policies and accounting estimates**

#### **1、 Significant accounting policy changes**

- (1) Implement Accounting Standard for Business Enterprises No. 21 - Leases (revised in 2018).

In fiscal 2018, the Ministry of Finance revised Accounting Standard for Business Enterprises No. 21 Leases (the "New Leases Standard"). The Company implemented the new lease standard from January 1, 2021. According to the revised standards, the Company chooses not to re-evaluate whether it is a lease or a lease on the date of the first execution for contracts that exist before the date of first execution.

- The Company acts as the lessee

The Company has chosen to adjust the amount of retained earnings and other related items in the financial statements at the beginning of the year in which the new lease standard was first implemented, based on the cumulative impact of the first implementation of the new lease standard, without adjusting the comparable period information.

For operating leases that already exist before the first execution date, the Company measures the lease liabilities at the present value discounted at the rate of incremental borrowings of the first execution Japanese company on the first execution date based on the remaining lease payments, and selects the following methods for each lease to measure the right-of-use assets:

- An amount equal to the lease liability and subject to necessary adjustments based on the prepaid rent.

For operating leases prior to the first execution date, the Company applies one or more of the following simplifications based on each lease option while applying the above methods:

- 1) Leases that will be completed within 12 months of the date of the first execution will be treated as short-term leases;
- 2) When measuring lease liabilities, leases with similar characteristics adopt the same discount rate;
- 3) The measurement of the right-of-use assets does not include initial direct costs;
- 4) Where there is an option to renew or terminate the lease, the lease period shall be determined according to the actual exercise of the option before the first execution date and other recent circumstances;
- 5) As an alternative to the impairment test of the right-of-use assets, assess whether the contract containing the lease is a loss contract before the date of the first execution in accordance with the "iii. (xxii) estimated liabilities" in this note, and adjust the right-of-use assets according to the amount of the loss reserve recorded in the balance sheet before the first execution date;

6) The lease change that occurs before the first execution date will not be retrospectively adjusted, and will be accounted for in accordance with the new lease standard according to the final arrangement of the lease change.

In measuring lease liabilities, the Company uses the lessee incremental borrowing rate as at January 1, 2021 or the discount rate for lease uses used by the Company with similar characteristics (weighted average: 4.30%) to discount the lease payment.

20 The outstanding minimum lease payment for a material operating lease disclosed in the consolidated financial statements as at 31 December 2020	25,925,699.78
The present value discounted at the company's incremental borrowing rate on January 1, 2021	21,196,690.21
20 Lease liabilities under the new lease standard as at 1 January 21	21,196,690.21
The difference between the present value of the above discount and the lease liability	

For financial leases that already exist before the first execution date, the Company measures the right-of-use assets and lease liabilities respectively on the first execution date according to the original carrying amount of the financial lease assets and the financial lease payable.

- The Company acts as a lessor

For sub-leases classified as operating leases prior to the date of the first execution and still existing after the date of the first execution, the Company re-evaluates them on the first execution date based on the remaining contract terms and terms of the original lease and sub-lease and classifies them in accordance with the provisions of the new lease standards. If it is reclassified as a financial lease, the Company will account for it as a new financial lease.

Except for sub-leases, the Company is not required to adjust its lease as a lessor in accordance with the new lease standards. The Company has been accounting in accordance with the new lease standard since the first date of implementation.

- The main impacts of the Company's implementation of the new lease standard on the financial statements are as follows:

The content and reasons for the change in accounting policy	Approval procedures	The affected report item	The amount of the impact on the balance as of January 1, 2021	
			merge	parent company
(1) The Company, as the lessee, adjusts the operating lease that already exists before the date of the first execution	board of directors	Right-of-use assets	21,196,690.21	5,253,437.41
		Lease liabilities	16,766,718.28	2,981,465.16
		Non-current liabilities maturing in one year	4,429,971.93	2,271,972.25

## (2) Implement the Interpretation of Accounting Standards for Business Enterprises No. 14

On 2 February 2021, the Ministry of Finance promulgated the Interpretation no. 14 of the Accounting Standards for Business Enterprises (Cai Hui [2021] No. 1, hereinafter referred to as "Interpretation No. 14"), which came into effect on the date of promulgation. The new related businesses added from January 1, 2021 to the effective date will be adjusted in accordance with Interpretation No. 14.

### (1) Public-private partnership (PPP) project contracts

Interpretation No. 14 applies to both "dual characteristics" and "dual control" that conform to the interpretation. For PPP project contracts, for the relevant PPP project contracts that began to be implemented before December 31, 2020 and have not been completed by the implementation date, retrospective adjustments should be retroactively adjusted, and if the retrospective adjustment is not practicable, it shall be applied from the beginning of the earliest period of retrospective adjustment, and the cumulative impact of the adjustment shall not be adjusted for retained earnings at the beginning of the year and other related items in the financial statements of the year and other related items of the financial statements on the implementation date. The implementation of this provision has not had a material impact on the Company's financial position and results of operations.

### (2) Benchmark interest rate reform

Interpretation No. 14 provides simplified accounting treatment in cases where the benchmark interest rate reform results in a change in the basis for determining cash

flows related to contracts of financial instruments and lease contracts.

According to the provisions of the Interpretation, the business related to the reform of the benchmark interest rate that occurred before December 31, 2020 should be retrospectively adjusted, unless the retrospective adjustment is not practicable, and there is no need to adjust the comparative financial statement data of the previous period. As of the effective date of the Interpretation, the difference between the original carrying amount of financial assets, financial liabilities, etc., and the new carrying amount shall be included in the opening retained earnings or other comprehensive income of the annual reporting period on which the Interpretation takes effect. The implementation of this provision has not had a material impact on the Company's financial position and results of operations.

(3) Implement the Notice on Adjusting the Provisions on the Accounting Treatment of Rent Reductions Related to the covid-19 epidemic < > the Scope of Application  
On 19 June 2020, the Ministry of Finance issued the Provisions on the Accounting Treatment of Rent Concessions Related to the COVID-19 Epidemic (Cai Hui [2020] No. 10), which provides conditions for rent reductions directly caused by the COVID-19 pandemic. Rent concessions such as deferred payment of rent can be accounted for by a simplified approach.

On 26 May 2021, the Ministry of Finance issued the Notice on Adjusting the Provisions on the Accounting Treatment of Rent Concessions Related to the COVID-19 epidemic < > the Scope of Application (Cai Hui [2021]. 19), effective from 26 May 2021, the scope of application of the COVID-19-related rent concessions allowed to adopt simplified methods in the Provisions on the Accounting Treatment of Rent Reductions Related to covid-19 The concession is adjusted only to lease payments payable before June 30, 2021 Concessions are only for lease payments payable before June 30, 2022", other applicable conditions remain unchanged.

The Company has chosen to adopt a simplified method for accounting treatment of all eligible lease contracts before the adjustment of the scope of application, and all similar lease contracts that are eligible after the adjustment of the scope of application have also adopted a simplified method for accounting treatment, and retrospectively adjusted the relevant lease contracts that have been accounted for with lease changes before the notice is issued, but do not adjust the prior period comparative financial statement data; for January 2021 The relevant rent reduction

that does not account for the provisions of the notice occurs between 1 and the effective date of the notice, and is adjusted in accordance with the notice.

(4) Implement the "Accounting Standards for Business Enterprises Interpretation No. 15" on the presentation of funds for centralized management

On 30 December 2021, the Ministry of Finance issued the Interpretation no. 15 of the Accounting Standards for Business Enterprises (Cai Hui [2021] No. 35, hereinafter referred to as "Interpretation No. 15"). The content of "Presentation Related to the Centralized Management of Funds" shall be implemented from the date of promulgation, and the financial statement data for comparable periods shall be adjusted accordingly.

Interpretation No. 15 clearly stipulates how the balances involved in the centralized and unified management of the funds of the parent company and member units by enterprises through internal settlement centers, financial companies, etc. should be reported and disclosed on the balance sheet. The implementation of this provision has not had a material impact on the Company's financial position and results of operations.

2、 Significant accounting estimate changes: None

3、 The first implementation of the new lease standard adjusts the situation of items related to the financial statements at the beginning of the first implementation year

Consolidated balance sheets

project	Balance at the end of the previous year	Beginning balance	The number of adjustments		
			Reclassify	Remetering	total
Right-of-use assets		21,196,690.21		21,196,690.21	21,196,690.21
Lease liabilities		16,766,718.28		16,766,718.28	16,766,718.28
Non-current liabilities maturing in one year		4,429,971.93		4,429,971.93	4,429,971.93

**Balance sheet of the parent company**

project	At the end of the previous year balance	Beginning balance	The number of adjustments		
			Reclassify	Remetering	total
Right-of-use assets		5,253,437.41		5,253,437.41	5,253,437.41
Lease liabilities		2,981,465.16		2,981,465.16	2,981,465.16
Non-current liabilities maturing in one year		2,271,972.25		2,271,972.25	2,271,972.25

**四、 Taxes****(一) Main types of taxes and tax rates**

Tax	Basis for taxation	rate
vat	The output VAT is calculated on the basis of the income from the sale of goods and taxable services calculated in accordance with the provisions of the Tax Law, and the difference is the VAT payable after deducting the input VAT allowed for deduction in the current period	3%-13%
Urban maintenance and construction tax	It is calculated based on the vat and consumption tax actually paid	5%、7%
Corporate income tax	Payment is based on taxable income	15%、19%、25%

Where there are taxpayers with different corporate income tax rates, the disclosure is explained

The name of the tax subject	Income tax rate%
Lianhua Technology Co., Ltd	15
Taizhou Lianhua Import & Export Co., Ltd	25
Shanghai Baofeng Machinery Manufacturing Co., Ltd	15
Jiangsu Lianhua Technology Co., Ltd	25
Taizhou Huangyan Lianhua Pharmaceutical Co., Ltd	25

The name of the tax subject	Income tax rate%
Lianhua Technology (Taizhou) Co., Ltd	15
Lianhua Technology (Shanghai) Co., Ltd	25
Lianhua Technology (Yancheng) Co., Ltd	25
Lianhua Technology (Texas) Co., Ltd	25
Lianhua Technology (Linhai) Co., Ltd	25
Liaoning Tianyu Chemical Co., Ltd	15
Hubei Juntai Pharmaceutical Chemical Co., Ltd	15
Lianhua Technology New Material (Taizhou) Co., Ltd	25
Lianhua Angjian Pharmaceutical Technology (Shanghai) Co., Ltd	25
Yancheng Baofeng New Energy Equipment Co., Ltd	25
FINE ORGANICS LIMITED	19
LIANHETECH HOLDCO LIMITED	19

## (二) Tax incentives

1. On December 1, 2020, Lianhua Technology received the high-tech enterprise certificate (certificate number: GR202033004438) jointly approved by the Zhejiang Provincial Department of Science and Technology, the Zhejiang Provincial Department of Finance and the State Administration of Taxation. According to the relevant regulations, the company will enjoy the relevant preferential policies of the state for high-tech enterprises from 2020 to 2022, and pay enterprise income tax at a rate of 15%.

2. Shanghai Baofeng Machinery Manufacturing Co., Ltd., a subsidiary of the company, received the high-tech enterprise certificate (certificate number: GF201931002418) jointly approved by the Shanghai Municipal Science and Technology Commission, the Shanghai Municipal Bureau of Finance and the Shanghai Municipal Taxation Bureau of the State Administration of Taxation on October 28, 2019. According to relevant regulations, Shanghai Baofeng Machinery Manufacturing Co., Ltd. will enjoy the relevant preferential policies of the state on high-tech enterprises from 2019 to 2021, and pay enterprise income tax at a rate of 15%.

3. Lianhua Technology (Taizhou) Co., Ltd., a subsidiary of the company, received the high-tech enterprise certificate (certificate number: GR20 2133009973 jointly approved by the Zhejiang Provincial Department of Science and Technology, the Zhejiang Provincial Department of Finance and the Zhejiang Provincial Taxation Bureau of the State Administration of Taxation on December 16, 2021 ). According to the relevant regulations, Lianhua Technology (Taizhou) Co., Ltd. enjoys the relevant preferential

policies of the state on high-tech enterprises from 2021 to 2023, and pays enterprise income tax at a rate of 15%.

4. On November 10, 2020, Liaoning Tianyu Chemical Co., Ltd., a subsidiary of the Company, received the high-tech enterprise certificate (certificate number: GR202021001231) jointly approved by the Department of Science and Technology of Liaoning Province, the Department of Finance of Liaoning Province, and the State Administration of Taxation. According to the relevant regulations, Liaoning Tianyu Chemical Co., Ltd. will enjoy the relevant preferential policies of the state on high-tech enterprises from 2020 to 2022, and pay enterprise income tax at a rate of 15%.

52. Hubei Juntai Pharmaceutical Chemical Co., Ltd., a subsidiary of the company, in 2020 年 12 月 1 Received by the Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, Hubei Provincial Taxation Bureau of the State Administration of Taxation High-tech enterprise certificate issued with joint approval (certificate number: GR202042001691). According to the relevant regulations, Hubei Juntai Pharmaceutical Chemical Co., Ltd. from 2020 years 2022 Year to enjoy the relevant preferential policies of the state on high-tech enterprises, press 15% The tax rate is subject to corporate income tax.

## 五、 Consolidated financial statement item notes

### (一) Monetary funds

project	Closing balances	Balance at the end of the previous year
cash on hand		
Bank deposits	470,696,531.41	494,308,003.98
Where: Deposit of funds from the financial company		
Funds in other currencies	90,220,224.61	139,204,215.31
subtotal	560,916,756.02	633,512,219.29
Accrued interest	91,651.61	2,095,941.42
total	561,008,407.63	635,608,160.71
Among them: the total amount of money deposited abroad	72,300,196.86	52,740,122.80

Among them, there are restrictions on the use of mortgages, pledges or freezes, restrictions

on the withdrawal of funds due to centralized management, and the details of monetary funds placed abroad and restricted in the repatriation of funds are as follows:

project	Closing balances	Balance at the end of the previous year
Banker's acceptance draft margin	86,482,404.75	42,555,353.38
Letter of credit margin		5,758,985.75
Performance bond	2,149,400.00	969,950.00
Time deposits used for pledge		91,587,656.79
Funds in other restricted currencies	1,588,419.86	428,210.81
total	90,220,224.61	141,300,156.73

Note 1: As of December 31, 2021, RMB86,482,404.75 of the funds in the restricted currency was the margin for banker's acceptance draft issued to banks.

Note 2: As of December 31, 2021, RMB2,149,400.00 of the restricted monetary funds were the product quality performance bonds issued by Shanghai Baofeng Machinery Manufacturing Co., Ltd., a subsidiary of the Company, to the bank.

Note 3: As of December 31, 2021, RMB1,588,419.86 of the restricted monetary funds used was signed by the Company's subsidiary Lianhua Technology (Dezhou) Co., Ltd., with the Pingyuan County Housing and Urban-Rural Development Bureau and the Bank of Texas, with the Dezhou City Construction Labor Wage Deposit Supervision Agreement, which stipulates that the Company will undertake the construction of the "750 tons per year herbicide project, the No. 41 and No. 42 workshop project" project and the second phase of the refinement project. It is necessary to deposit the deposit of migrant workers at the Bank of Texas, and the deposit is deposited from the deposit until the release of the control, and the Pingyuan County Housing and Urban-Rural Development Bureau decides whether to use the deposit and the amount of utilization according to the daily supervision of the project and the handling of complaints about the arrears of migrant workers.

Note 4: The above restricted monetary fund balances have been excluded from the consolidated cash flow statement "Cash and cash equivalent balances at the end of the period".

Note 5: Of the above-mentioned restricted monetary fund balances, \$90,220,224.61 is due to monetary funds that are restricted by operating activities.

## (二) Derivative financial assets

project	Closing balances	Balance at the end of the previous year
Forward Forex trading	12,566,512.80	7,032,181.21
total	12,566,512.80	7,032,181.21

## (三) Bills receivable

## 1、 Bills receivable are listed categorically

project	Closing balances	Balance at the end of the previous year
Banker's acceptance draft		
Commercial acceptance drafts		5,603,700.00
Minus: Provision for bad debts		370,404.57
total		5,233,295.43

2、 Notes receivable pledged by the Company at the end of the period: None

3、 Notes receivable endorsed or discounted by the company at the end of the period and not yet due at the balance sheet date: None

4、 Notes at the end of the period that the company converted to accounts receivable due to the issuer's non-performance: None

## (四) Accounts receivable

## 1、 Accounts receivable are disclosed on an age-by-age basis

Aging	Closing balances	Balance at the end of the previous year
Within 1 year	1,387,692,428.15	897,115,699.99
1 to 2 years	14,283,233.46	19,647,302.98
2 to 3 years	11,497,509.26	7,451,153.70
More than 3 years	9,705,902.68	2,964,397.50
subtotal	1,423,179,073.55	927,178,554.17
Minus: Provision for bad debts	91,288,082.23	55,995,763.46

Aging	Closing balances	Balance at the end of the previous year
total	1,331,890,991.32	871,182,790.71

**2、Accounts receivable are disclosed according to the bad debt provision method**

category	Closing balances			Balance at the end of the previous year				
	Book balances		Provision for bad debts		Book balances		Provision for bad debts	
	amount	Proportion (%)	amount	Percentage of provision (%)	amount	Proportion (%)	amount	Percentage of provision (%)
Provision for bad debts is made on a case-by-case basis								
Provision for bad debts on a portfolio basis	1,423,179,073.55	100.00	91,288,082.23	6.41	1,331,890,991.32	927,178,554.17	55,995,763.46	6.04
total	1,423,179,073.55	100.00	91,288,082.23		1,331,890,991.32	927,178,554.17	55,995,763.46	871,182,790.71

Provision for bad debts on a case-by-case basis: None

Provision for bad debts by portfolio:

Portfolio Accrual Items:

name	Closing balances		
	Accounts receivable	Provision for bad debts	Accrual ratio (%)
Aging combinations	1,423,179,073.55	91,288,082.23	6.41
total	1,423,179,073.55	91,288,082.23	

Among them: aging combination - fine chemicals and other segments

name	Closing balances		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within 1 year	1,324,411,035.34	66,220,551.80	5.00
1 to 2 years			
2 to 3 years	5,470,602.00	2,735,301.00	50.00
More than 3 years	490,820.00	490,820.00	100.00
total	1,330,372,457.34	69,446,672.80	

Among them: aging combination - mechanical engineering division

name	Closing balances		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within 1 year	63,281,392.81	5,977,601.72	9.45
1 to 2 years	14,283,233.46	3,218,502.76	22.53
2 to 3 years	6,026,907.26	3,430,222.27	56.92
More than 3 years	9,215,082.68	9,215,082.68	100.00
total	92,806,616.21	21,841,409.43	

### 3、 Provision for bad debts accrued, reversed or recovered during the period

category	Balance at the end of the previous year	The amount of change in the current period				Closing balances
		Accrual	Retract or turn back	Resale or write-off	Other changes	
Combination of credit risk characteristics	55,995,763.46	36,552,041.65		-1,115,036.06	-144,686.82	91,288,082.23
total	55,995,763.46	36,552,041.65		-1,115,036.06	-144,686.82	91,288,082.23

#### 4、Accounts receivable actually written off in the current period

project	Write-off amount
Accounts receivable actually written off	1,115,036.06

The write-off of accounts receivable in the current period was approved by the relevant internal control decision-making procedures, and the amount of each account was small.

#### 5、Accounts receivable of the top five closing balances by debtor

The name of the unit	Closing balances		
	Accounts receivable	Percentage of total accounts receivable (%)	Provision for bad debts
1st place	323,036,992.35	22.70	16,151,849.62
Second place	205,438,268.22	14.44	10,271,913.41
Third place	204,003,369.19	14.33	10,200,168.46
Fourth place	77,003,154.31	5.41	3,850,157.72
Fifth place	41,496,589.76	2.92	2,074,829.49
total	850,978,373.83	59.80	42,548,918.70

#### 6、Accounts receivable de-recognized as a result of transfers of financial assets:

None

#### 7、Amount of assets and liabilities that are transferred and continue to be involved in the receivables: None

### (五) Receivables financing

#### 1、Financing of receivables

project	Closing balances	Balance at the end of the previous year
Bills receivable	455,901,847.19	368,369,438.92
Accounts receivable		
total	455,901,847.19	368,369,438.92

**2、 Notes receivable pledged by the Company at the end of the period:**

The Company and its subsidiary Lianhua Technology (Taizhou) Co., Ltd. signed the "Bill Pool Business Cooperation Agreement" with the Huangyan Branch of Industrial Bank Co., Ltd.; the Company and its subsidiary Lianhua Technology (Dezhou) Co., Ltd. signed the "Bill Pool Pledge Financing Business Cooperation Agreement" with the Taizhou Branch of China CITIC Bank Co., Ltd.; the Company pledged and endorsed the bank acceptance bills separately and delivered them to the account bank, constituting a pool of pledged bills; and opened a bill pool margin account for depositing the pledge bank acceptance bills of exchange payment. The company's pledge available quota is the sum of the bill pledge amount and the immediate balance of the margin account minus the pledge amount of the used bill, and the agreement stipulates that the sum of the group's pledge bill amount and the balance of the margin account shall not be lower than the pledge amount used to issue the bills. As of December 31, 2021, the amount of banker's acceptance bills pledged was \$448,531,324.98.

**3、 Receivables financing impairment provision: None**

**4、 Notes receivable endorsed or discounted by the company at the end of the period and not yet due at the balance sheet date: None**

**5、 Notes at the end of the period that the company converted to accounts receivable due to the issuer's non-performance: None**

**(六) Advance Payments**

**1、 Advance payments are shown on a per-age basis**

Aging	Closing balances		Balance at the end of the previous year	
	amount	Proportion (%)	amount	Proportion (%)
Within 1 year	121,031,694.87	98.23	62,645,175.27	92.58
1 to 2 years	1,414,688.20	1.15	2,837,238.59	4.19
2 to 3 years	617,607.75	0.50	2,188,307.22	3.23
More than 3 years	146,837.07	0.12		
total	123,210,827.89	100.00	67,670,721.08	100.00

## 2、 The status of the top five advances in the closing balances by prepaid object

Prepaid objects	Closing balances	Percentage of total prepayment ending balances (%)
China Pacific Property & Casualty Insurance Company Limited	11,592,061.76	9.41
Danyang Ruixiang Petrochemical Co., Ltd	10,713,516.00	8.70
PT. SOCI MAS	9,151,271.75	7.43
Changzhou Xindong Chemical Development Co., Ltd	8,904,000.00	7.23
PT. MUSIM MAS	7,932,773.43	6.44
total	48,293,622.94	39.21

## (七) Other receivables

project	Closing balances	Balance at the end of the previous year
Interest receivable		
Dividends receivable		
Other receivables	45,387,403.24	43,077,723.06
total	45,387,403.24	43,077,723.06

## 1、 Interest Receivable: None

**2、 Dividends Receivable: None****3、 Other receivables items****(1) Disclosure according to aging**

Aging	Closing balances	Balance at the end of the previous year
Within 1 year	45,204,314.10	29,995,333.42
1 to 2 years	1,115,000.00	1,058,336.47
2 to 3 years	480,190.00	27,916,974.03
More than 3 years	30,910,974.21	3,904,873.08
subtotal	77,710,478.31	62,875,517.00
Minus: Provision for bad debts	32,323,075.07	19,797,793.94
total	45,387,403.24	43,077,723.06

(2) Classified disclosure according to the bad debt provision method

category	Closing balances				Balance at the end of the previous year					
	Book balances		Provision for bad debts		Book balances		Provision for bad debts			
	amount	Proportion (%)	amount	Percentage of provision (%)	book value	amount	Proportion (%)	Percentage of provision (%)	book value	
Provision for bad debts is made on a case-by-case basis										
Provision for bad debts on a portfolio basis	77,710,478.31	100.00	32,323,075.07	41.59	45,387,403.24	62,875,517.00	100.00	19,797,793.94	31.49	43,077,723.06
total	77,710,478.31	100.00	32,323,075.07		45,387,403.24	62,875,517.00	100.00	19,797,793.94		43,077,723.06

Provision for bad debts on a case-by-case basis: None

Provision for bad debts by portfolio:

Portfolio Accrual Items:

name	Closing balances		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Aging combinations	57,734,944.79	31,324,298.40	54.26
A combination of deposit deposits for employee borrowings and others	19,975,533.52	998,776.67	5.00
total	77,710,478.31	32,323,075.07	

Where: aging combinations

name	Closing balances		
	Other receivables	Provision for bad debts	Accrual ratio (%)
Within 1 year	27,725,260.65	1,386,263.04	5.00
1 to 2 years	100,000.00	28,351.22	28.35
2 to 3 years			
More than 3 years	29,909,684.14	29,909,684.14	100.00
total	57,734,944.79	31,324,298.40	

### (3) Provision for bad debts

	Phase I	Phase II	Phase III	total
Provision for bad debts	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (no credit impairment)	Expected credit losses over the entire lifetime (credit impairment incurred)	
Balance at the end of the previous year	19,797,793.94			19,797,793.94
The balance at the end of the previous year is in the current period				

	Phase I	Phase II	Phase III	
Provision for bad debts	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (no credit impairment)	Expected credit losses over the entire lifetime (credit impairment incurred)	total
--Move on to the second stage				
--Move on to the third stage				
--Go back to the second stage				
--Go back to the first stage				
Accrual for the current period	12,555,426.25			12,555,426.25
This issue turns back				
Resale for this period				
Write-off for the current period				
Other changes	-30,145.12			-30,145.12
Closing balances	32,323,075.07			32,323,075.07

## (4) Provision for bad debts accrued, transferred or recovered in the current period

category	Balance at the end of the previous year	The amount of change in the current period				Closing balances
		Accrual	Retract or turn back	Resale or write-off	Other changes	
Combination of credit risk characteristics	19,797,793.94	12,555,426.25			-30,145.12	32,323,075.07
total	19,797,793.94	12,555,426.25			-30,145.12	32,323,075.07

(5) Other receivables actually written off in the current period: None

## (6) Classification according to the nature of the payment

The nature of the payment	Closing book balances	Book balance at the end of the previous year
repairs	866,672.00	37,895.53
Reserve fund	2,677,883.13	2,860,968.15
Deposit, Security Deposit	7,269,484.37	2,163,934.76
Export tax rebates receivable	10,232,509.24	
Current payments	40,121,878.92	54,768,600.25
Buy a house and borrow money	11,670,000.02	
other	4,872,050.63	3,044,118.31
total	77,710,478.31	62,875,517.00

## (7) Other receivables in the top five of the closing balances collected by debtor

The name of the unit	The nature of the payment	Closing balances	Aging	Percentage of total closing balances of other receivables (%)	Provision for bad debts Closing balances
Jiangsu Xiangshui Ecological Chemical Industry Park [Note]	Current payments	26,840,005.83	More than 3 years	34.54	26,840,005.83
Employee home purchase loans	Buy a house and borrow money	11,670,000.02	Within 1 year	15.02	583,500.00
Export tax rebates receivable	Export tax rebates receivable	10,232,509.24	Within 1 year	13.17	511,625.46
Fuxin Humin Group Huji Construction Engineering Co., Ltd	Current payments	1,815,152.76	More than 3 years	2.34	1,815,152.76
Xinjiang Oriental Hope New Energy Co., Ltd	deposit	1,050,000.00	Within 1 year, 1-2 years	1.35	52,500.00

The name of the unit	The nature of the payment	Closing balances	Aging	Percentage of total closing balances of other receivables (%)	Provision for bad debts Closing balances
total		51,607,667.85		66.42	29,802,784.05

Note: Jiangsu Xiangshui Ecological Chemical Industry Park is the former Chenjiagang Chemical Industry Park Management Committee.

(8) Other receivables involving government subsidies: None

(9) Other receivables that have been derecognized as a result of the transfer of financial assets: None

(10) Amount of assets and liabilities formed by transferring other receivables and continuing to be involved: None

(11) stocks

1、Inventory classification

project	Closing balances			Balance at the end of the previous year		
	Book balances	Provision for impairment of inventory depreciation/contract performance costs	book value	Book balances	Provision for impairment of inventory depreciation/contract performance costs	book value
raw materials	813,670,267.76	10,699,907.89	802,970,359.87	515,220,689.00	8,085,054.72	507,135,634.28
Shipping goods	90,877,666.84		90,877,666.84			
Commissioning processing materials	295,106.76		295,106.76	1,132,834.68		1,132,834.68
In the product	423,789,806.64		423,789,806.64	340,658,981.01		340,658,981.01
Inventory items	963,567,770.75	28,705,606.83	934,862,163.92	939,076,136.78	23,939,673.11	915,136,463.67
Develop the product				59,216,576.75		59,216,576.75

project	Closing balances			Balance at the end of the previous year		
	Book balances	Provision for impairment of inventory depreciation/contract performance costs	book value	Book balances	Provision for impairment of inventory depreciation/contract performance costs	book value
Development costs				36,483,146.12		36,483,146.12
total	2,292,200,618.75	39,405,514.72	2,252,795,104.03	1,891,788,364.34	32,024,727.83	1,859,763,636.51

## 2、Provision for impairment of inventory depreciation and contract performance costs

project	Balance at the end of the previous year	Increase the amount in the current period		Reduction in amount for the current period		Closing balances
		Accrual	other	Rewind or resell	other	
raw materials	8,085,054.72	3,065,516.36		450,663.19		10,699,907.89
Inventory items	23,939,673.11	5,839,245.74		1,073,312.02		28,705,606.83
total	32,024,727.83	8,904,762.10		1,523,975.21		39,405,514.72

## 3、Development costs

The project name	Start time	Closing balances	Balance at the end of the previous year
Lianhua Small and Micro Enterprise Entrepreneurship Park (North District)	In 2019		36,483,146.12
total			36,483,146.12

Note: Due to the change of the company's business scope, the Lianhua Small and Micro Enterprise Entrepreneurship Park (North District) at the end of the period will be transferred from the development cost to the project in progress.

## 4、Develop the product

The project name	Completion time	Balance at the end of the previous year	Increase the amount in the current period	Reduct
Lianhua Small and Micro Enterprise Entrepreneurship Park (South District)	Year 2020	59,216,576.75		
total		59,216,576.75		

Note: Due to the change of the company's business scope, the Lianhua Small and Micro Enterprise Entrepreneurship Park (South District) at the end of the period will be transferred from the development products to the fixed asset accounting.

5、 **Inventory ending balance contains a description of the amount capitalized by borrowing costs: None**

6、 **Description of the amortization amount of contract performance costs for the current period: None**

(九) **Non-current assets due within one year**

project	Closing balances	Balance at the end of the previous year
Long-term receivables due within one year		9,953,188.50
Long-term fixed deposits maturing within one year	163,575,000.00	
Where: accrued interest	3,575,000.00	
total	163,575,000.00	9,953,188.50

Note 1: At the end of the period, the Company held a large-value fixed deposit certificate of RMB10,000,000.00 from the Taizhou Huangyan Branch of Industrial Bank Co., Ltd., with a maturity date of June 26, 2022, and a fixed deposit certificate of RMB50,000,000.00 from the Taizhou Huangyan Small and Micro Enterprise Franchise Branch of Zheshang Bank Co., Ltd., with an expiry date of December 22, 2022. The total amount of the above-mentioned certificates of deposit is \$60,000,000.00.

Note 2: In December 2021, Jiangsu Lianhua Technology Co., Ltd., a subsidiary of the Company, signed the "Working Capital Loan Contract" and the "Rights Pledge Contract" with the number 32060820210000570 and the "Rights Pledge Contract" of the 32100420210009184 of the Agricultural Bank of China Co., Ltd., agreeing that the amount was 100. RMB000,000.00, with a maturity date of February 22, 2022, the unit time deposit certificate of deposit was pledged to apply to the bank for a loan of US\$2,000,000.00, equivalent to RMB12,751,400.00 yuan.

(十) **Other current assets**

project	Closing balances	Balance at the end of the previous year
VAT input VAT to be certified	36,085,148.71	10,374,406.20
VAT retention credits	156,023,179.15	105,537,739.77
Withhold vat	457,178.70	
Withhold corporate income tax	10,160,172.87	5,009,642.42
Withholding of other taxes and fees (except VAT, income tax)	2,189,994.16	3,105,603.41
total	204,915,673.59	124,027,391.80

**(十一) Long-term receivables**

**1、 Long-term receivables**

project	Closing balances			Balance at the end of the previous year			
	Book balances	Provision for bad debts	book value	Book balances	Provision for bad debts	book value	Discount rate range
Financial lease payments	4,430,579.87		4,430,579.87	4,087,467.20		4,087,467.20	
Among them							
unrealized financing gains	569,420.13		569,420.13	912,532.80		912,532.80	
total	4,430,579.87		4,430,579.87	4,087,467.20		4,087,467.20	

**2、 Provision for bad debts in long-term receivables: None**

**3、 Long-term receivables de-recognized as a result of transfers of financial assets: None**

**4、 Amount of assets and liabilities that are transferred from long-term receivables and continue to be involved: None**

(十二) Long-term equity investment

Invested units	Balance at the end of the previous year	Increases and decreases for the period							Closing balances	Impairment provision Closing balances
		Additional investments	Reduce investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustments	Other changes in equity	Declare the payment of cash dividends or profits	Provision for impairment	other	
Associates										
Taizhou Huangyan Lianke Microfinance Co., Ltd	62,842,172.88			1,354,836.68			-12,000,000.00			52,197,009.56
Zhejiang Zhongke Chuangyue Pharmaceutical Co., Ltd	18,654,217.68			11,244.05						18,665,461.73
subtotal	81,496,390.56			1,366,080.73			-12,000,000.00			70,862,471.29
total	81,496,390.56			1,366,080.73			-12,000,000.00			70,862,471.29

**(十三) Investments in other equity instruments****Investments in other equity instruments**

project	Closing balances	Balance at the end of the previous year
Taizhou Biomedical Chemical Industry Research Institute Co., Ltd	500,000.00	500,000.00
total	500,000.00	500,000.00

**(十四) Investment real estate****1. Investment real estate using a cost-based measurement model**

project	Houses, buildings	total
1. Book value		
(1) Balance at the end of the previous year	6,754,416.73	6,754,416.73
(2) Increase the amount in the current period		
(3) Reduction of the amount in the current period		
(4) Closing balance	6,754,416.73	6,754,416.73
2. Accumulated depreciation and cumulative amortization		
(1) Balance at the end of the previous year	2,758,468.01	2,758,468.01
(2) Increase the amount in the current period	325,175.85	325,175.85
(3) Reduction of the amount in the current period		
(4) Closing balance	3,083,643.86	3,083,643.86
3. Impairment provision		
(1) Balance at the end of the previous year		

project	Houses, buildings	total
(2) Increase the amount in the current period		
(3) Reduction of the amount in the current period		
(4) Closing balance		
4. book value		
(1) Book value at the end of the period	3,670,772.87	3,670,772.87
(2) Book value at the end of the previous year	3,995,948.72	3,995,948.72

**2、 Investment real estate without a proper title certificate: None**

(十五) fixed asset

1、Fixed assets and liquidation of fixed assets

project	Closing balances	Balance at the end of the previous year
fixed asset	4,192,642.416.11	3,979,442,282.27
Liquidation of fixed assets		
total	4,192,642,416.11	3,979,442,282.27

2、Fixed assets

project	Houses and buildings	General purpose equipment	Specialized equipment	Transport equipment	total
1. Book value					
(1) Balance at the end of the previous year	1,761,446,642.37	1,716,229,153.19	3,062,116,575.83	27,393,328.99	6,567,185,700.38
(2) Increase the amount in the current period	106,069,007.31	275,671,002.95	437,897,468.92	1,821,649.84	821,459,129.02
— Acquisition	3,440,414.70	28,949,844.27	95,383,943.36	1,821,649.84	129,595,852.17
- Transfer of works under construction	83,483,607.43	246,853,037.85	359,994,107.93		690,330,753.21
— Inventory transfer	19,923,434.83				19,923,434.83

Project	Houses and buildings	General purpose equipment	Specialized equipment	Transport equipment	total
—Foreign currency reporting translation differences	-778,449.65	-131,879.17	-17,480,582.37		-18,390,911.19
(3) Reduction of the amount in the current period	8,713,304.27	28,441,805.25	92,853,364.81	899,765.26	130,908,239.59
—Disposal or scrapping	8,713,304.27	28,441,805.25	92,853,364.81	899,765.26	130,908,239.59
(4) Closing balance	1,858,802,345.41	1,963,458,350.89	3,407,160,679.94	28,315,213.57	7,257,736,589.81
2. Accumulated depreciation					
(1) Balance at the end of the previous year	487,358,200.00	616,659,253.28	1,462,414,275.56	21,311,689.27	2,587,743,418.11
(2) Increase the amount in the current period	89,217,006.91	195,598,340.78	253,367,455.23	2,179,981.26	540,362,784.18
—Provision	89,235,175.34	195,713,587.97	264,340,004.64	2,179,981.26	551,468,749.21
—Foreign currency reporting translation differences	-18,168.43	-115,247.19	-10,972,549.41		-11,105,965.03
(3) Reduction of the amount in the current period	4,363,049.15	18,924,610.99	65,670,514.42	854,776.96	89,812,951.52
—Disposal or scrapping	4,363,049.15	18,924,610.99	65,670,514.42	854,776.96	89,812,951.52
(4) Closing balance	572,212,157.76	793,332,983.07	1,650,111,216.37	22,636,893.57	3,038,293,250.77
3. Impairment provision					

project	Houses and buildings	General purpose equipment	Specialized equipment	Transport equipment	total
(1) Balance at the end of the previous year					
(2) Increase the amount in the current period			26,800,922.93		26,800,922.93
— Provision			27,243,120.71		27,243,120.71
— Foreign currency reporting translation differences			-442,197.78		-442,197.78
(3) Reduction of the amount in the current period					
— Disposal or scrapping					
— Foreign currency reporting translation differences					
(4) Closing balance			26,800,922.93		26,800,922.93
4. book value					
(1) Book value at the end of the period	1,286,590,187.65	1,170,125,367.82	1,730,248,540.64	5,678,320.00	4,192,642,416.11
(2) Book value at the end of the previous year	1,274,088,442.37	1,099,569,899.91	1,599,702,300.27	6,081,639.72	3,979,442,282.27

**3、 Temporarily idle fixed assets: None****4、 The condition of a fixed asset leased in through sale and leaseback**

project	Book value	Accumulated depreciation	Impairment provision	book value
Specialized equipment	100,037,013.26	48,064,767.97		51,972,245.29
total	100,037,013.26	48,064,767.97		51,972,245.29

**5、 Status of fixed assets leased out through operating leases: None****6、 The status of fixed assets without a proper title certificate**

project	book value	Reasons for failure to complete the title deed
Houses and buildings	197,551,620.61	Warrant processing

**7、 The original book value of the fixed assets used for collateral at the end of the period was \$505,570,100.41, as detailed in Note XII.****8、 Liquidation of fixed assets: None****(十六) Works under construction****1、 Works under construction and engineering materials**

project	Closing balances	Balance at the end of the previous year
Works under construction	2,464,196,382.95	1,378,868,526.14
Engineering materials	8,040,368.58	33,957.13
total	2,472,236,751.53	1,378,902,483.27

**2、 Construction in progress**

project	Closing balances			Balance at the end of the previous year		
	Book balances	Impairment provision	book value	Book balances	Impairment provision	book value
Lianhua Dezhou plant project	711,065,140.86		711,065,140.86	141,392,318.95		141,392,318.95
Jiangsu Soviet chemical plant project	15,145,743.06		15,145,743.06	197,558,590.47		197,558,590.47
Lianhua Taizhou intermediate production and construction project	335,429,014.59		335,429,014.59	225,235,106.72		225,235,106.72
Lianhua Jiangkou plant project	23,904,424.09		23,904,424.09	52,451,983.90		52,451,983.90
Hubei County Tai Factory Project	34,867,794.13		34,867,794.13	14,452,453.33		14,452,453.33
Liaoning Tianyu factory project	5,235,275.54		5,235,275.54	3,202,806.36		3,202,806.36
Lianhua Yancheng plant project	8,190,668.02		8,190,668.02	25,101,280.87		25,101,280.87
Lianhua pharmaceutical production line				11,166.54		11,166.54
Yancheng Lianke factory project				15,801,260.21		15,801,260.21
Lianhua Linhai Plant Project	303,428,289.74		303,428,289.74	165,633,434.96		165,633,434.96

project	Closing balances			Balance at the end of the previous year		
	Book balances	Impairment provision	book value	Book balances	Impairment provision	book value
Baofeng machinery plant maintenance	328,543.68		328,543.68			
Seal Sands Plant Project	978,915,228.27		978,915,228.27	538,028,123.83		538,028,123.83
Lianhua Small and Micro Entrepreneurship Park (North District)	39,417,666.14		39,417,666.14			
Lianhua New Materials Factory Project	8,268,594.83		8,268,594.83			
total	2,464,196,382.95		2,464,196,382.95	1,378,868,526.14		1,378,868,526.14

**3、Changes in key projects under construction during the current period**

The project name	Balance at the end of the previous year	Increase the amount in the current period	Other additions in this period	The amount transferred to fixed assets in the current period	The amount of intangible assets transferred during the period	Other reductions in the current period	Closing balances	Source
Lianhua Dezhou plant project	141,392,318.95	610,850,349.75		41,177,527.84			711,065,140.86	Self-financing
Jiangsu Soviet chemical plant project	197,558,590.47	73,428,882.74		243,926,730.15	11,915,000.00		15,145,743.06	Self-financing
Lianhua Taizhou intermediate production and construction project	225,235,106.72	318,733,640.68		200,464,854.25	2,063,358.32	6,010,520.24	335,429,014.59	Self-financing
Lianhua Jiangkou plant project	52,451,983.90	61,940,805.10		90,488,364.91			23,904,424.09	Self-financing
Hubei County Tea Factory Project	14,452,453.33	27,560,334.31		7,144,993.51			34,867,794.13	Self-financing
Liaoning Tianyu factory project	3,202,806.36	3,268,743.03		1,236,273.85			5,235,275.54	Self-financing
Lianhua Yaoheng plant project	25,101,280.87	9,638,801.74		26,549,414.59			8,190,668.02	Self-financing
Lianhua pharmaceutical production line	11,166.54	-940,772.01		-929,605.47				Self-financing

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The project name	Balance at the end of the previous year	Increase the amount in the current period	Other additions in this period	The amount transferred to fixed assets in the current period	The amount of intangible assets transferred during the period	Other reductions in the current period	Closing balances	Source
Yancheng Lianke factory project	15,801,260.21	2,593,568.43				18,394,828.64		Self-financing
Lianhua Lanhai Plant Project	165,633,434.96	137,794,854.78					303,428,289.74	Self-financing
Baofeng machinery plant maintenance		487,461.85		158,918.17			328,543.68	Self-financing
Seal Sands Plant Project	538,028,123.83	547,061,250.36		80,113,281.41		26,060,864.51	978,915,228.27	Self-financing
Lianhua Small and Micro Entrepreneurship Park (North District)			39,417,666.14				39,417,666.14	Self-financing
Lianhua New Materials Factory Project		2,238,074.59	6,010,520.24				8,268,594.83	Self-financing
total	1,378,868,526.14	1,794,674,995.35	45,428,186.38	690,330,753.21	13,978,358.32	50,466,213.39	2,464,196,382.95	

Other additions in this period are: (1) RMB39,417,666.14 is due to the change of the company's business scope, and the Lianhua Small and Micro Enterprise Entrepreneurship Park (North District) at the end of the period is transferred from the development cost to the project in progress; (2) Some of the projects of RMB6,010,520.24 are transferred from the Lianhua Taizhou Intermediate Production and Construction Project to the Lianhua New Material Factory Project.

Other reductions in this period are: (1) 6,010,520.24 yuan of some projects transferred from Lianhua Taizhou intermediate production and construction

project to Lianhua New Materials Factory Project; (2) 18,394,828.64 yuan is the scrapped Yancheng Lianke Plant Project; (3) 26,060,864.51 yuan is the conversion difference in foreign currency statements.

**4、 Impairment allowance for works under construction in progress in the current period: None**

**5、 Engineering materials**

project	Closing balances			Balance at the end of the previous year		
	Book balances	Provision for impairment of engineering materials	book value	Book balances	Provision for impairment of engineering materials	book value
Engineering materials	8,040,368.58		8,040,368.58	33,957.13		33,957.13
total	8,040,368.58		8,040,368.58	33,957.13		33,957.13

**(十七) Right-of-use assets**

project	Houses and buildings	Production equipment	Land use rights	total
1. Book value				
(1) The balance at the beginning of the year	8,533,488.75	5,604,572.25	7,058,629.21	21,196,690.21
(2) Increase the amount in the current period	1,880,768.73	678,460.50		2,559,229.23
— New leases	1,880,768.73	689,654.66		2,570,423.39
—Foreign currency reporting translation differences		-11,194.16		-11,194.16
(3) Reduction of the amount in the current period				
(4) Closing balance	10,414,257.48	6,283,032.75	7,058,629.21	23,755,919.44

project	Houses and buildings	Production equipment	Land use rights	total
2. Accumulated depreciation				
(1) The balance at the beginning of the year				
(2) Increase the amount in the current period	2,468,594.06	2,502,409.71	598,447.46	5,569,451.23
— Provision	2,468,594.06	2,538,438.03	598,447.46	5,605,479.55
—Foreign currency reporting translation differences		-36,028.32		-36,028.32
(3) Reduction of the amount in the current period				
(4) Closing balance	2,468,594.06	2,502,409.71	598,447.46	5,569,451.23
3. Impairment provision				
(1) The balance at the beginning of the year				
(2) Increase the amount in the current period				
(3) Reduction of the amount in the current period				
(4) Closing balance				
4. book value				
(1) Book value at the end of the period	7,945,663.42	3,780,623.04	6,460,181.75	18,186,468.21
(2) Book value at the beginning of the year	8,533,488.75	5,604,572.25	7,058,629.21	21,196,690.21

(十A) intangible asset

1、Intangible assets

project	Land use rights	Trademark	Computer software	Non-patented technology	Know-how	total
1. Book value						
(1) Balance at the end of the previous year	561,321,668.48	278,550.00	16,195,149.56	21,431,067.96	1,550,000.00	600,776,436.00
(2) Increase the amount in the current period	16,825,535.70		2,829,245.22			19,654,780.92
— Acquisition	4,910,535.70		765,886.90			5,676,422.60
- Transfer of works under construction	11,915,000.00		2,063,358.32			13,978,358.32
(3) Reduction of the amount in the current period						
(4) Closing balance	578,147,204.18	278,550.00	19,024,394.78	21,431,067.96	1,550,000.00	620,431,216.92
2. Cumulative amortization						
(1) Balance at the end of the previous year	58,521,016.67	218,690.39	13,421,786.08	21,431,067.96	888,181.86	94,480,742.96

project	Land use rights	Trademark	Computer software	Non-patented technology	Know-how	total
(2) Increase the amount in the current period	11,461,970.61	31,231.08	2,056,820.66		104,370.26	13,654,392.61
— Provision	11,461,970.61	31,231.08	2,056,820.66		104,370.26	13,654,392.61
(3) Reduction of the amount in the current period						
(4) Closing balance	69,982,987.28	249,921.47	15,478,606.74	21,431,067.96	992,552.12	108,135,135.57
3. Impairment provision						
(1) Balance at the end of the previous year						
(2) Increase the amount in the current period						
(3) Reduction of the amount in the current period						
(4) Closing balance						
4. book value						

project	Land use rights	Trademark	Computer software	Non-patented technology	Know-how	total
(1) Book value at the end of the period	508,164,216.90	28,628.53	3,545,788.04		557,447.88	512,296,081.35
(2) Book value at the end of the previous year	502,800,651.81	59,859.61	2,773,363.48		661,818.14	506,295,693.04

Note 1: The original book value of the intangible assets used for collateral at the end of the period was \$410,488,493.96, as detailed in Note 12.

2、 Land use rights without a proper title certificate			
land use rights	project	book value	Reasons for failure to complete the title deed
		36,846,321.24	Warrant processing
	total	36,846,321.24	

(十九) goodwill

1、 Changes in goodwill

The name of the investee unit or matters that form goodwill	Balance at the end of the previous year	Increased in this issue		Decreased in this period		Closing balances
		formed by a business merger	Foreign currency reporting translation variances	disposal	other	
Book value						
1 Lianhua Technology (Dezhou) Co., Ltd	23,976,209.74					23,976,209.74
2. Hubei Juntai Pharmaceutical Chemical Co., Ltd	5,897,874.00					5,897,874.00
3、Project Bond Holdco Limited	629,833,128.89		-20,112,889.92			609,720,238.97
subtotal	659,707,212.63		-20,112,889.92			639,594,322.71
Impairment provision						
1. Lianhua Technology (Dezhou) Co., Ltd	23,976,209.74					23,976,209.74
2. Hubei Juntai Pharmaceutical Chemical Co., Ltd						
3、Project Bond Holdco Limited	585,779,195.20	43,350,779.34	-19,409,735.57			609,720,238.97
subtotal	609,755,404.94	43,350,779.34	-19,409,735.57			633,696,448.71
book value	49,951,807.69	-43,350,779.34	-703,154.35			5,897,874.00

Note: At the end of the period, the Company conducted an impairment test on the recoverable amount of 100% of the goodwill formed by the acquisition of 100% of the goodwill formed by the acquisition of 100% of the UK's project Bond Holdco Limited by its wholly-owned subsidiary Lianheteck Europe Limited (before being renamed), and the Company entrusted Shanghai Dongzhou Asset Appraisal Co., Ltd. to conduct an impairment test on the above-mentioned goodwill and issued a Dongzhou appraisal [2022]. ] No. 0717 "Lianheteck Europe Limited, the holding company of Lianheteck Europe Limited proposed to conduct an impairment test on the goodwill formed by the merger of asset groups recoverable value asset valuation report", after evaluation, the recoverable amount of the asset group is less than the carrying amount of the asset group. The recoverable amount of goodwill is determined by the present value of the projected future cash flows. Combined with the development trend of the relevant asset group industry, the expected cash flow of the asset group in the next 5 years, the future cash flow is determined based on the cash flow forecast approved by management, and the discount rate of 14.20% is adopted. The key assumptions of the above cash flow forecast include the forecast of sales revenue, cost, expense, etc. of the asset group for the next 5 years, and the above indicators are assumed to remain at the level of the 5th year (i.e. 2026) for each year after the 5th year. As tested, the recoverable amount of the asset group containing goodwill resulting from Lianheteck Europe Limited's acquisition of 100% of the equity of Project Bond Holdco Limited was less than the carrying amount of the asset group of £4.9553 million for the impairment of goodwill.

## (二十) Deferred tax assets and deferred tax liabilities

## 1、 Undisputed deferred tax assets

project	Closing balances		Balance at the end of the previous year	
	Temporary differences can be deducted	Deferred tax assets	Temporary differences can be deducted	Deferred tax assets
Credit impairment losses	115,123,784.63	35,846,540.37	68,648,230.29	10,965,699.65
Asset impairment provision	39,405,514.72	6,224,509.67	31,737,912.01	4,835,605.73
Deferred earnings	84,064,565.03	12,678,984.74	75,037,662.50	11,255,649.38
Internal trading did not realize profits	57,157,978.38	8,573,696.76	82,899,243.09	12,263,023.68
Withhold land value-added tax			10,246,942.91	1,537,041.44
Losses can be deducted	268,142,834.68	67,035,708.67	311,319,548.08	46,697,932.21
total	563,894,677.44	130,359,440.21	579,889,538.88	87,554,952.09

## 2、 Undressed deferred tax liabilities

project	Closing balances		Balance at the end of the previous year	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value change	5,534,331.59	830,149.74	2,979,809.46	446,971.42
Depreciation of fixed assets	63,092,670.67	11,873,326.80	63,883,795.02	9,582,569.25
Revenue recognition for real estate businesses	9,564,664.19	1,434,699.63	31,165,728.97	4,674,859.35
total	78,191,666.45	14,138,176.17	98,029,333.45	14,704,400.02

**3、 Deferred tax asset details are not recognized**

project	Closing balances	Balance at the end of the previous year
Temporary differences can be deducted	35,361,230.01	7,923,613.88
Losses can be deducted	637,947,884.66	629,062,745.86
total	673,309,114.67	636,986,359.74

The subsidiary that generated the above deductible temporary differences and deductible losses would be able to obtain sufficient taxable income in the future, so the relevant deferred tax assets were not recognized.

**4、 Deductible losses on unrecognized deferred tax assets will mature in the following years**

year	Closing balances	Balance at the end of the previous year	remark
FY2021		44,006,105.37	
FY 2022	4,308,712.09	26,203,520.95	
FY 2023	29,816,471.27	96,678,800.75	
FY 2024	55,341,848.55	144,571,072.66	
Fiscal year 2025	142,057,044.20	317,603,246.13	
FY2026 and beyond	406,423,808.55		
total	637,947,884.66	629,062,745.86	

**(二十一) Other non-current assets**

project	Closing balances			Balance at the end of the previous year		
	Book balances	Impairment provision	book value	Book balances	Impairment provision	book value
Advance payments for non-current assets	50,521,212.86		50,521,212.86	71,764,762.02		71,764,762.02

project	Closing balances			Balance at the end of the previous year		
	Book balances	Impairme nt provision	book value	Book balances	Impairme nt provision	book value
Performanc e bond of more than 1 year	8,824,000.0 0		8,824,000.0 0	8,824,000.00		8,824,000.00
Certificates of Deposit for more than 1 year	20,000,000. 00		20,000,000. 00	240,000,000. 00		240,000,000 00
Accrued interest	100,679.39		100,679.39	3,675,679.39		3,675,679.39
total	79,445,892. 25		79,445,892. 25	324,264,441. 41		324,264,441 41

Note 1: Lianhua Technology (Linhai) Co., Ltd., a subsidiary of the Company, applied to the Taizhou Huangyan Branch of the Agricultural Bank of China Co., Ltd. for three performance guarantees in accordance with the "Standard Land" performance agreement for the industrial project of Linhai Medical And Chemical Park signed with the Administrative Committee of Zhejiang Toudeng Economic Development Zone: (1) the amount is 2,206,000.00 yuan, the maturity date is August 28, 2024, (2) the amount is 3,309,000.00 yuan, the maturity date is August 28, 2024, and (3) the amount is 3, RMB309,000.00 with an expiry date of August 28, 2024. The total amount of the above-mentioned letter of guarantee is \$8,824,000.00.

Note 2: At the end of the period, the Company held a large-value certificate of deposit of RMB10,000,000.00 from the Huangyan Branch of the Agricultural Bank of China in Taizhou, with a maturity date of November 26, 2024.

Note 3: Shanghai Baofeng Machinery Manufacturing Co., Ltd., a subsidiary of the Company, and The Taizhou Branch of China Merchants Bank Co., Ltd. signed the Credit Agreement no. 8 099211203 (applicable to the situation where a working capital loan does not require a separate loan contract) with the number 8099211203-The Maximum Pledge Contract no. 1 and the Guarantee Cooperation Agreement No.

8 09921120301 agreed to be in the amount of RMB10,000,000.00 with an expiry date of 223 December 2023. The certificate of deposit was pledged to the bank to apply for a credit line of \$20,000,000.00. As of January 3, 2021, Shanghai Baofeng Machinery Manufacturing Co., Ltd. uses a credit line of 8,076,000.00 yuan.

## (二十二) Short-term borrowing

### 1、 Classification of short-term borrowings

project	Closing balances	Balance at the end of the previous year
Pledge borrowing	12,751,400.00	78,298,800.00
Mortgage borrowing	160,030,070.00	62,232,100.00
Guaranteed borrowing	140,001,827.84	
Credit borrowing	1,346,986,398.76	180,609,282.46
Pledge credit borrowing		345,367,550.00
total	1,659,769,696.60	666,507,732.46

Note 1: For details of the mortgage and pledge of short-term borrowings at the end of the period, please refer to "Note 12".

Note 2: For details of the short-term loan guarantee at the end of the period, please refer to "10, (5) 4. Related Party Guarantee" and "12 and (2) Important Contingencies existing at the balance sheet date".

### 2、 Short-term borrowings that are overdue: None

## (二十三) Bills payable

class	Closing balances	Balance at the end of the previous year
Banker's acceptance draft	1,076,857,096.03	643,238,599.00
Commercial acceptance drafts		
total	1,076,857,096.03	643,238,599.00

## (二十四) Accounts Payable

### 1、 Accounts payable are presented

project	Closing balances	Balance at the end of the previous year
Industrial business	1,597,749,983.99	1,034,908,416.03
Trading business	1,895,325.28	1,822,941.72
total	1,599,645,309.27	1,036,731,357.75

**2、 Significant accounts payable older than one year: None**

## (二十一) Contractual liabilities

**Contractual liabilities**

project	Closing balances	Balance at the end of the previous year
Advance Receipts - Payments for Purchases	163,867,912.64	104,052,675.12
total	163,867,912.64	104,052,675.12

## (二十六) Remuneration payable to employees

**1、 Remuneration payable to employees is listed**

project	Balance at the end of the previous year	Increased in this issue	Decreased in this period	Closing balances
Short-term compensation	175,939,994.41	1,063,025,127.18	1,008,706,767.00	230,258,354.59
After-service benefits - Set up a deposit plan	1,294,811.47	89,775,014.01	89,798,278.42	1,271,547.06
Dismissal benefits		1,562,992.24	1,562,992.24	
Other benefits that expire within a year				
total	177,234,805.88	1,154,363,133.43	1,100,068,037.66	231,529,901.65

**2、 Short-term compensation is listed**

project	Balance at the end of the previous year	Increased in this issue	Decreased in this period	Closing balances
(1) Wages, bonuses, allowances and subsidies	175,153,809.35	933,296,909.03	878,537,099.47	229,913,618.91
(2) Employee welfare fees	65,897.75	35,259,827.13	35,253,103.64	72,621.24
(3) Social insurance premiums		50,615,459.28	50,543,362.26	72,097.02

project	Balance at the end of the previous year	Increased in this issue	Decreased in this period	Closing balances
Among them: Medical insurance premiums		42,962,675.97	42,890,578.95	72,097.02
Work injury insurance premiums		6,050,498.79	6,050,498.79	
Maternity insurance premiums		1,279,690.62	1,279,690.62	
(4) Housing provident fund		30,049,793.81	30,049,793.81	
(5) Trade union funds and employee education funds	720,287.31	13,803,137.93	14,323,407.82	200,017.42
(6) Short-term paid absences				
(7) Short-term profit sharing plan				
(8) Other short-term compensation				
total	175,939,994.41	1,063,025,127.18	1,008,706,767.00	230,258,354.59

### 3、 Set up a deposit plan listing

project	Balance at the end of the previous year	Increased in this issue	Decreased in this period	Closing balances
Basic endowment insurance	1,294,811.47	85,551,237.96	85,574,502.37	1,271,547.06
Unemployment insurance premiums		4,223,776.05	4,223,776.05	
Enterprise annuity payment				
total	1,294,811.47	89,775,014.01	89,798,278.42	1,271,547.06

### (二十七) Taxes payable

Tax items	Closing balances	Balance at the end of the previous year
vat	4,044,425.72	12,639,109.39
Corporate income tax	25,394,495.92	67,800,848.40
Personal income tax	2,090,999.65	2,215,471.17
Urban maintenance and construction tax	1,251,728.40	1,804,145.16
Property taxes	7,239,301.86	5,278,589.79
Land VALUE-ADDED		11,479,675.80
Additional education fees	874,996.78	1,433,237.54
Land use tax	9,982,424.10	8,216,691.63
stamp duty	337,251.22	59,855.45
other	49,522.05	550,611.97
total	51,265,145.70	111,478,236.30

**(二十八) Other payables**

project	Closing balances	Balance at the end of the previous year
Interest payable		
Dividends payable		
Other amounts payable	132,813,668.12	120,958,929.41
total	132,813,668.12	120,958,929.41

1、 Interest payable: None

2、 Dividends payable: None

3、 Other amounts payable

(1) Listed according to the nature of the payment

project	Closing balances	Balance at the end of the previous year
total	132,813,668.12	120,958,929.41

(2) Significant other payables older than one year: None

**(二十九) Non-current liabilities due within one year**

project	Closing balances	Balance at the end of the previous year
Long-term borrowings maturing within one year	66,778,242.00	135,574,980.00
Long-term payables due within one year	32,622,904.62	122,276,768.96
Lease liabilities maturing within one year	4,673,408.16	
total	104,074,554.78	257,851,748.96

**(三十) Other current liabilities**

project	Closing balances	Balance at the end of the previous year
The amount of tax to be resold	5,877,862.19	
total	5,877,862.19	

**(三十一) Long-term borrowing**

Classification of long-term borrowings:

project	Closing balances	Balance at the end of the previous year
Mortgage borrowing	313,227,246.00	409,550,000.00
Credit borrowing	323,574,560.00	237,349,320.00
Mortgage guaranteed borrowing	42,636,500.00	
total	679,438,306.00	646,899,320.00

Note: For details of the mortgage of long-term borrowings at the end of the period, please refer to "Note XII".

**(三十二) Lease liabilities**

project	Closing balances
Lease payment amount	22,992,839.08
Financing charges were not recognized	-4,053,851.52
Total lease liabilities	18,938,987.56
Minus: Lease liabilities maturing within one year	4,673,408.16
total	14,265,579.40

## (三十三) Long-term payables

project	Closing balances	Balance at the end of the previous year
Long-term payables	29,660,226.90	62,799,567.94
Earmarked payables		
total	29,660,226.90	62,799,567.94

## 1、Long-term payables

project	Closing balances	Balance at the end of the previous year
Leaseback payment payable for sale and leaseback	29,660,226.90	62,799,567.94
Where: Unrealized financing fees	1,209,773.10	9,380,628.15
total	29,660,226.90	62,799,567.94

## 2、Earmarked Payables: None

## (三十四) Deferred earnings

project	Balance at the end of the previous year	Increased in this issue	Decreased in this period	Closing balances	Causes of formation
Government grants	85,900,596.53	21,561,700.00	16,173,741.19	91,288,555.34	Received funds related to government grants
total	85,900,596.53	21,561,700.00	16,173,741.19	91,288,555.34	

## Projects involving government subsidies:

Liability items	Balance at the end of the previous year	The amount of subsidy added in this period	The current period is included in the profit or loss amount of the current period	Other changes	Closing balances	Asset-related income-related
The annual output is 300 tons LT228, the annual output is 300 tons LT968, and the annual output is 200 tons LT559 project	1,750,000.00		500,000.00		1,250,000.00	Related to assets
2014 Industrial "Space for Land" Award	600,000.00		40,000.00		560,000.00	Related to assets
Annual output of 10 tons of alabovir, 30 tons of oseltamivir, 200 tons of valsartan original drug production project	2,335,000.00		467,000.00		1,868,000.00	Related to assets
In 2016, Linhai City's provincial industrial and information development (investment and development) financial special funds	2,525,833.00		433,000.00		2,092,833.00	Related to assets
Annual output of 20 tons RVXB project	1,550,120.00		281,840.00		1,268,280.00	Related to assets
Central financial subsidies for recycling transformation projects	12,183,985.83		1,400,116.63	-2,050,000.00	8,733,869.20	Related to assets

Liability items	Balance at the end of the previous year	The amount of subsidy added in this period	The current period is included in the profit or loss amount of the current period	Other changes	Closing balances	Asset-related/income-related
Four batches of subsidies in 2017 (annual output of 20 tons LT226, 10 tons LT155, 50 tons LT253)	1,394,260.00		217,280.00		1,176,980.00	Related to assets
Linhai City's provincial revitalization of the real economy (traditional industry transformation) financial special incentive funds	3,143,400.00		460,000.00		2,683,400.00	Related to assets
2514 Linhai City Provincial Revitalization of the Real Economy (Traditional Industry Transformation) Financial Special Incentive Fund	3,066,667.00		400,000.00		2,666,667.00	Related to assets
Linhai City Provincial Revitalization of the Real Economy (Traditional Industry Transformation) Financial Special Incentive Fund (Annual Treatment of 8000t High Concentration Wastewater, 3200t Organic Waste Liquid Project)	1,410,000.00		180,000.00		1,230,000.00	Related to assets
Special financial subsidies for the transformation of traditional industries	11,960,000.00		1,380,000.00		10,580,000.00	Related to assets

Liability items	Balance at the end of the previous year	The amount of subsidy added in this period	The current period is included in the profit or loss amount of the current period	Other changes	Closing balances	Asset-related/income-related
Municipal special financial subsidy funds for the revitalization of the real economy and technological transformation	1,302,546.67		146,080.00		1,156,466.67	Related to assets
2020 technical transformation subsidies	5,800,000.00		600,000.00		5,200,000.00	Related to assets
2019 Linhai Industrial Enterprise Technology Transformation Project	23,936,850.00		2,413,800.00		21,523,050.00	Related to assets
In 2021, the high-quality development of the manufacturing industry 999001 the Linhai Municipal Finance Bureau		9,800,000.00	81,666.67		9,718,333.33	Related to assets
2020 2513 technical transformation subsidies		11,761,700.00	98,014.17		11,663,685.83	Related to assets
Liaoning Tianyu annual output of 3200 tons of fluorine-containing intermediate products project technical transformation subsidies	1,809,238.14		603,079.44		1,206,158.70	Related to assets

Liability items	Balance at the end of the previous year	The amount of subsidy added in this period	The current period is included in the profit or loss amount of the current period	(Other changes	Closing balances	Asset-related/income-related
2-Trifluoromethylbenzaldehyde project	279,999.74		80,000.04		199,999.70	Related to assets
State subsidies 2000T powder sulfonamide project	2,079,000.00		1,386,000.00		693,000.00	Related to assets
Special fund subsidies for waste gas treatment and environmental protection	2,781,600.00		347,700.00		2,433,900.00	Related to assets
Lianhua Texas 5400 tons fine chemical project	1,280,000.00		320,000.00		960,000.00	Related to assets
30 tons of boiler environmental protection transformation subsidies	562,500.00		75,000.00		487,500.00	Related to assets
Fine Industries R&D	1,226,863.71		1,207,281.47	-19,582.24		Related to assets

Liability items	Balance at the end of the previous year	The amount of subsidy added in this period	The current period is included in the profit or loss amount of the current period	Other changes	Closing balances	Asset-related/income-related
Fine Organics RGF	2,889,341.10		874,841.92	-78,067.27	1,936,431.91	Related to assets
HMRC Barclays BACS	33,391.34		32,858.38	-532.96		Related to assets
total	85,900,596.53	21,561,700.00	14,025,558.72	-2,148,182.47	91,288,555.34	

**(三十五) Other non-current liabilities**

project	Closing balances	Balance at the end of the previous year
Advance receipts of more than 1 year	458,151,997.48	411,868,173.08
total	458,151,997.48	411,868,173.08

Note: This payment is an advance receipt for the processing of customized products.

**(三十六) share capital**

project	Balance at the end of the previous year	Changes in the current period increase (+) decrease (-)					Closing balances
		Issuance of new shares	Send shares	CPF conversion	other	subtotal	
Total number of shares	923,246,256.00						923,246,256.00

**(三十七) Capital reserve**

project	Balance at the end of the previous year	Increased in this issue	Decreased in this period	Closing balances
1. Capital premium (equity premium)				
(1) The capital invested by the investor	2,207,636,158.33			2,207,636,158.33
2. Other capital reserves				
(1) Unexercised share payments		5,892,104.96		5,892,104.96
(2) Others	1,349,738.47			1,349,738.47
total	2,208,985,896.80	5,892,104.96		2,214,878,001.76

Note of an increase in capital reserve of \$5,892,104.96 for the period:

Lianhua Technology (Taizhou) Co., Ltd., a subsidiary of the Company, implemented the

employee shareholding capital increase in accordance with the principle of differentiated pricing, and the total amount of confirmed fees for equity-settled share payments in the current period was RMB5,892,104.96.

(三十八) Other comprehensive income

	At the end of the previous year balance	Amount incurred before income tax for the current period	The amount for the current period					Closing balances
			Minus: The period in which other comprehensive income is included in the current period is transferred into profit or loss	Minus: The prior period is included in other comprehensive income and is transferred to retained earnings in the current period	Minus: Income tax expense	After tax attribution to the parent company	After tax attribution to minority shareholders	
project								
1. Other comprehensive gains that cannot be reclassified into gains and losses								
Among them: Remeasurement of the change in the set benefit plan								
Other comprehensive income under the equity method that cannot be converted into profit or loss								

project	At the end of the previous year balance	The amount for the current period						Closing balances
		Amount incurred before income tax for the current period	Minus: The period in which other comprehensive income is included in the current period is transferred into profit or loss	Minus: The prior period is included in other comprehensive income and is transferred to retained earnings in the current period	Minus: Income tax expense	After tax attribution to the parent company	After tax attribution to minority shareholders	
Changes in the fair value of investments in other equity instruments								
Changes in the fair value of the enterprise's own credit risk								
2. Other comprehensive gains that will be reclassified into profits and losses	6,763,011.11	-1,763,253.62				-1,763,253.62		4,999,757.49
Among them: other comprehensive income of convertible profit and loss under the equity method								

	The amount for the current period						Closing balances
	At the end of the previous year balance	Amount incurred before income tax for the current period	Minus: The period in which other comprehensive income is included in the current period is transferred into profit or loss	Minus: The prior period is included in other comprehensive income and is transferred to retained earnings in the current period	Minus: Income tax expense	After tax attribution to the parent company	
project							
Changes in the fair value of other debt investments							
The amount by which financial assets are reclassified into other comprehensive income							
Other debt investment credit impairment provisions							
Cash flow hedging reserves							
Foreign currency financial statements translate the difference	6,763,011.11	-1,763,253.62				-1,763,253.62	4,999,757.49

		The amount for the current period					Closing balances
		Amount incurred before income tax for the current period	Minus: The period in which other comprehensive income is included in the current period is transferred into profit or loss	Minus: The prior period is included in other comprehensive income and is transferred to retained earnings in the current period	Minus: Income tax expense	After tax attribution to the parent company	
At the end of the previous year balance							
project							
Total other comprehensive income	6,763,011.11	-1,763,253.62			-1,763,253.62		4,999,757.49

## (三十九) Special reserves

project	Balance at the end of the previous year	Increased in this issue	Decreased in this period	Closing balances
Safety production fees		43,116,481.44	43,116,481.44	
total		43,116,481.44	43,116,481.44	

## (四十) Surplus reserve

project	Balance at the end of the previous year	Beginning balance	Increased in this issue	Decreased in this period	Closing balances
Statutory surplus reserve	309,829,027.10	309,829,027.10	20,993,146.22		330,822,173.32
total	309,829,027.10	309,829,027.10	20,993,146.22		330,822,173.32

Explanation of the provision for surplus reserve for the current period:

The Company draws its statutory surplus reserve at 10% of the parent company's net profit.

## (四十一) Undistributed profit

project	The amount for the current period	The amount of the previous period
Undistributed profit at the end of the previous year prior to the adjustment	2,579,002,522.52	2,565,383,053.47
Adjustment of the total undistributed profit at the beginning of the year (increase +, decrease -)		
Undistributed profit at the beginning of the adjusted year	2,579,002,522.52	2,565,383,053.47
Plus: Net profit attributable to owners of the parent company for the period	315,405,020.68	110,031,914.36
Minus: Withdrawal of statutory surplus reserve	20,993,146.22	50,389,128.51
Extract any surplus reserve		

project	The amount for the current period	The amount of the previous period
Extract general risk preparation		
Dividends payable on common stock	46,162,312.80	46,023,316.80
Dividends on ordinary shares converted to share capital		
Undistributed profit at the end of the period	2,827,252,084.18	2,579,002,522.52

## (四十二) Operating income and operating costs

## 1、 Operating income and operating costs

project	The amount for the current period		The amount of the previous period	
	revenue	cost	revenue	cost
Main business	6,555,005,344.97	4,774,300,019.37	4,769,345,663.40	3,047,506,249.56
Other businesses	31,775,340.34	40,018,792.91	12,453,049.39	8,662,598.84
total	6,586,780,685.31	4,814,318,812.28	4,781,798,712.79	3,056,168,848.40

## 2、 Main business income (by industry)

Industry name	Amount incurred in the current period		Amount incurred in the previous period	
	revenue	cost	revenue	cost
(1) Industry	6,476,417,622.86	4,731,855,088.27	4,490,241,509.23	2,909,757,700.40
(2) Trade			10,519,499.96	10,287,096.26
(3) Real estate	78,587,722.11	42,444,931.10	268,584,654.21	127,461,452.90
Total	6,555,005,344.97	4,774,300,019.37	4,769,345,663.40	3,047,506,249.56

## 3、 Main business income (by product)

The product name	Amount incurred in the current period		Amount incurred in the previous period	
	revenue	cost	revenue	cost
Medicines and intermediates	1,216,897,036.21	722,165,739.56	997,317,669.40	574,147,802.20

The product name	Amount incurred in the current period		Amount incurred in the previous period	
	revenue	cost	revenue	cost
Plant protection and intermediates	4,277,230,052.44	3,294,514,688.70	2,709,515,275.61	1,856,434,472.44
Fine & Functional Chemicals	734,117,330.78	545,129,784.38	600,427,817.39	336,763,384.74
Other industrial products	248,173,203.43	170,044,875.63	182,980,746.83	142,412,041.02
trade			10,519,499.96	10,287,096.26
real estate	78,587,722.11	42,444,931.10	268,584,654.21	127,461,452.90
Total	6,555,005,344.97	4,774,300,019.37	4,769,345,663.40	3,047,506,249.56

#### 4、 Main Business Income (by Region)

The name of the region	Amount incurred in the current period		Amount incurred in the previous period	
	revenue	cost	revenue	cost
Industry:				
Domestic market	1,879,672,886.01	1,199,809,474.85	1,453,469,183.98	899,580,308.67
Overseas markets	4,596,744,736.85	3,532,045,613.42	3,036,772,325.25	2,010,177,391.73
Trade:				
Domestic market			5,092,477.38	4,925,756.76
Overseas markets			5,427,022.58	5,361,339.50
Real estate:				
Domestic market	78,587,722.11	42,444,931.10	268,584,654.21	127,461,452.90
Overseas markets				
Total	6,555,005,344.97	4,774,300,019.37	4,769,345,663.40	3,047,506,249.56

**(四十三) Taxes and Surcharges**

project	The amount for the current period	The amount of the previous period
Urban maintenance and construction tax	5,913,730.56	9,163,716.10
Additional education fees	4,617,365.61	7,235,397.37
Land use tax	10,392,962.83	12,540,717.50
stamp duty	2,831,664.55	1,624,730.15
Property taxes	12,511,680.14	6,939,704.75
Water Conservancy Construction Fund		142,014.48
Resource tax	755,838.60	1,001,146.30
Land Value-ADDED	25,939,598.74	15,618,635.99
other	281,743.89	222,105.32
total	63,244,584.92	54,488,167.96

**(四十四) Selling expenses**

project	The amount for the current period	The amount of the previous period
Operating lease rent	409,041.09	246,490.22
Marketing business expenses	3,861,592.15	4,137,812.38
Sample fee	2,057,688.76	599,752.54
Agency Fees	5,109,048.31	4,205,367.75
other	3,265,854.93	2,269,501.76
total	14,703,225.24	11,458,924.65

**(四十五) Manage expenses**

project	The amount for the current period	The amount of the previous period
Employee compensation and benefits	414,939,753.89	384,207,791.08
Depreciation of fixed assets	138,067,264.44	191,801,850.15
Operating lease rent	6,902,094.47	11,871,870.12
Depreciation of right-of-use assets	3,067,041.52	
Amortization of intangible assets	12,947,895.72	15,590,572.33
Business hospitality	14,841,888.78	12,454,136.20

project	The amount for the current period	The amount of the previous period
insurance	26,462,614.09	20,297,596.41
Travel expenses	10,174,177.78	8,143,527.56
Office expenses	11,399,953.54	11,901,161.93
Repair costs	27,550,809.35	29,981,852.31
Consulting fees	19,807,235.00	28,915,702.88
Utility bills	11,840,235.40	17,143,146.83
Share payment costs	5,892,104.96	4,827,785.00
Downtime costs	21,618,947.21	71,714,333.57
Technical service fee	18,997,980.43	9,756,565.83
other	27,013,097.97	12,442,097.85
total	771,523,094.55	831,049,990.05

Note: Labor expenses related to downtime and depreciation of fixed assets are not accounted for in "Management Expenses - Downtime Expenses" and are recorded in the detailed items related to management expenses.

(四十六) R&D expenses

project	The amount for the current period	The amount of the previous period
Employee compensation and benefits	181,719,926.80	151,263,741.68
Depreciation of fixed assets	14,349,298.88	12,986,469.43
Amortization of intangible assets	23,504.25	55,000.45
Office expenses	195,314.47	114,820.44
Repair costs	7,597,049.89	6,270,621.64
Travel expenses	907,599.40	488,611.14
Business hospitality	99,318.65	85,603.37
Test and inspection fees	102,650,365.6	84,696,887.79
Utility bills	6,878,146.65	5,130,090.26
Consulting fees	86,485.39	187,619.68
other	2,613,206.24	1,481,867.48
total	317,120,216.22	262,761,333.36

**(四十七) Finance expenses**

project	The amount for the current period	The amount of the previous period
Interest Charges	66,108,378.03	78,639,436.52
Among them: interest expense on lease liabilities	886,515.29	
Minus: Interest income	7,130,413.36	14,592,748.17
Exchange gains and losses	38,301,400.47	63,177,661.57
other	3,592,319.11	1,500,277.75
total	100,871,684.25	128,724,627.67

**(四十八) Other benefits**

project	The amount for the current period	The amount of the previous period
Government grants	32,528,056.60	47,797,634.44
Input tax credits	70,183.02	79,640.35
total	32,598,239.62	47,877,274.79

**Government grants that are included in other income**

Subsidized projects	The amount for the current period	The amount of the previous period	Asset-related/income-related
Subsidies for stable posts	2,507,240.23	6,834,905.46	Related to earnings
Talent subsidies	608,000.00	772,565.33	Related to earnings
Work stoppage is subsidized by work-for-training	637,000.00	1,616,000.00	Related to earnings
The district supports the resumption of work and production subsidy incentives		100,000.00	Related to earnings
Transportation subsidies for employees of enterprises to return to work on their own		3,601.50	Related to earnings

Subsidized projects	The amount for the current period	The amount of the previous period	Asset- related/inco me-related
Taizhou Huangyan District Economic Informatization and Science and Technology Bureau zero balance account small upgrade and specialized special new factor subsidies	4,178.30		Related to earnings
Huang Zheng Office Letter [2021] No. 1 Huangyan District Economic Informatization and Science and Technology Bureau	6,460.00		Related to earnings
Special awards for enterprise structural adjustment supplementary funds		185,614.00	Related to earnings
Enterprise cloud project awards		2,400.00	Related to earnings
Xiangshui County Emergency Management Bureau Enterprise Safety Skills Improvement Training Subsidy	319,500.00		Related to earnings
Xiangshui County Guanjiang Water Affairs Co., Ltd. 35KV line transformation incentives	600,000.00		Related to earnings
Xiangshui County Market Supervision and Administration Bureau 2020 provincial intellectual property special funds	3,500.00		Related to earnings
The annual output is 300 tons LT228, the annual output is 300 tons LT968, and the annual output is 200 tons LT559 project	500,000.00	500,000.00	Related to assets
Annual output of 10 tons of alabovir, 30 tons of oseltamivir, 200 tons of valsartan original drug production project	467,000.00	467,000.00	Related to assets
2014 Industrial "Space for Land" Award	40,000.00	40,000.00	Related to assets
Annual output of 20 tons RVXB project	281,840.00	281,840.00	Related to assets

Subsidized projects	The amount for the current period	The amount of the previous period	Asset- related/inco me-related
In 2016, Linhai City's provincial industrial and information development (investment and development) financial special funds	433,000.00	433,000.00	Related to assets
Central financial subsidies for recycling transformation projects	1,400,116.63	1,657,009.17	Related to assets
Four batches of subsidies in 2017 (annual output of 20 tons LT226, 10 tons LT155, 50 tons LT253)	217,280.00	217,280.00	Related to assets
Linhai City's provincial revitalization of the real economy (traditional industry transformation) financial special incentive funds	460,000.00	460,000.00	Related to assets
2514 Linhai City Provincial Revitalization of the Real Economy (Traditional Industry Transformation) Financial Special Incentive Fund	400,000.00	400,000.00	Related to assets
Linhai City Provincial Revitalization of the Real Economy (Traditional Industry Transformation) Financial Special Incentive Fund (Annual Treatment of 8000t High Concentration Wastewater, 3200t Organic Waste Liquid Project)	180,000.00	180,000.00	Related to assets
Special financial subsidies for the transformation of traditional industries	1,380,000.00	1,380,000.00	Related to assets
Municipal special financial subsidy funds for the revitalization of the real economy and technological transformation	146,080.00	146,080.00	Related to assets
2020 technical transformation subsidies	600,000.00	200,000.00	Related to assets
2019 Linhai Industrial Enterprise Technology Transformation Project	2,413,800.00	201,150.00	Related to assets
In 2021, the high-quality development of the manufacturing industry 999001 the Linhai Municipal Finance Bureau	81,666.67		Related to assets

Subsidized projects	The amount for the current period	The amount of the previous period	Asset- related/inco me-related
2020 2513 technical transformation subsidies	98,014.17		Related to assets
Recruitment subsidies		7,000.00	Related to earnings
Corporate patent licensing incentives		75,000.00	Related to earnings
In 2019, we will strengthen innovation-driven support for scientific and technological research and development and invest financial special subsidy funds		2,012,400.00	Related to earnings
Fission growth project		2,912,700.00	Related to earnings
VOCs online monitoring system building subsidies		420,000.00	Related to earnings
Subsidies for the operation and maintenance of the online monitoring system of key pollutant discharge units		30,600.00	Related to earnings
Reward for improving innovation ability Linhai Municipal Finance Bureau		632,900.00	Related to earnings
Linhai Municipal Finance Bureau Linhai Municipal Development and Reform Document LinCaiQi (2021) No. 8 Notice on Issuing Linhai Municipality's Response to Epidemic Prevention and Control to Accelerate the Resumption of Enterprises to Resume Work and Review Electricity Subsidy Funds for Epidemic Prevention and Control	685,094.04		Related to earnings
Taizhou Municipal Bureau of Ecology and Environment Linhai Branch Document Linhuan [2021] No. 41 Notice on the Allocation of Subsidy Funds for the Construction of VOCs Exceeding the	96,000.00		Related to earnings

Subsidized projects	The amount for the current period	The amount of the previous period	Asset- related/inco me-related
Standard Alarm System of 14 Companies Including Lianhua (Taizhou) Co., Ltd			
Training subsidies Linhai Employment Service Center Linhai Municipal Employee Unemployment Insurance Fund	300,400.00		Related to earnings
The first batch of open economic transformation and upgrading support projects 999001 Linhai Municipal Finance	2,000,000.00		Related to earnings
Linhai Municipal Science and Technology Bureau (zero balance account) 2020 provincial new product appraisal award	200,000.00		Related to earnings
Linhai Municipal Finance Bureau Financial Centralized Payment Special User Linhai Municipal Bureau of Economy and Information Technology Documents Linjingxin [2021] No. 33 Notice of Linhai Municipal Bureau of Economy and Information Technology on Organizing the Declaration of The First Quarter Industrial Economy "Opening Red" Incentive Subsidy	308,631.00		Related to earnings
2513 Gradient Development 999001 Linhai Municipal Finance Bureau (Special Project of Direct Payment Subsidy from the National Treasury)	1,000,000.00		Related to earnings
2020annual2513R&D investment subsidies for enterprises	3,952,800.00		Related to earnings
Strengthen innovation-driven revitalization of the real economy to upgrade the financial special subsidy incentive funds	50,000.00		Related to earnings
In 2021, the second batch of Linhai College graduates will attract support subsidies	12,500.00		Related to earnings

Subsidized projects	The amount for the current period	The amount of the previous period	Asset- related/inco- me-related
Linhai Municipal Bureau of Market Supervision and Administration Subsidies for Maintenance Fees for Domestic Effective Invention Patents Special Fund Subsidies for Intellectual Property Protection and Management	600.00		Related to earnings
Linhai Emergency Document Management Linhai Emergency [2020] No. 22 Notice on Printing and Distributing the Pilot Program for The Safety Skills Improvement of Employees in Linhai City Safety Training Subsidies	135,160.00		Related to earnings
Enterprises subsidize training by work		6,500.00	Related to earnings
Science and Technology Development Fund	2,500.00	16,900.00	Related to earnings
Liaoning Tianyu annual output of 3200 tons of fluorine-containing intermediate products project technical transformation subsidies	603,079.44	603,079.44	Related to assets
2-Trifluoromethylbenzaldehyde project	80,000.04	80,000.04	Related to assets
R&D expense subsidies		215,000.00	Related to earnings
Vocational skills subsidies	16,500.00	255,000.00	Related to earnings
Fuxin Municipal Finance Bureau Structural Industrial Adjustment Subsidy		3,430,000.00	Related to earnings
Huang Commerce Lianfa [2019] No. 12 2018 Foreign Trade and Economic Cooperation Development Special Fund		230,000.00	Related to earnings
State subsidies 2000T powder sulfonamide project	1,386,000.00	1,386,000.00	Related to assets

Subsidized projects	The amount for the current period	The amount of the previous period	Asset- related/inco- me-related
Special fund subsidies for waste gas treatment and environmental protection	347,700.00	695,400.00	Related to assets
Xiangshui County Labor and Employment Management Office Enterprise Structure Adjustment Special Award Supplementary Fund		875,435.00	Related to earnings
Xiangshui County Industry and Information Technology Bureau Enterprise Cloud Project Award		2,400.00	Related to earnings
Xiangshui County Market Supervision and Administration Bureau 2019 Xiangshui County Intellectual Property Development Award Supplement		2,500.00	Related to earnings
Pre-job training subsidies Xiangshui County Labor and Employment Management Office	27,500.00		Related to earnings
Xiangshui County Labor and Employment Administration Office 2021 Xiangshui County Second Batch of Youth Employment Internship Subsidies Xiangshui County Finance Bureau	11,664.00		Related to earnings
New apprenticeship subsidies Xiangshui County Labor and Employment Management Office	740,000.00		Related to earnings
Special awards and supplementary funds for the structural adjustment of industrial enterprises		201,204.34	Related to earnings
Subsidies for the physical examination of employees of enterprises resuming work and production in the development zone		28,066.68	Related to earnings
Individual tax handling fee refund	71,521.94	45,716.42	Related to earnings
2020 Corporate Incentive Funds	2,131,824.00		Related to earnings
2021 Safety Production Liability Insurance Award	45,000.00		Related to earnings

Subsidized projects	The amount for the current period	The amount of the previous period	Asset- related/inco me-related
Install electricity proximity pipe devices to "replace the funds with awards"	27,750.00		Related to earnings
Lianhua Texas 5400 tons fine chemical project	320,000.00	320,000.00	Related to assets
30 tons of boiler environmental protection transformation subsidies	75,000.00	75,000.00	Related to assets
Enterprise input rewards Pingyuan County Assessment and Evaluation Center		300,000.00	Related to earnings
Special awards for stable employment supplementary funds		265,785.60	Related to earnings
Provincial engineering laboratory fees		200,000.00	Related to earnings
Provincial environmental pollution prevention and control funds in 2020		40,000.00	Related to earnings
2020 Municipal Foreign Economic and Trade Support and Development Special Fund (Epidemic Export Incentives)		24,180.00	Related to earnings
Special funds for export incentives during the epidemic in 2020 (county-level financial burden part)		18,720.00	Related to earnings
Special funds for talent development	500,000.00		Related to earnings
Pingyuan County Intellectual Property Funding Incentive Fund	2,600.00		Related to earnings
Subsidies for employment and entrepreneurship services	3,500.00		Related to earnings
Jiangkou Subdistrict Office - Huang CaiQi [2021] No. 11 2020 Annual Per Mu Tax Incentive	150,000.00		Related to earnings
2020 Huangyan District to promote the high-quality development of the private economy "scientific and technological innovation" subsidies (incentives)	160,000.00		Related to earnings

Subsidized projects	The amount for the current period	The amount of the previous period	Asset- related/inco me-related
The first batch of taizhou science and technology development special funds in 2021	40,000.00		Related to earnings
Informatization continuous optimization project	290,000.00		Related to earnings
Taizhou Huangyan District Market Supervision and Administration Bureau patent subsidy funds	62,980.00		Related to earnings
Recruitment subsidies	15,000.00	9,000.00	Related to earnings
2019 Municipal Business for Development Special Fund		1,448,000.00	Related to earnings
The district supports the resumption of work and production subsidy funds		40,000.00	Related to earnings
Support enterprises to directly finance development subsidies		32,813.11	Related to earnings
Special awards for structural adjustment of industrial enterprises		3,002,471.02	Related to earnings
In 2019, taizhou huangyan district invention patent authorization subsidy		15,000.00	Related to earnings
In 2019, the municipal government allocated invention patent authorization subsidies		8,000.00	Related to earnings
The province allocates subsidies for the authorization of invention patents		15,400.00	Related to earnings
Fully deploy Microsoft Office365 conference communication file sharing on the cloud		280,000.00	Related to earnings
Merit-based funding for postdoctoral research projects		50,000.00	Related to earnings
Supplementary financial subsidies for the resumption of work and production awards		200,000.00	Related to earnings
State support funds		7,693,886.07	Related to earnings

Subsidized projects	The amount for the current period	The amount of the previous period	Asset- related/inco me-related
Merit-based Funding Fee for Postdoctoral Research Projects (Lu Yao)		42,000.00	Related to earnings
Employment apprenticeship allowance		154,800.00	Related to earnings
In 2019, Taizhou enterprises docked with multi-level capital market related subsidies		57,694.10	Related to earnings
Huangyan District 2020 fourth batch of innovation vouchers cash funds		50,000.00	Related to earnings
Taizhou City Key Technology Innovation Team Support Funding		320,000.00	Related to earnings
Technical Reform - 2019 Second Criticism Review Project		300,000.00	Related to earnings
District-level high-level awards		30,000.00	Related to earnings
Social security subsidies	600.00	900.00	Related to earnings
Special funds for advanced manufacturing	500,000.00		Related to earnings
Harmonious Labor Relations Enterprise Rewards	10,000.00		Related to earnings
Advanced Manufacturing Project "2019 District Advanced Manufacturing Project Fund (Second Criticism Review Project)"	100,000.00		Related to earnings
Fine Industries RGF	1,207,281.47	1,659,716.44	Related to assets
Fine Organics RGF	874,841.92	902,020.72	Related to assets
HMRC Barclays BACS	32,858.38		Related to assets

Subsidized projects	The amount for the current period	The amount of the previous period	Asset-related/income-related
Subsidies for electricity charges for the resumption of work and production for epidemic prevention and control	2,694.37		Related to earnings
Tax subsidies	163,800.00		Related to earnings
total	32,528,056.60	47,797,634.4	

**(四十九) Return on investment**

project	The amount for the current period	The amount of the previous period
Income from long-term equity investments accounted for by the equity method	2,511,832.66	10,350,565.95
Investment income from the disposal of financial assets measured at fair value and the change thereof is included in the profit or loss of the current period	34,601,975.04	18,470,047.37
Dividend income earned during the holding period of investment in other equity instruments		150,000.00
total	37,113,807.70	28,970,613.32

**(五十) Gain on change in fair value**

The source of income from changes in fair value	The amount for the current period	The amount of the previous period
Forward Forex trading	5,534,331.59	2,979,809.46
total	5,534,331.59	2,979,809.46

**(五十一) Credit impairment loss (loss is listed with a "-" sign)**

project	The amount for the current period	The amount of the previous period
Loss of bad debts in bills receivable	370,404.57	-370,404.57
Loss of bad debts in accounts receivable	-36,552,041.65	3,593,301.92
Other receivables bad debt losses	-12,555,426.25	-459,632.04
total	-48,737,063.33	2,763,265.31

**(五十二) Impairment losses on assets (losses are listed with a "-" sign).**

project	The amount for the current period	The amount of the previous period
Loss on inventory depreciation and impairment loss on contract performance costs	-8,904,762.10	-20,104,359.89
Impairment loss on fixed assets	-27,243,120.71	
Impairment loss on goodwill	-43,350,779.34	-275,341,500.46
total	-79,498,662.15	-295,445,860.35

**(五十三) Proceeds from the disposal of assets**

project	The amount for the current period	The amount of the previous period	The amount that is included in the non-recurring profit or loss for the current period
Gain or loss on disposal of non-current assets	-2,454,311.28	-2,005,437.86	-2,454,311.28
total	-2,454,311.28	-2,005,437.86	-2,454,311.28

**(五十四) Non-operating income**

project	The amount for the current period	The amount of the previous period	The amount that is included in the non-recurring profit or loss for the current period
Liquidated damages, fines income	10,125,908.76	12,094,030.38	10,125,908.76
Government grants	1,920,638.34	503,657.01	1,920,638.34

project	The amount for the current period	The amount of the previous period	The amount that is included in the non- recurring profit or loss for the current period
other	3,053,810.09	932,966.27	3,053,810.09
total	15,100,357.19	13,530,653.66	15,100,357.19

**Government subsidies that are included in non-operating income**

Subsidized projects	The amount for the current period	The amount of the previous period	Asset- related/income- related
Overseas participation subsidies		39,549.00	Related to earnings
Property tax refund		464,108.01	Related to earnings
"I spent the New Year in Linhai" holiday red envelope subsidy	261,060.00		Related to earnings
In 2018, overseas exhibition subsidies subsidies for the steady growth of foreign trade	1,307,000.00		Related to earnings
Receive subsidies for party building activities of two new party organizations at the district level	4,000.00		Related to earnings
2019 Taizhou Enterprise Docking Multi-level Capital Market Related Incentive Funds (Second Batch)	38,462.74		Related to earnings
The Committee of Lianhua Science and Technology Co., Ltd. of the Communist Party of China held a "July 1st" recitation to celebrate the centenary of the founding of the Party	10,115.60		Related to earnings
Advanced Management Quality Award of Taizhou Municipal Committee of the Communist Party of China	300,000.00		Related to earnings
total	1,920,638.34	503,657.01	

**(五十五) Non-operating expenses**

project	The amount for the current period	The amount of the previous period	The amount that is included in the non-recurring profit or loss for the current period
Loss on disposal of non-current assets	44,883,339.04	21,457,649.32	44,883,339.04
Donations to the outside world	1,290,090.00	1,353,340.23	1,290,090.00
Fines for late fee payments	1,282,570.56	2,405,490.81	1,282,570.56
other	359,205.67	1,245,429.77	359,205.67
total	47,815,205.27	26,461,910.13	47,815,205.27

## (五十六) Income tax expense

## 1、 Income Tax Expense Table

project	The amount for the current period	The amount of the previous period
Income tax expense for the current period	137,225,137.05	128,913,984.39
Deferred tax expense	-43,370,711.97	-53,147,589.71
total	93,854,425.08	75,766,394.68

## 2、 Accounting profit and income tax expense adjustment process

project	The amount for the current period
Total profit	416,840,561.92
Income tax expense at the statutory [or applicable] rate	62,526,084.29
The impact of different tax rates applied to subsidiaries	-10,995,950.97
Adjust the impact of income taxes for previous periods	10,794,227.74
Profit and loss attributable to joint ventures and associates	-376,774.90
Impact of non-taxable income	
Impact of non-deductible costs, expenses and losses	12,066,213.69
The impact of tax rate changes on opening deferred tax balances	-30,139,157.29
Use the effects of deductible losses on assets that have not been recognized prior to deferred tax	-545,236.16

project	The amount for the current period
No deductible temporary differences in deferred tax assets or the impact of deductible losses were recognized during the period	95,157,375.67
Additional deductions (R&D expenses, wages for the disabled, etc.)	-44,896,994.79
Other impacts on income tax expense	264,637.80
Income tax expense	93,854,425.08

## (五十七) Cash flow statement items

**1、 Other cash received in connection with operating activities**

project	The amount for the current period	The amount of the previous period
1. Interest income on deposits	7,130,413.36	14,592,748.17
2. Government subsidies	41,721,203.91	66,153,315.64
3. Non-operating income - other	12,522,590.18	12,274,961.80
4. Monetary funds - recovered due to limited business activities		20,751,416.95
5. Receipt of current payments		17,248,305.04
6. Leasing income	1,047,619.07	
total	62,421,826.52	131,020,747.60

**2、 Other cash paid in connection with operating activities**

project	The amount for the current period	The amount of the previous period
1. Leasing expenses	6,435,418.28	5,737,527.39
2. Sales expenses, management expenses, research and development expenses	363,632,216.82	363,663,994.32
3. Financial expenses	3,592,319.11	1,500,277.75
4. Non-operating expenses - others	2,462,533.21	4,513,457.14
5. Pay the current payment	26,689,700.02	
6. Monetary funds - excluded due to limited business activities	40,507,724.67	
total	443,319,912.11	375,415,256.60

**3、 Other cash received in connection with investment activities**

project	The amount for the current period	The amount of the previous period
1. Recovery of performance bond		2,206,000.00
2. Forward foreign exchange transaction income	34,601,975.04	18,470,047.37
3. Transfer of certificates of deposit for recovery	80,232,222.22	
total	114,834,197.26	20,676,047.37

**4、 Other cash paid in connection with investing activities**

project	The amount for the current period	The amount of the previous period
1. Purchase of regular certificates of deposit for more than one year	20,000,000.00	
total	20,000,000.00	

**5、 Other cash received in connection with fund-raising activities**

project	The amount for the current period	The amount of the previous period
1. Recover the financial lease deposit	10,000,000.00	
2 Monetary funds - recovered due to limited fundraising activities	91,587,656.79	
3. The regular certificate of deposit for more than 1 year used for pledge borrowing is withdrawn when it is due		17,006,516.67
total	101,587,656.79	17,006,516.67

**6、 Other cash disbursed in connection with fund-raising activities**

project	The amount for the current period	The amount of the previous period
1. Monetary funds - excluded due to limited fundraising activities		58,780,656.79
2. Capital reduction		5,041,764.00
3. Sale and leaseback financing rent and interest	128,553,750.00	29,258,337.95
4. A certificate of deposit of more than 1 year for the pledge loan		21,531,992.49
5. Lease liability rent	5,753,524.87	
total	134,307,274.87	114,612,751.23

## (五十八) Cash Flow Statement Supplement

## 1、Cash Flow Statement Supplement

Additional information	The amount for the current period	The amount of the previous period
1. Adjust the net profit to the cash flow of operating activities		
Net profit	315,405,020.68	110,031,914.36
Plus: Minority shareholder profit and loss	7,581,116.16	23,556,919.86
Credit impairment losses	48,737,063.33	-2,763,265.31
Asset impairment provision	79,498,662.15	295,445,860.35
Depreciation of fixed assets	551,793,925.06	464,598,134.23
Oil and gas assets are depleted		
Depreciation of right-of-use assets	5,605,479.55	
Amortization of intangible assets	13,654,392.61	15,676,657.58
Long-term amortization of expenses		
Loss of disposal of fixed, intangible and other long-term assets (Proceeds are listed with a "-" sign)	2,454,311.28	2,005,437.86
Loss on the scrapping of fixed assets (proceeds are listed with a "-" sign)	44,883,339.04	21,443,449.81

Additional information	The amount for the current period	The amount of the previous period
Loss on change in fair value (gains are shown with a "-" sign)	-5,534,331.59	-2,979,809.46
Finance expenses (proceeds are listed with a "-" sign)	104,409,778.50	141,817,098.09
Investment loss (income is listed with a "-" sign)	-37,113,807.70	-28,970,613.32
Decrease in deferred tax assets (added with a "-" sign)	-42,804,488.12	-55,963,321.39
Increase in deferred tax liabilities (decreases are shown with a "-" sign)	-566,223.85	2,815,731.68
Decrease in inventory (increased by a "-" sign)	-354,518,950.20	-255,697,393.59
Decrease in operating receivables (added to be filled in with a "-" sign)	-785,352,326.11	-334,096,289.16
Increase in operational payables (decreases are indicated by a "-" sign)	783,845,522.55	982,357,836.91
other	5,809,899.83	
Net cash flow from operating activities	737,788,383.17	1,379,278,348.50
2. It does not involve major investment and financing activities of cash receipts and expenditures		
Debt is turned into capital		
Convertible corporate bonds maturing within one year		
Financing leases on fixed assets		
3. Net changes in cash and cash equivalents		
The closing balance of cash	470,696,531.41	494,308,003.98
Minus: The opening balance of cash	494,308,003.98	867,015,113.75
Plus: The closing balance of the cash equivalent		
Minus: The opening balance of the cash equivalent		
Net increase in cash and cash equivalents	-23,611,472.57	-372,707,109.77

2、 Net cash paid in the current period to subsidiaries: None

3、 Net cash received for disposal of subsidiaries in the current period: None

**4. Composition of cash and cash equivalents**

project	Closing balances	Balance at the end of the previous year
1. Cash	470,696,531.41	494,308,003.98
Where: Cash in stock		
Bank deposits that can be used for payment at any time	470,696,531.41	494,308,003.98
Funds in other currencies that can be used for payments at any time		
Funds deposited with the Central Bank that can be used for payment		
Deposit interbank funds		
Split and lend interbank funds		
2. Cash equivalents		
Among them: bond investments maturing within three months		
3. Balance of cash and cash equivalents at the end of the period	470,696,531.41	494,308,003.98
Where: The parent company or group subsidiary uses restricted cash and cash equivalents		

**(五十九) Assets whose ownership or right of use is restricted**

project	Book value at the end of the period	Reason for limitation
Monetary funds	90,220,224.61	For details, see Note 5. (1)
Receivables financing	448,531,324.98	The pledge of the bill pool business is restricted, as detailed in "Notes 5 and (5)"
Non-current assets due within one year	100,000,000.00	Certificate of Deposit of a unit of time deposit for more than 1 year of pledge
Works under construction	303,428,289.74	For details of mortgage borrowings, see Note XII
Fixed assets - houses and buildings	281,328,658.99	For details of mortgage borrowings, see Note XII
Fixed Assets — Specialized Equipment	51,972,245.29	Sale and leaseback financial lease mortgage, see Note 12 for details
intangible asset	364,257,137.01	For details of mortgage borrowings, see Note XII
Other non-current assets	10,000,000.00	Certificate of Deposit of a unit of time deposit for more than 1 year of pledge
total	1,649,737,880.62	

**(六十) Foreign currency monetary items****1、 Foreign currency monetary items**

project	Foreign currency balances at the end of the period	Convert the exchange rate	The balance of RMB is converted at the end of the period
Monetary funds			280,417,894.43
Where: USD	34,455,974.85	6.3757	219,680,958.86
euro	2,747,751.12	7.2197	19,837,938.76
pound sterling	4,730,204.87	8.6064	40,710,035.20
Singapore dollar	40,052.06	4.7179	188,961.61
Accounts receivable			524,942,439.91
Where: USD	81,567,846.01	6.3757	520,052,115.80
euro	235,620.00	7.2197	1,701,105.71
pound sterling	370,563.58	8.6064	3,189,218.39
Short-term borrowing			1,432,421,797.84
Where: USD	142,510,968.30	6.3757	908,607,180.60

project	Foreign currency balances at the end of the period	Convert the exchange rate	The balance of RMB is converted at the end of the period
euro	371,295.67	7.2197	2,680,643.35
pound sterling	60,551,911.82	8.6064	521,133,973.89
Accounts Payable			161,601,672.60
Where: USD	12,648,711.00	6.3757	80,644,386.72
euro	9,611,474.07	7.2197	69,391,959.34
pound sterling	1,343,805.37	8.6064	11,565,326.54
Long-term borrowing			182,600,048.00
Where: USD	28,640,000.00	6.3757	182,600,048.00

## 2、 Description of overseas operating entity:

Significant offshore operating entity	The main place of business abroad	Accounting base currency	Select by
LIANHETECH HOLDCO LIMITED	Wales, England	pound sterling	Accounting Standard for Business Enterprises

## (六十一) Government grants

### 1、 Asset-related government grants

class	amount	Balance sheet presentation items	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
			The amount for the current period	The amount of the previous period	
The annual output is 300 tons LT228, the annual output is 300 tons LT968, and the annual output is 200 tons LT559 project	1,250,000.00	Deferred earnings	500,000.00	500,000.00	Other benefits
2014 Industrial "Space for Land" Award	560,000.00	Deferred earnings	40,000.00	40,000.00	Other benefits
Annual output of 10 tons of alabovir, 30 tons of oseltamivir, 200 tons of valsartan original drug production project	1,868,000.00	Deferred earnings	467,000.00	467,000.00	Other benefits
In 2016, Linhai City's provincial industrial and information development (investment and development) financial special funds	2,092,833.00	Deferred earnings	433,000.00	433,000.00	Other benefits

class	amount	Balance sheet presentation items	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
			The amount for the current period	The amount of the previous period	
Annual output of 20 tons RVXB project	1,268,280.00	Deferred earnings	281,840.00	281,840.00	Other benefits
Central financial subsidies for recycling transformation projects	8,733,869.20	Deferred earnings	1,400,116.63	1,657,009.17	Other benefits
Four batches of subsidies in 2017 (annual output of 20 tons LT226, 10 tons LT155, 50 tons LT253)	1,176,980.00	Deferred earnings	217,280.00	217,280.00	Other benefits
Linhai City's provincial revitalization of the real economy (traditional industry transformation) financial special incentive funds	2,683,400.00	Deferred earnings	460,000.00	460,000.00	Other benefits
2514 Linhai City Provincial Revitalization of the Real Economy (Traditional Industry Transformation)	2,666,667.00	Deferred earnings	400,000.00	400,000.00	Other benefits

class	amount	Balance sheet presentation items	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
			The amount for the current period	The amount of the previous period	
Financial Special Incentive Fund					
Linhai City Provincial Revitalization of the Real Economy (Traditional Industry Transformation) Financial Special Incentive Fund (Annual Treatment of 8000t High Concentration Wastewater, 3200t Organic Waste Liquid Project)	1,230,000.00	Deferred earnings	180,000.00	180,000.00	Other benefits
Special financial subsidies for the transformation of traditional industries	10,580,000.00	Deferred earnings	1,380,000.00	1,380,000.00	Other benefits
Municipal special financial subsidy funds for the revitalization of the real	1,156,466.67	Deferred earnings	146,080.00	146,080.00	Other benefits

class	amount	Balance sheet presentation items	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
			The amount for the current period	The amount of the previous period	
economy and technological transformation					
2020 technical transformation subsidies	5,200,000.00	Deferred earnings	600,000.00	200,000.00	Other benefits
2019 Linhai Industrial Enterprise Technology Transformation Project	21,523,050.00	Deferred earnings	2,413,800.00	201,150.00	Other benefits
In 2021, the high-quality development of the manufacturing industry 999001 the Linhai Municipal Finance Bureau	9,718,333.33	Deferred earnings	81,666.67		Other benefits
2020 2513 technical transformation subsidies	11,663,685.83	Deferred earnings	98,014.17		Other benefits
Liaoning Tianyu annual output of 3200 tons of fluorine-containing intermediate products project	1,206,158.70	Deferred earnings	603,079.44	603,079.44	Other benefits

class	amount	Balance sheet presentation items	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
			The amount for the current period	The amount of the previous period	
technical transformation subsidies					
2- Trifluoromethylbenzaldehyde project	199,999.70	Deferred earnings	80,000.04	80,000.04	Other benefits
State subsidies 2000T powder sulfonamide project	693,000.00	Deferred earnings	1,386,000.00	1,386,000.00	Other benefits
Special fund subsidies for waste gas treatment and environmental protection	2,433,900.00	Deferred earnings	347,700.00	695,400.00	Other benefits
Lianhua Texas 5400 tons fine chemical project	960,000.00	Deferred earnings	320,000.00	320,000.00	Other benefits
30 tons of boiler environmental protection transformation subsidies	487,500.00	Deferred earnings	75,000.00	75,000.00	Other benefits
Fine Industries RGF		Deferred earnings	1,207,281.47	1,659,716.44	Other benefits

class	amount	Balance sheet presentation items	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
			The amount for the current period	The amount of the previous period	
Fine Organics RGF	1,936,431.91	Deferred earnings	874,841.92	902,020.72	Other benefits
HMRC Barclays BACS		Deferred earnings	32,858.38		Other benefits

## 2、 Government grants related to earnings

class	amount	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
		The amount for the current period	The amount of the previous period	
Subsidies for stable posts	2,507,240.23	2,507,240.23	6,834,905.46	Other benefits

class	amount	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
		The amount for the current period	The amount of the previous period	
Talent subsidies	608,000.00	608,000.00	772,565.33	Other benefits
Work stoppage is subsidized by work-for-training	637,000.00	637,000.00	1,616,000.00	Other benefits
The district supports the resumption of work and production subsidy incentives			100,000.00	Other benefits
Transportation subsidies for employees of enterprises to return to work on their own			3,601.50	Other benefits
Taizhou Huangyan District Economic Informatization and Science and Technology Bureau zero balance account small upgrade and specialized special new factor subsidies	4,178.30	4,178.30		Other benefits
Huang Zheng Office Letter [2021] No. 1 Huangyan District Economic Informatization and Science and Technology Bureau	6,460.00	6,460.00		Other benefits
Special awards for enterprise structural adjustment supplementary funds			185,614.00	Other benefits

class	amount	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
		The amount for the current period	The amount of the previous period	
Enterprise cloud project awards			2,400.00	Other benefits
Xiangshui County Guanjiang Water Affairs Co., Ltd. 35KV line transformation incentives	600,000.00	600,000.00		Other benefits
Recruitment subsidies			7,000.00	Other benefits
Corporate patent licensing incentives			75,000.00	Other benefits
In 2019, we will strengthen innovation-driven support for scientific and technological research and development and invest financial special subsidy funds			2,012,400.00	Other benefits
Fission growth project			2,912,700.00	Other benefits
VOCs online monitoring system building subsidies			420,000.00	Other benefits
Subsidies for the operation and maintenance of the online monitoring system of key pollutant discharge units			30,600.00	Other benefits

class	amount	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
		The amount for the current period	The amount of the previous period	
Reward for improving innovation ability Linhai Municipal Finance Bureau			632,900.00	Other benefits
Linhai Municipal Finance Bureau Linhai Municipal Development and Reform Document LinCaiQi (2021) No. 8 Notice on Issuing Linhai Municipality's Response to Epidemic Prevention and Control to Accelerate the Resumption of Enterprises to Resume Work and Review Electricity Subsidy Funds for Epidemic Prevention and Control	685,094.04	685,094.04		Other benefits
Taizhou Municipal Bureau of Ecology and Environment Linhai Branch Document Linhuan [2021] No. 41 Notice on the Allocation of Subsidy Funds for the Construction of VOCs Exceeding the Standard Alarm System of 14 Companies Including Lianhua (Taizhou) Co., Ltd	96,000.00	96,000.00		Other benefits

class	amount	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
		The amount for the current period	The amount of the previous period	
Training subsidies Linhai Employment Service Center Linhai Municipal Employee Unemployment Insurance Fund	300,400.00	300,400.00		Other benefits
The first batch of open economic transformation and upgrading support projects 999001 Linhai Municipal Finance	2,000,000.00	2,000,000.00		Other benefits
Linhai Municipal Science and Technology Bureau (zero balance account) 2020 provincial new product appraisal award	200,000.00	200,000.00		Other benefits
Linhai Municipal Finance Bureau Financial Centralized Payment Special User Linhai Municipal Bureau of Economy and Information Technology Documents Linjingxin [2021] No. 33 Notice of Linhai Municipal Bureau of Economy and Information Technology on Organizing the Declaration of The First Quarter Industrial Economy "Opening Red" Incentive Subsidy	308,631.00	308,631.00		Other benefits

class	amount	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
		The amount for the current period	The amount of the previous period	
2513 Gradient Development 999001 Linhai Municipal Finance Bureau (Special Project of Direct Payment Subsidy from the National Treasury)	1,000,000.00	1,000,000.00		Other benefits
2020annual2513R&D investment subsidies for enterprises	3,952,800.00	3,952,800.00		Other benefits
Strengthen innovation-driven revitalization of the real economy to upgrade the financial special subsidy incentive funds	50,000.00	50,000.00		Other benefits
In 2021, the second batch of Linhai College graduates will attract support subsidies	12,500.00	12,500.00		Other benefits
Linhai Municipal Bureau of Market Supervision and Administration Subsidies for Maintenance Fees for Domestic Effective Invention Patents Special Fund Subsidies for Intellectual Property Protection and Management	600.00	600.00		Other benefits
Linhai Emergency Document Management Linhai Emergency [2020] No. 22 Notice on Printing	135,160.00	135,160.00		Other benefits

class	amount	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
		The amount for the current period	The amount of the previous period	
and Distributing the Pilot Program for The Safety Skills Improvement of Employees in Linhai City Safety Training Subsidies				
Enterprises subsidize training by work			6,500.00	Other benefits
Science and Technology Development Fund	2,500.00	2,500.00	16,900.00	Other benefits
R&D expense subsidies			215,000.00	Other benefits
Vocational skills subsidies	16,500.00	16,500.00	255,000.00	Other benefits
Fuxin Municipal Finance Bureau Structural Industrial Adjustment Subsidy			3,430,000.00	Other benefits
Huang Commerce Lianfa [2019] No. 12 2018 Foreign Trade and Economic Cooperation Development Special Fund			230,000.00	Other benefits
Xiangshui County Labor and Employment Management Office Enterprise Structure Adjustment Special Award Supplementary Fund			875,435.00	Other benefits

class	amount	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
		The amount for the current period	The amount of the previous period	
Xiangshui County Industry and Information Technology Bureau Enterprise Cloud Project Award			2,400.00	Other benefits
Xiangshui County Market Supervision and Administration Bureau 2019 Xiangshui County Intellectual Property Development Award Supplement			2,500.00	Other benefits
Xiangshui County Emergency Management Bureau Enterprise Safety Skills Improvement Training Subsidy	319,500.00	319,500.00		Other benefits
Xiangshui County Market Supervision and Administration Bureau 2020 provincial intellectual property special funds	3,500.00	3,500.00		Other benefits
Pre-job training subsidies Xiangshui County Labor and Employment Management Office	27,500.00	27,500.00		Other benefits
Xiangshui County Labor and Employment Administration Office 2921 Xiangshui County Second Batch of Youth Employment	11,664.00	11,664.00		Other benefits

class	amount	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
		The amount for the current period	The amount of the previous period	
Internship Subsidies Xiangshui County Finance Bureau				
New apprenticeship subsidies Xiangshui County Labor and Employment Management Office	740,000.00	740,000.00		Other benefits
Special awards and supplementary funds for the structural adjustment of industrial enterprises			201,204.34	Other benefits
Subsidies for the physical examination of employees of enterprises resuming work and production in the development zone			28,066.68	Other benefits
Individual tax handling fee refund	71,521.94	71,521.94	45,716.42	Other benefits
2020 Corporate Incentive Funds	2,131,824.00	2,131,824.00		Other benefits
2021 Safety Production Liability Insurance Award	45,000.00	45,000.00		Other benefits
Install electricity proximity pipe devices to "replace the funds with awards"	27,750.00	27,750.00		Other benefits
Enterprise input rewards Pingyuan County Assessment and Evaluation Center			300,000.00	Other benefits

class	amount	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
		The amount for the current period	The amount of the previous period	
Special awards for stable employment supplementary funds			265,785.60	Other benefits
Provincial engineering laboratory fees			200,000.00	Other benefits
Provincial environmental pollution prevention and control funds in 2020			40,000.00	Other benefits
2020 Municipal Foreign Economic and Trade Support and Development Special Fund (Epidemic Export Incentives)			24,180.00	Other benefits
Special funds for export incentives during the epidemic in 2020 (county-level financial burden part)			18,720.00	Other benefits
Special funds for talent development	500,000.00	500,000.00		Other benefits
Pingyuan County Intellectual Property Funding Incentive Fund	2,600.00	2,600.00		Other benefits
Subsidies for employment and entrepreneurship services	3,500.00	3,500.00		Other benefits
Jiangkou Subdistrict Office - Huang CaiQi [2021] No. 11 2020 Annual Per Mu Tax Incentive	150,000.00	150,000.00		Other benefits

class	amount	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
		The amount for the current period	The amount of the previous period	
2020 Huangyan District to promote the high-quality development of the private economy "scientific and technological innovation" subsidies (incentives)	160,000.00	160,000.00		Other benefits
The first batch of taizhou science and technology development special funds in 2021	40,000.00	40,000.00		Other benefits
Informatization continuous optimization project	290,000.00	290,000.00		Other benefits
Taizhou Huangyan District Market Supervision and Administration Bureau patent subsidy funds	62,980.00	62,980.00		Other benefits
Recruitment subsidies	15,000.00	15,000.00	9,000.00	Other benefits
2019 Municipal Business for Development Special Fund			1,448,000.00	Other benefits
The district supports the resumption of work and production subsidy funds			40,000.00	Other benefits
Support enterprises to directly finance development subsidies			32,813.11	Other benefits
Special awards for structural adjustment of industrial enterprises			3,002,471.02	Other benefits

class	amount	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
		The amount for the current period	The amount of the previous period	
In 2019, taizhou huangyan district invention patent authorization subsidy			15,000.00	Other benefits
In 2019, the municipal government allocated invention patent authorization subsidies			8,000.00	Other benefits
The province allocates subsidies for the authorization of invention patents			15,400.00	Other benefits
Fully deploy Microsoft Office365 conference communication file sharing on the cloud			280,000.00	Other benefits
Merit-based funding for postdoctoral research projects			50,000.00	Other benefits
Supplementary financial subsidies for the resumption of work and production awards			200,000.00	Other benefits
State support funds			7,693,886.07	Other benefits
Merit-based Funding Fee for Postdoctoral Research Projects (Lu Yao)			42,000.00	Other benefits
Employment apprenticeship allowance			154,800.00	Other benefits

class	amount	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
		The amount for the current period	The amount of the previous period	
In 2019, Taizhou enterprises docked with multi-level capital market related subsidies			57,694.10	Other benefits
Huangyan District 2020 fourth batch of innovation vouchers cash funds			50,000.00	Other benefits
Taizhou City Key Technology Innovation Team Support Funding			320,000.00	Other benefits
Technical Reform - 2019 Second Criticism Review Project			300,000.00	Other benefits
District-level high-level awards			30,000.00	Other benefits
Social security subsidies	600.00	600.00	900.00	Other benefits
Special funds for advanced manufacturing	500,000.00	500,000.00		Other benefits
Harmonious Labor Relations Enterprise Rewards	10,000.00	10,000.00		Other benefits
Advanced Manufacturing Project "2019 District Advanced Manufacturing Project Fund (Second Criticism Review Project)"	100,000.00	100,000.00		Other benefits
Subsidies for electricity charges for the resumption of work and	2,694.37	2,694.37		Other benefits

class	amount	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
		The amount for the current period	The amount of the previous period	
production for epidemic prevention and control				
Tax subsidies	163,800.00	163,800.00		Other benefits
Overseas participation subsidies			39,549.00	Non-operating income
Property tax refund			464,108.01	Non-operating income
"I spent the New Year in Linhai" holiday red envelope subsidy	261,060.00	261,060.00		Non-operating income
In 2018, overseas exhibition subsidies subsidies for the steady growth of foreign trade	1,307,000.00	1,307,000.00		Non-operating income
Receive subsidies for party building activities of two new party organizations at the district level	4,000.00	4,000.00		Non-operating income
2019 Taizhou Enterprise Docking Multi-level Capital Market Related Incentive Funds (Second Batch)	38,462.74	38,462.74		Non-operating income

class	amount	The amount that is included in the profit or loss for the current period or the loss on related costs and expenses		Items that are included in the profit or loss of the current period or the loss of related costs and expenses
		The amount for the current period	The amount of the previous period	
The Committee of Lianhua Science and Technology Co., Ltd. of the Communist Party of China held a "July 1st" recitation to celebrate the centenary of the founding of the Party	10,115.60	10,115.60		Non-operating income
Advanced Management Quality Award of Taizhou Municipal Committee of the Communist Party of China	300,000.00	300,000.00		Non-operating income

### 3、 Return of government grants: None

#### (六十二) lease

##### 1、 As a lessee

project	The amount for the current period
Interest expense for lease liabilities	886,515.29
Short-term lease charges that are included in the cost of the underlying asset or the simplified treatment of the current period's profit or loss	7,311,135.56
Low-value asset lease charges that are included in the cost of the underlying asset or the current period's profit or loss (other than short-term lease charges for low-value assets)	

project	The amount for the current period
Variable lease payments not included in the lease liability measurement, included in the cost of the underlying asset or the profit or loss of the current period	
Where: Sale and leaseback transaction generated part	
Income derived from subleasing of right-of-use assets	
Total cash outflows associated with leases	5,753,524.87
The associated gain or loss arising from the sale and leaseback transaction	
Sale and leaseback transaction cash inflow	
Sale and leaseback transaction cash outflow	

The minimum lease payments to be made by the Company after the balance sheet date are as follows:

Remaining lease term	Unwinding lease payments
Within 1 year	5,520,000.65
1 to 2 years	3,540,778.19
2 to 3 years	1,941,262.85
More than 3 years	11,990,797.39
total	22,992,839.08

## 2、 As a lessor

### Operating leases

	The amount for the current period
Operating lease income	1,047,619.07
Where Income related to variable lease payments that are not included in the lease collection amount	

## 3、 Impact of the implementation of the Provisions on the Accounting Treatment of Rent Concessions Related to the COVID-19 Pandemic and the Notice on Adjusting the < provisions on the Accounting Treatment of Rent Concessions

**Related to the COVID-19 Epidemic > the Scope of Application: None****六、 Changes to the scope of the merge****(一) Business combinations under non-identical control: None****(二) Business combinations under the same control: None****(三) Disposal subsidiary: None****(四) Changes in the scope of consolidation for other reasons**

In this period, 3 new consolidated units were added due to:

1. On March 9, 2021, the company newly established Lianhua Technology New Material (Taizhou) Co., Ltd.
2. Lianhua Technology (Taizhou) Co., Ltd., a subsidiary, was newly established on August 20, 2021 to establish Lianhua Angjian Pharmaceutical Technology (Shanghai) Co., Ltd.
3. Shanghai Baofeng Machinery Manufacturing Co., Ltd., a subsidiary, newly established Yancheng Baofeng New Energy Equipment Co., Ltd. on December 20, 2021.

In the current period, the number of consolidated units was reduced by 2, due to:

1. Lianhua Technology (Yancheng) Co., Ltd. has applied for industrial and commercial deregistration on August 17, 2021.
2. Taizhou Huangyan Lianhua Pharmaceutical Co., Ltd. has applied for industrial and commercial deregistration on August 10, 2021.

**七、 Interests in other entities****(一) Equity in subsidiaries****1、 Composition of the corporate group**

Subsidiary name	main Place of business	Place of registration	Nature of business	Shareholding Ratio (%)		acquire manner
				direct	indirect	
Taizhou Lianhua Import & Export Co., Ltd	Taizhou, Zhejiang	Taizhou, Zhejiang	Import and export trade	100.00		Set up
Shanghai Baofeng Machinery Manufacturing Co., Ltd	Shanghai Baoshan	Shanghai Baoshan	Mechanical engineering	91.53	8.47	Set up
Jiangsu Lianhua Technology Co., Ltd	Yancheng, Jiangsu	Yancheng, Jiangsu	Chemical manufacturing	99.65	0.35	Set up

Subsidiary name	main Place of business	Place of registration	Nature of business	Shareholding Ratio (%)		acquire manner
				direct	indirect	
Lianhua Technology (Taizhou) Co., Ltd	Taizhou, Zhejiang	Taizhou, Zhejiang	Chemical manufacturing	100.00		Set up
Lianhua Technology (Shanghai) Co., Ltd	Shanghai Pudong	Shanghai Pudong	Technology development	99.78	0.22	Set up
Lianhua Technology (Texas) Co., Ltd	Shandong Plain	Shandong Plain	Chemical manufacturing	100.00		Merge under non- identical control
Liaoning Tianyu Chemical Co., Ltd	Fuxin, Liaoning	Fuxin, Liaoning	Chemical manufacturing	100.00		Merge under non- identical control
Hubei Juntai Pharmaceutical Chemical Co., Ltd	Jingzhou, Hubei	Jingzhou, Hubei	Chemical manufacturing	80.00		Merge under non- identical control
Lianheteck Singapore Pte.Ltd.	Singapore	Singapore	investment	100.00		Set up
Lianheteck Holdeo Limited	United Kingdom	United Kingdom	investment	100.00		Set up
Lianheteck Europe Limited	United Kingdom	United Kingdom	investment		100.00	Set up
Project Bond Holdeo Limited	United Kingdom	United Kingdom	investment		100.00	Merge under non- identical control
Project Bond Bidco Limited	United Kingdom	United Kingdom	investment		100.00	Merge under

Subsidiary name	main Place of business	Place of registration	Nature of business	Shareholding Ratio (%)		acquire manner
				direct	indirect	
						non- identical control
Fine Industries Limited	United Kingdom	United Kingdom	Chemical manufacturing		100.00	Merge under non- identical control
Fine Organics Limited	United Kingdom	United Kingdom	Chemical manufacturing		100.00	Merge under non- identical control
Fine Environment Services Limited	United Kingdom	United Kingdom	Chemical manufacturing assistance		100.00	Merge under non- identical control
Fine Facilities Management Limited	United Kingdom	United Kingdom	investment		100.00	Merge under non- identical control
Fine Contract Research Limited	United Kingdom	United Kingdom	investment		100.00	Merge under non- identical control
Yancheng Lianke Environmental Protection Technology Co., Ltd	Yancheng, Jiangsu	Yancheng, Jiangsu	Chemical manufacturing		100.00	Set up

Subsidiary name	main Place of business	Place of registration	Nature of business	Shareholding Ratio (%)		acquire manner
				direct	indirect	
Lianhua Technology (Linhai) Co., Ltd	Taizhou, Zhejiang	Taizhou, Zhejiang	Chemical manufacturing		100.00	Set up
Yancheng Baofeng New Energy Equipment Co., Ltd	Yancheng, Jiangsu	Yancheng, Jiangsu	Mechanical engineering		100.00	Set up
Lianhua Angjian Pharmaceutical Technology (Shanghai) Co., Ltd	Shanghai Pudong	Shanghai Pudong	Technology development		100.00	Set up
Lianhua Technology New Material (Taizhou) Co., Ltd	Taizhou, Zhejiang	Taizhou, Zhejiang	Chemical manufacturing	100.00		Set up

## **2. Significant non-wholly owned subsidiaries**

Subsidiary name	Minority shareholder shareholding	Profit or loss attributable to minority shareholders for the period	Dividends are announced to minority shareholders in the current period	Balance of minority interests at the end of the period
Hubei Junlai Pharmaceutical Chemical Co., Ltd	20.00%	7,581,116.16	-20,000,000.00	27,938,254.36

### **3. Key financial information for significant non-wholly owned subsidiaries**

	Closing balances						Balance at the end of the previous year					
Subsidiary name	liquid asset	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	liquid asset	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hubei Jintan												
Pharmaceutical Chemical Co., Ltd.	123,865,319.36	155,224,260.40	279,089,588.76	134,548,779.62	4,849,537.33	139,398,316.95	121,236,026.09	144,922,502.52	266,158,528.61	60,159,208.38	4,213,529.22	64,372,837.60

Subsidiary name	The amount for the current period				The amount of the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Huber Juntai Pharmaceutical Chemical Co., Ltd	311,847,687.11	37,905,580.80	37,905,580.80	76,193,210.92	385,690,707.15	117,784,599.30	117,784,599.30	232,349,545.62

4、 Significant restrictions on the use of enterprise group assets and the settlement of enterprise group debts: None

5、 Financial or other support to structured entities included in the scope of consolidated financial statements: None

(二) Transactions in which the equity share of the subsidiary changes and still controls the subsidiary: None

(三) Interest in a joint venture arrangement or associate

1、 Significant joint ventures or associates

The name of the joint venture or associate	main Place of business	Place of registration	Nature of business	Shareholding Ratio (%)		Accounting treatment of investments in joint ventures or associates	Whether it is strategic for the Company's activities
				direct	indirect		
Taizhou Huangyan Lianke Microfinance Co., Ltd	Taizhou, Zhejiang	Taizhou, Zhejiang	Financial loans	30.00		Equity Law	
Zhejiang Zhongke Chuangyue Pharmaceutical Co., Ltd	Shanghai	Taizhou, Zhejiang	Chemical manufacturing	20.00		Equity Law	

2、 Key financial information for significant associates

	Closing balance/current amount		Balance at the end of the previous year/amount in the previous period	
	Taizhou Huangyan Lianke Microfinance Co., Ltd	Zhejiang Zhongke Chuangyue Pharmaceutical Co., Ltd [Note]	Taizhou Huangyan Lianke Microfinance Co., Ltd	Zhejiang Zhongke Chuangyue Pharmaceutical Co., Ltd [Note]
Liquid asset	186,121,084.10	33,482,655.43	232,157,925.02	32,871,532.64
Where: cash and cash equivalents	33,660,048.76	11,117,751.77	69,594,588.45	6,470,700.70
Non-current assets	4,849,844.73	52,390,563.25	4,865,814.60	60,826,261.53
Total assets	190,970,928.83	85,873,218.68	237,023,739.62	93,697,794.17
Current liabilities	16,980,896.94	4,424,507.21	27,549,830.01	11,247,590.13
Non-current liabilities		6,833,333.33		7,833,333.33
Total liabilities	16,980,896.94	11,257,840.54	27,549,830.01	19,080,923.46
Minority shareholders' interests				
Equity attributable to shareholders of the parent company	173,990,031.89	74,615,378.14	209,473,909.61	74,616,870.71
The share of net assets calculated in proportion to shareholding	52,197,009.57	18,653,844.54	62,842,172.88	18,654,217.68
Adjustments				
— Unrealized profits from insider trading				
Operating income	7,138,077.33	51,541,083.40	58,826,742.19	27,288,120.68
Net profit	4,516,122.28	1,741,045.67	41,108,412.48	-3,977,437.63
Net profit from discontinued operations				
Other comprehensive income				

	Closing balance/current amount		Balance at the end of the previous year/amount in the previous period	
	Taizhou Huangyan Lianke Microfinance Co., Ltd	Zhejiang Zhongke Chuangyue Pharmaceutical Co., Ltd [Note]	Taizhou Huangyan Lianke Microfinance Co., Ltd	Zhejiang Zhongke Chuangyue Pharmaceutical Co., Ltd [Note]
Total comprehensive income	4,516,122.28	1,741,045.67	41,108,412.48	-3,977,437.63
Dividends received in the current period from associated enterprises	12,000,000.00		6,000,000.00	

Note: According to the articles of association of Zhejiang Zhongke Chuangyue Pharmaceutical Co., Ltd., shareholders receive dividends according to the proportion of paid-in capital contribution, and as of December 31, 2021, the company's paid-in ratio is 25%.

- 3、 **Key financial information for significant joint ventures: None**
- 4、 **Aggregate financial information for unimportant joint ventures and associates: None**
- 5、 **Note that there are significant limitations on the ability of a joint venture or associate to transfer funds to the Company: None**
- 6、 **Excess losses incurred by joint ventures or associates: None**
- 7、 **Unconfirmed commitments related to joint venture investments: None**
- 8、 **Contingent liabilities related to investments in joint ventures or associates: None**

(四) **Important co-operation: None**

**(五) Interest in structured entities not covered by consolidated financial statements: None**

**八、 Risks associated with financial instruments**

The Company faces various financial risks in the course of its operations: credit risk, market risk and liquidity risk. The Board of Directors of the Company is fully responsible for the identification of risk management objectives and policies and assumes ultimate responsibility for risk management objectives and policies.

The overall goal of the Company's risk management is to formulate risk management policies that minimize risk without unduely affecting the Company's competitiveness and resilience

**(一) Credit risk**

Credit risk refers to the risk that one party to a financial instrument will not fulfill its obligations, resulting in financial losses to the other party. The Company is primarily exposed to customer credit risk due to credit sales. Prior to entering into a new contract, the Company assesses the credit risk of the new customer, including external credit ratings and, in some cases, proof of bank credit (when this information is available). The Company has set a credit limit for each customer, which is the maximum amount that does not require additional approval.

The Company ensures that the Company's overall credit risk is within a controllable range through quarterly monitoring of existing customer credit ratings and monthly audits of accounts receivable aging analysis. When monitoring a customer's credit risk, group them according to their credit characteristics. Customers rated as "High Risk" are placed on the Restricted Customer List and may only be credited to them for a future period with additional approvals, otherwise they must be required to make the appropriate payment in advance

**(二) Liquidity risk**

Liquidity risk refers to the risk of a shortage of funds in the event of a business fulfilling its obligation to settle by delivering cash or other financial assets. It is the Company's policy to ensure that there is sufficient cash to pay off debts as they fall due. Liquidity risk is centrally controlled by the Company's finance department. Finance monitors cash balances, readily realizable securities, and rolling projections of cash flows over the next 12 months to ensure that the company has sufficient funds to meet debt and working capital needs

under all reasonable forecasts.

### (三) Market risk

Market risk of financial instruments refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in market prices, including exchange rate risk, interest rate risk and other price risks.

#### 1、Interest rate risk

Interest rate risk refers to the risk that the fair value of a financial instrument or future cash flows will fluctuate due to changes in market interest rates.

#### 2、Exchange rate risk

Exchange rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in foreign exchange rates.

The principal operations of the Company and its subsidiaries are located in the PRC and are mainly settled in RMB. The Company matches foreign currency income with foreign currency expenses as much as possible to reduce exchange rate risk. To this end, the Company may sign forward foreign exchange contracts or currency swap contracts to avoid exchange rate risks.

### 九、Disclosure of fair value

The input values used for fair value measurement are divided into three levels:

The first level input value is an unadjusted quote for the same asset or liability that can be obtained on the measurement date in an active market.

The second-level input value is the direct or indirectly observable input value of the underlying asset or liability in addition to the first-level input value.

The third-level input value is the unobservable input value of the underlying asset or liability.

The level to which the fair value measurement result belongs is determined by the lowest level to which the input value that is important to the fair value measurement as a whole belongs.

#### (一) The period-end fair value of assets and liabilities measured at fair value

project	Fair value at the end of the period			
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	total
<b>1. Continuous fair value measurement</b>				
◆ Trading financial assets		12,566,512.80		12,566,512.80
Among them: derivative financial assets		12,566,512.80		12,566,512.80

(二) **Basis for determining the market price of a continuous and non-continuous second-level fair value measurement project**

Revaluation based on spot exchange rates of Citibank (China) Co., Ltd. Shanghai Branch and Bank of Ningbo Co., Ltd. Taizhou Branch as at 31 December 2021.

十、**Related Parties and Related Party Transactions**

(一) **The Company's parent company**

The ultimate controller of the Company, Mou Jinxiang, holds a shareholding ratio of 25.40%.

(二) **The Company's subsidiaries**

For details of the Company's subsidiaries, see "VII. Rights and Interests in Other Entities" in this note.

(三) **The Company's joint ventures and associates**

Important joint ventures or associates of the Company are detailed in "VII. Interests in Other Entities" in this Note.

(四) **Other related party situation: None**

(五) **Related Party Transactions**

**1、 Related party transactions relating to the purchase and sale of goods, the provision and receipt of services**

Purchase of goods/service receipts form

Affiliates	Content of related party transactions	The amount for the current period	The amount of the previous period
Zhejiang Zhongke Chuangyue Pharmaceutical Co., Ltd	Purchase goods	43,376,991.15	26,306,415.93

**2、 Associated entrusted management/contracting and entrusted management/contracting situation: None**

**3、 Associated leases**

The Company, as lessor:

Tenant name	Types of leased assets	Rental income recognized for the current period	Lease income recognized in the previous period
Zhejiang Zhongke Chuangyue Pharmaceutical Co., Ltd	Investment real estate	1,047,619.07	787,433.71

**4、 Related Warranties**

The Company acts as the guarantor:

Guarantor	Guarantee amount	Guarantee start date	Guarantee expiration date	Whether the guarantee has been fulfilled
Jiangsu Lianhua Technology Co., Ltd	500,000,000.00	2018/5/29	Five years (from the date of occurrence of their bank financing)	not
Lianhua Technology (Taizhou) Co., Ltd	1,000,000,000.00	2019/12/16	Five years (from the date of occurrence of its financing)	not

Guarantor	Guarantee amount	Guarantee start date	Guarantee expiration date	Whether the guarantee has been fulfilled
Lianhua Technology (Taizhou) Co., Ltd	300,000,000.00	2021/6/11	Five years (from the date of occurrence of its financing)	not
Fine Organics Limited	300,000,000.00	2021/12/16	Five years (from the date of occurrence of its financing)	not
Fine Organics Limited	200,000,000.00	2021/12/16	Three years (from the date of deliberation and approval by the General Meeting of Shareholders)	not
Lianhua Technology (Linhai) Co., Ltd	700,000,000.00	2021/3/15	Five years (from the date of occurrence of its financing)	not
Huangyan Lianke Microfinance Co., Ltd	50,000,000.00	2021/6/3	Three years (from the date of occurrence of their bank financing)	not

## The Company, as the Guarantor:

Guarantor	Guarantee amount	Guarantee start date	Guarantee expiration date	Whether the guarantee has been fulfilled
Shanghai Baofeng Machinery Manufacturing Co., Ltd	150,000,000.00	2019/12/16	Five years (from the date of occurrence of its financing)	not

**Guarantees between subsidiaries and subsidiaries:**

Guarantor	Guarantor	Guarantee amount	Guarantee start date [Note]	Guarantee expiration date	Whether the guarantee has been fulfilled
Lianhua Technology New Material (Taizhou) Co., Ltd	Lianhua Technology (Taizhou) Co., Ltd	100,000,000.00		Five years (from the date of occurrence of their bank financing)	not

Note: As of 31 December 2021, Lianhua Technology (Taizhou) Co., Ltd. has not actually incurred bank financing under this guarantee.

**2. Other guarantees**

In 2019, Lianhua Technology (Taizhou) Co., Ltd., a subsidiary of the Company, and Taijin Financial Leasing (Tianjin) Co., Ltd. signed the No. 19060030 "Guarantee Contract", agreeing that Mou Jinxiang would provide a guarantee for the Financial Lease Contract No. 19060030, and the guarantee method would be joint and several liability guarantee.

**5. Related Party Fund Lending: None****6. Transfer of assets and debt restructuring of related parties: None****7. Key management compensation**

Unit: 10,000 yuan

project	The amount for the current period	The amount of the previous period
Key management compensation	1,932.25	2,045.68

**8. Other related party transactions: None**

(六) **Related Party Receivables and Payables****1、Receivables**

The project name	Affiliates	Closing balances		Balance at the end of the previous year	
		Book balances	Provision for bad debts	Book balances	Provision for bad debts
Accounts receivable					
	Zhejiang Zhongke Chuangyue Pharmaceutical Co., Ltd	550,000.00	27,500.00		
Advance Payments					
	Zhejiang Zhongke Chuangyue Pharmaceutical Co., Ltd			7,038,700.00	

**2、Payable items**

The project name	Affiliates	Closing book balances	Book balance at the end of the previous year
Accounts Payable			
	Zhejiang Zhongke Chuangyue Pharmaceutical Co., Ltd	882,919.18	794,741.67

(七) **Related Party Commitment: None**(八) **Centralized management of funds: None**

## 十二、Commitments and Contingencies

### (一) Key commitments

#### 1、Significant commitments exist at the balance sheet date

##### (1) Short-term borrowing

##### (1) Mortgage borrowing:

In January 2021, the Company signed a working capital loan related contract with the Huangyan Branch of agricultural bank of China Co., Ltd., as detailed in the following table:

Contract content Specific matters	Loan contracts	Mortgage contracts	
Contract number	33010120210002114	33100620210046440	
Agreed matters	The balance of borrowings as at 1 December 31, 2021 was USD 3,500,000.00, equivalent to RMB22,314,950.00	Collateral:	Guarantee period: from June 16, 2021 to June 15, 2026. The maximum balance of secured claims is RMB133,400,000.00
		Huangyan Economic Development Zone Yongqiao Road No. 8 (Real Estate Certificate No. 250392-250394, Huangyan State Use (2007) No. 02300062)	
		The above collateral book situation: The original value of the house is \$22,384,855.75 and the book value is \$4,933,992.47; The original value of the land use right was \$6,362,731.29 and the book value was \$4,034,151.44	

2 In September 2021, Lianhua Technology (Taizhou) Co., Ltd., a subsidiary of the Company, signed a contract related to working capital loans with the Taizhou Huangyan Branch of the Agricultural Bank of China Co., Ltd., as follows:

Contract content		Mortgage contracts	
Specific matters	Loan contracts		
Contract number	33010120210022018 and 33010120210023811	33100620210053961	
Agreed matters	The balance of borrowings as of 1 December 31, 2021 was USD 8,000,000.00, equivalent to RMB51,005,600.00	Collateral: No. 65 Biqingqian Road, Jiangkou Street, Huangyan District, Taizhou City (Zhejiang (2021) Taizhou Huangyan Real Estate Property No. 0015497)  The above collateral book situation:  The original value of the house is \$62,072,892.59 and the book value is \$49,152,760.11;  The original value of the land use right was \$14,276,215.80 and the carrying amount was \$10,552,845.30	Warranty period from July 14, 2021 to July 13, 2026;  The maximum balance of the secured claim is RMB167,790,000.00.

2 In September 2021, Lianhua Technology (Taizhou) Co., Ltd., a subsidiary of the Company, signed a contract related to working capital loans with the Taizhou Huangyan Branch of the Agricultural Bank of China Co., Ltd., as follows:

Specific matters	Contract content		Mortgage contracts
	Loan contracts		
Contract number	33010120210023813	33100620210046504	
Agreed matters	The balance of borrowings as at 1 December 31, 2021 was USD 4,000,000.00, equivalent to RMB25,502,800.00	Collateral: Real estate (No. 55248899 Jiangkou Street, Jiangkou Development Zone, Huangyan District, Taizhou City) and construction land (Huangyan State Use (2007) 248902 No. 02300214), No. 55, Jiangkou Development Zone, Taizhou City	Warranty Period: From 16 June 2021 to 15 June 2026.
		The above collateral book situation:	The maximum balance of the secured claim is
		The original value of the house is \$13,557,692.95 and the book value is \$4,076,728.44.	RMB46,640,000.00
		The original value of the land use right was \$3,300,000.00 and the carrying amount was \$2,280,710.64	

2 In September 2021, Lianhua Technology (Taizhou) Co., Ltd., a subsidiary of the Company, signed a contract related to working capital loans with the Taizhou Huangyan Branch of the Agricultural Bank of China Co., Ltd., as follows:

Contract content		Loan contracts	Mortgage contracts	
Specific matters	Contract number			
	33010120210028148 and 33010120210031231		33100620210046537	
Agreed matters		The balance of borrowings as of 1 December 31, 2021 was US\$9,600,000.00, equivalent to RMB61,206,720.00	Collateral:  Real estate (No. 280210 Huangzi No. 280204-280210) and construction land (Huangyan State Use (2010) No. 01200094), Huangyan Economic Development Zone, Huangyan District, Taizhou City	Guarantee period: from June 16, 2021 to June 15, 2026;
			The above collateral book situation:  The original value of the house is \$33,796,117.42 and the book value is \$12,473,462.27;  The original value of the land use right was \$7,452,274.53 and the book value was \$5,886,367.57	The maximum balance of the secured claim is RMB98,160,000.00

## (2) Pledge loan:

In December 2021, Jiangsu Lianhua Technology Co., Ltd., a subsidiary of the Company, signed a contract related to international trade financing with the Xiangshui County Branch of the Agricultural Bank of China Co., Ltd., as follows:

Contract content		Loan contracts	Pledge contract	
Specific matters				
Contract number		32060820210000570	32100420210009184	
Agreed matters		The balance of borrowings as of December 31, 2021 was USD 2,000,000.00, equivalent to RMB12,751,400.00	Collateral: \$100,000,000.00 certificate of deposit	Warranty period: 29 December 2021 to 22 February 2022; The maximum balance of the secured claim is USD 2,000,000.00, equivalent to RMB12,751,400.00

(2) Long-term borrowings (including long-term borrowings due within one year)

(1) Mortgage loan:

The Company signed a working capital loan contract and a fixed asset loan contract with the Taizhou Huangyan Branch of Bank of China Co., Ltd., as follows

Contract content		Working capital borrowing contracts	Fixed asset borrowing contracts	Maximum mortgage contract	
Specific matters					
Contract number		2021 Huang (borrowed) foreign word 001	2020 Huang (borrowed) herringbone No. 172	2019 Huang (arrival) character No. 047	
Agreed matters		The balance of borrowings as at December 31, 2021 was USD7,140,000.00 and RMB48,000,000.00, equivalent to a total of RMB93,522,498.00.		The collateral is: Shanghai Baoshan District Industrial Road No. 458 Real Estate (Huifangdi Baozi (2008) No. 004113)	Warranty period December 24, 2019 to December 23, 2022.

Contract content Specific matters	Working capital borrowing contracts	Fixed asset borrowing contracts	Maximum mortgage contract	
			Maximum mortgage contract	The maximum balance of secured claims is
			The above collateral book situation: The original value of the house was \$22,984,131.14 and the carrying amount was \$5,713,933.53; The original value of the land use right was \$6,257,400.00 and the carrying amount was \$3,974,996.94	RM890,430,000.00

The fixed asset loan contract signed between Lianhua Technology (Taizhou) Co., Ltd., a subsidiary of the Company, and the Taizhou Huangyan Branch of agricultural bank of China Co., Ltd., as follows

Contract content Specific matters	Fixed asset borrowing contracts	Maximum mortgage contract		
		Contract number	Maximum mortgage contract	Warranty period: from 27May 2021 to 7 March 2022.
Contract number	33010420190002038 and 33010420200000019	33100620210040994	The collateral is: Real Estate Zhujiang (2 021) Linhai Real Estate Property No.0 024170, No. 3 Donghai Eighth Avenue, Townengang Economic Development Zone, Linhai City	The maximum balance of the secured claim is
Agreed matters	The balance of borrowings as at December 31, 2021 was RMB240,000,000.00.			

Contract content Specific matters	Fixed asset borrowing contracts	Maximum mortgage contract	
		<p>The above collateral book situation:</p> <p>The original value of the house was \$195,447,249.18 and the carrying amount was \$157,385,773.24.</p> <p>The original value of the land use right was 118,867,706.98 yuan and the book value was 96,254,507.99 yuan</p>	RMB375,290,000.00

The fixed asset loan contract signed between Lianhua Technology (Taizhou) Co., Ltd., a subsidiary of the Company, and the Taizhou Huangyan Branch of agricultural bank of China Co., Ltd., as follows

Contract content Specific matters	Fixed asset borrowing contracts	Maximum mortgage contract	
Contract number	33010420200000023	33100620200046501	
Agreed matters	<p>The balance of borrowings as of December 31, 2021 was RMB40,000,000.00</p>	<p>The collateral is:</p> <p>Zhejiang Chemical API Base Limhai Park Donghai Eighth Avenue No. 3 real estate (Limfang warrant Duqiao Zhenzi No. 218287-218290)</p> <p>The above collateral book situation:</p> <p>The original value of the house was \$55,290,148.12 and the book value was \$47,592,008.93</p>	<p>Warranty period: From March 8, 2020 to March 7, 2021</p> <p>The maximum balance of the secured claim is RMB110,930,000.00</p>

## (2) Mortgage guarantee loan:

In March 2021, Lianhua Technology (Linhai) Co., Ltd., a subsidiary of the Company, signed a contract related to the syndicated loan for fixed assets with the Huangyan Branch of the Industrial and Commercial Bank of China, as follows:

Contract content Specific matters	Loan contracts	Mortgage guarantee contract	
Contract number	ICBC Zhejiang Syndicate - 2021-8-001 No	Mortgage Contract: ICBC Zhejiang Syndicate - 2021-8 - Zhizi 001 / Guarantee Contract: ICBC Zhejiang Syndicate - 2021-8 - Baoyi 001	
Agreed matters	The balance of borrowings as at 1 December 31, 2021 was RMB42,636,500.00	Collateral: Land use rights and works under construction on the ground, including but not limited to: (1) Land use right certificate (or real estate property right certificate), numbered: Zhejiang (2021) Linhai City Real Estate Property Rights No. 0007482, Zhejiang (2021) Linhai City Real Estate Property Rights No. 0007485, Zhejiang (2021) Linhai City Real Estate Property Rights No. 0007486; (2) Construction land planning permit, numbered: Dizi No. 331082201980011; (3) Construction project planning permit, numbered: Jianzi No. 331082201980034, Jianzi No. 331082201980037, Jianzi no. 331082202080008, Jianzi no. 331082202080042; (4) Construction permit for construction projects, numbered: 331082201911220201, 331082201912160101, 331082202004100101, 331082202012230301. Location: No. 11, Donghai Tiaohai Avenue, Taumengang Economic Development Zone, Zhejiang Province, Linhai City	Warranty period: from March 15, 2021 to February 13, 2026;
			The maximum balance of the secured claim is RMB700,000,000.

Contract content	Loan contracts	Mortgage guarantee contract
Specific matters		Guarantor: Lianhua Technology Co., Ltd
		The above collateral book situation: The original value of the above-ground construction in progress was \$303,428,289.74 and the book value was \$303,428,289.74; The original value of the land use right was 253,972,165.36 yuan and the book value was 241,273,557.13 yuan

## (3) Sale and leaseback financial leasing:

Lianhua Technology (Taizhou) Co., Ltd., a subsidiary of the Company, signed a financial leasing-related contract with Taijin Financial Leasing (Tianjin) Co., Ltd., as follows:

Contract content Specific matters	Financial lease contracts	Leaseback item transfer agreement	Guarantee contract	Movable property mortgage contracts
Contract number	Taikin Leasing (19) Hui Zi No. 19060030	Taikin Leasing (19) Hui Zi No. 19060030	Taikin Leasing (19) Baozi No. 19060030	Taikin Leasing (19) No. 19060030
Agreed matters	—	—	Guarantor 1: Lianhua Technology Co., Ltd Guarantor 2: Mou Jinxiang	The collateral is special equipment. The original book value of the collateral: \$100,037,013.26 and the carrying amount of the collateral: \$51,972,245.29

## (二) Contingent matters

## 1、 Significant contingencies existing at the balance sheet date

## (1) Guarantees for subsidiaries:

Guaranteed unit	Currency	The actual amount of the guarantee	Debt maturity date	Financial impact on the Company
Lianhua Technology (Linhai) Co., Ltd	Renminbi	1,246,500.00	August 22, 2023	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Linhai) Co., Ltd	Renminbi	5,030,000.00	February 22, 2024	There is no impact on the guarantee of the loan of the subsidiary

Guaranteed unit	Currency	The actual amount of the guarantee	Debt maturity date	Financial impact on the Company
Lianhua Technology (Linhai) Co., Ltd	Renminbi	4,370,000.00	August 22, 2024	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Linhai) Co., Ltd	Renminbi	13,360,000.00	February 21, 2025	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Linhai) Co., Ltd	Renminbi	4,270,000.00	August 22, 2025	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Linhai) Co., Ltd	Renminbi	14,360,000.00	February 13, 2026	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Taizhou) Co., Ltd	Renminbi	7,500,000.00	January 18, 2022	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Taizhou) Co., Ltd	Renminbi	7,500,000.00	April 18, 2022	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Taizhou) Co., Ltd	Renminbi	7,500,000.00	July 18, 2022	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Taizhou) Co., Ltd	Renminbi	10,000,000.00	October 18, 2022	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Taizhou) Co., Ltd	Renminbi	10,000,000.00	January 18, 2023	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Taizhou) Co., Ltd	Renminbi	10,000,000.00	April 18, 2023	There is no impact on the guarantee of the loan of the subsidiary

Guaranteed unit	Currency	The actual amount of the guarantee	Debt maturity date	Financial impact on the Company
Lianhua Technology (Taizhou) Co., Ltd	Renminbi	10,000,000.00	July 18, 2023	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Taizhou) Co., Ltd	Renminbi	39,174,075.80	February 18, 2022	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Taizhou) Co., Ltd	Renminbi	14,630,107.00	March 15, 2022	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Taizhou) Co., Ltd	Renminbi	50,000,000.00	October 7, 2022	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Taizhou) Co., Ltd	Dollar	4,000,000.00	April 12, 2022	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Taizhou) Co., Ltd	Dollar	4,000,000.00	September 22, 2022	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Taizhou) Co., Ltd	Dollar	224,400.00	January 4, 2022	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Taizhou) Co., Ltd	Dollar	1,500,000.00	November 11, 2022	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Taizhou) Co., Ltd	Dollar	4,800,000.00	November 11, 2022	There is no impact on the guarantee of the loan of the subsidiary
Lianhua Technology (Taizhou) Co., Ltd	Dollar	4,800,000.00	December 14, 2022	There is no impact on the guarantee of the loan of the subsidiary

Guaranteed unit	Currency	The actual amount of the guarantee	Debt maturity date	Financial impact on the Company
Fine Organic Limited	pound sterling	1,000,000.00	April 26, 2022	There is no impact on the guarantee of the loan of the subsidiary
Fine Organic Limited	pound sterling	600,000.00	March 30, 2022	There is no impact on the guarantee of the performance obligation of the subsidiary
Fine Organic Limited	pound sterling	300,000.00	September 19, 2022	There is no impact on the guarantee of the performance obligation of the subsidiary
Fine Organic Limited	pound sterling	125,000.00	2 January 4, 2022	There is no impact on the guarantee of the performance obligation of the subsidiary

## (2) Guarantee for the associated enterprise:

Guaranteed unit	Currency	Guarantee amount	Debt maturity date	Financial impact on the Company
Taizhou Huangyan Lianke Microfinance Co., Ltd	Renminbi	15,000,000.00	202 March 6, 21	There is no impact on the financing guarantee of the associated enterprise

The thirteenth meeting of the 7th Board of Directors of the Company and the 2020 Annual General Meeting of Shareholders deliberated and passed the "Proposal on the Adjustment of the Company's External Guarantee Matters": In view of the fact that the original guarantee to Taizhou Huangyan Lianke Microfinance Co., Ltd. (hereinafter referred to as the "Microfinance Company") has expired, in order to ensure the further expansion of the business operation of the microfinance company, the Company intends to provide joint and several liability guarantees for the financing of the microfinance company to banks in

Zhejiang Province (including but not limited to the bank's branches in Zhejiang), The total amount of the guarantee shall not exceed RMB50 million, the guarantee period shall be three years (from the date of occurrence of its bank financing), and the legal representative of the company shall be authorized to sign the relevant documents. At the same time, other shareholders of the microfinance company provide counter-guarantees to the guarantees provided by Lianhua Technology to the microfinance companies in proportion to the proportion of their shares in the microfinance companies.

As of December 31, 2021, the balance of the Company's actual guarantee for the microfinance company was RMB15 million.

**(3) External guarantee:**

Guaranteed unit	Currency	Guarantee amount	Financial impact on the Company
Taizhou Huangyan Yuanqi Full of E-commerce Co., Ltd	Renminbi	2,330,000.00	No significant impact
total		2,330,000.00	

The second meeting of the seventh board of directors of the company and the fourth extraordinary general meeting of shareholders in 2019 deliberated and passed the "Proposal on Providing Phased Guarantees for Mortgage Loan Customers of Lianhua Small and Micro Entrepreneurship Park Project": The small and micro entrepreneurship park located in the west plot of Dazha Road, Jiangkou Street, Huangyan District has reached the predetermined state of use, and according to the bank loan policy, the company intends to provide a phased joint and several liability guarantee for mortgage loan customers who purchase the industrial plant of the Lianhua Small and Micro Entrepreneurship Park project. The term of the guarantee is expected to be no more than RMB600 million from the date of signing the contract between the lending bank and the purchasing customer until the registration of the mortgage is completed for the industrial plant purchased by the purchasing customer.

As of December 31, 2021, the amount actually guaranteed by the Company for mortgage loan customers was RMB2.33 million.

### 十三、Events after the balance sheet date

#### (一) Important non-adjustment matters

1. On January 19, 2022, the company established Taizhou Lianhua Equity Investment Co.,

Ltd., with a registered capital of 50 million yuan, and its registered address is the 17th floor of the General Chamber of Commerce Building, No. 118 Laodong North Road, Dongcheng Street, Huangyan District, Taizhou City, Zhejiang Province, and the legal representative Wang Ping belongs to the industry for capital market services.

2. On January 26, 2022, the company established Lianhua Angjian Pharmaceutical (Taizhou) Co., Ltd., with a registered capital of 50 million yuan, and its registered address is No. 8 Yongjiao Road, Jiangkou Street, Huangyan District, Taizhou City, Zhejiang Province, and its legal representative, Chen Weisheng, belongs to the pharmaceutical manufacturing industry.

**(二) Profit distribution**

After the deliberation and approval of the 22nd meeting of the 7th Board of Directors held by the Company on April 20, 2022, the profit distribution plan is: based on the total share capital of the company on the equity record date at the time of the implementation of the distribution plan in the future, a cash dividend of 0.5 yuan (including tax) will be distributed to all shareholders for every 10 shares.

The above-mentioned profit distribution plan has yet to be approved by the Company's 2021 Annual General Meeting of Shareholders.

**(三) Sales Returns: None**

**(四) Divided into holdings for sale and disposal groups: None**

**(五) Other balance sheet date notes: None**

**十四、Other important matters**

**(一) Correction of prior-period accounting errors**

**1、 Retrospective restatement**

No corrections to prior period accounting errors using retrospective restatement occurred during the reporting period.

**2、 Future Applicable Law**

No corrections to prior period accounting errors using the futuristic applicable method occurred during the reporting period.

**(二) Debt restructuring**

The Company did not undergo any debt restructuring during the period.

**(三) Asset replacement**

**1、 Non-monetary asset exchange**

The Company did not exchange non-monetary assets in the current period.

**2、 Replacement of other assets**

No other asset replacement occurred in the Company during the period.

**(四) Annuity plan**

Annuity plans that do not need to be disclosed during the reporting period.

**(五) Termination of business**

Discontinuation of operations that did not require disclosure during the reporting period.

**(六) Segment information**

**1、 Basis for the determination of the reporting segment and accounting policies**

According to the company's internal organizational structure, management requirements and internal reporting system, four reporting divisions were identified, namely: Fine Chemicals and Intermediates Division, Machinery Manufacturing Division, Trade Division and other divisions. Each of our reports offers different products or services in different parts. As each segment requires different technical or marketing strategies, the Company's management manages the business activities of each reporting segment separately and regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance.

up to 2021 年 12 月 31 日 In Japan, the fine chemical and intermediate divisions include the headquarters of Lianhua Technology Co., Ltd., Jiangsu Lianhua Technology Co., Ltd., and Lianhua Technology(Yancheng)Limited Company, Lianhua Technology(Taizhou)Limited Company, Lianhua Technology(Texas)Co., Ltd., Liaoning Tianyu Chemical Co., Ltd., Hubei Juntai Pharmaceutical Chemical Co.,

Ltd.,Lianhetech Holdco Limited, Lianhua Technology (Linhai) Co., Ltd., Lianhua Technology New Materials (Taizhou) Co., Ltd., machinery manufacturing divisions include Shanghai Baofeng Machinery Manufacturing Co., Ltd., Taizhou Huangyan Lianhua Pharmaceutical Co., Ltd., Yancheng Lianke Environmental Protection Technology Co., Ltd, Yancheng Baofeng New Energy Equipment Co., LtdThe trade segment includes Taizhou Lianhua Import & Export Co., Ltd.; other branches include Lianhua Technology(Shanghai)Co., Ltd., Lianhua Angjian Pharmaceutical Technology (Shanghai) Co., Ltd.,Lianhetech Singapore Pte Ltd.

The interstational transfer price is determined on the basis of the actual transaction price.

**2、Reports financial information for a division**

project	Fine Chemicals and Intermediates Division	Mechanical Engineering Division	Trade Segment	Other divisions	Offset between divisions	total
Operating income	6,304,379,523.33	298,467,319.99		34,441,832.20	50,507,990.21	6,586,780,685.31
Operating costs	4,596,846,598.11	236,700,747.16		325,175.85	19,553,708.84	4,814,318,812.28
Taxes and Surcharges	61,084,739.72	1,960,286.56		199,558.64		63,244,584.92
Period fees	1,143,185,598.84	39,858,701.03	4,488.74	49,315,123.23	28,145,691.58	1,204,218,220.26
Credit impairment loss (loss is listed with a "-" sign)	-37,484,101.78	-11,925,497.77	-1,682,202.69	-211,372.00	-2,566,110.91	-48,737,063.33
Impairment losses on assets (losses are listed with a "-" sign)	-80,050,915.08	552,252.93				-79,498,662.15
Return on investment	37,113,807.70					37,113,807.70
Operating profit	456,647,779.50	10,777,634.37	-1,411,846.16	-16,215,678.83	242,478.88	449,555,410.00

(七) Other important matters that have an impact on investors' decision-making: None

十五、Notes on the main items in the parent company's financial statements

(一) Accounts receivable

1、Accounts receivable are disclosed on an age-by-age basis

Aging		Closing balances	Balance at the end of the previous year
Within 1 year		400,386,568.23	323,060,455.41
1 to 2 years			
2 to 3 years			387,500.00
More than 3 years		387,500.00	
subtotal		400,774,068.23	323,447,955.41
Minus: Provision for bad debts		20,111,655.34	16,346,772.77
total		380,662,412.89	307,101,182.64

2、Accounts receivable are disclosed according to the bad debt provision method

category	Closing balances				Balance at the end of the previous year			
	Book balances	Provision for bad debts	Percentage of provision	book value	Book balances	Provision for bad debts	Percentage of provision	book value
	amount	Proportion (%)	amount	(%)	amount	Proportion (%)	amount	(%)
Provision for bad debts is made on a case-by-case basis								

category	Closing balances					Balance at the end of the previous year				
	Book balances		Provision for bad debts			Book balances		Provision for bad debts		book value
	amount	Proportion (%)	amount	Percentage of provision (%)	book value	amount	Proportion (%)	amount	Percentage of provision (%)	
Provision for bad debts on a portfolio basis	400,774,068.23	100.00	20,111,655.34	5.02	380,662,412.89	323,447,955.41	100.00	16,346,772.77	5.05	307,101,182.64
total	400,774,068.23	100.00	20,111,655.34		380,662,412.89	323,447,955.41	100.00	16,346,772.77		307,101,182.64

Provision for bad debts on a case-by-case basis: None

Provision for bad debts by portfolio:

Portfolio Accrual Items:

name	Closing balances		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Aging combinations	393,394,741.49	20,037,862.07	5.09
Combine combinations of related parties within scope	7,379,326.74	73,793.27	1.00
total	400,774,068.23	20,111,655.34	

Where: aging combinations

name	Closing balances		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within 1 year	393,007,241.49	19,650,362.07	5.00
1 to 2 years			
2 to 3 years			
More than 3 years	387,500.00	387,500.00	100.00
total	393,394,741.49	20,037,862.07	

Where: Combination of related parties within the scope of the merger

name	Closing balances		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
FINE ORGANICS LIMITED	7,379,326.74	73,793.27	1.00
total	7,379,326.74	73,793.27	

### 3、 Provision for bad debts accrued, reversed or recovered during the period

category	Balance at the end of the previous year	The amount of change in the current period			Closing balances
		Accrual	Retract or turn back	Resale or write-off	
Combination of credit risk characteristics	16,346,772.77	3,764,882.57			20,111,655.34
total	16,346,772.77	3,764,882.57			20,111,655.34

**4、Accounts receivable actually written off in the current period: None**

**5、Accounts receivable of the top five closing balances by debtor**

The name of the unit	Closing balances		
	Accounts receivable	Percentage of total accounts receivable (%)	Provision for bad debts
1st place	123,678,485.01	30.86	6,183,924.25
Second place	43,135,862.18	10.76	2,156,793.11
Third place	36,303,521.97	9.06	1,815,176.10
Fourth place	32,549,265.46	8.12	1,627,463.27
Fifth place	31,500,000.00	7.86	1,575,000.00
total	267,167,134.62	66.66	13,358,356.73

**6、Accounts receivable de-recognized as a result of transfers of financial assets: None**

**7、Amount of assets and liabilities that are transferred and continue to be involved in the receivables: None**

**(二) Receivables financing**

**1、Financing of receivables**

project	Closing balances	Balance at the end of the previous year
Bills receivable	380,531,366.37	326,511,282.74
Accounts receivable		

project	Closing balances	Balance at the end of the previous year
total	380,531,366.37	326,511,282.74

**2、 Notes receivable pledged by the Company at the end of the period:**

The Company and its subsidiary Lianhua Technology (Taizhou) Co., Ltd. signed the "Bill Pool Business Cooperation Agreement" with the Huangyan Branch of Industrial Bank Co., Ltd.; the Company and its subsidiary Lianhua Technology (Dezhou) Co., Ltd. signed the "Bill Pool Pledge Financing Business Cooperation Agreement" with the Taizhou Branch of China CITIC Bank Co., Ltd.; the Company pledged and endorsed the bank acceptance bills separately and delivered them to the account bank, constituting a pool of pledged bills; and opened a bill pool margin account for depositing the pledge bank acceptance bills of exchange payment. The company's pledge available quota is the sum of the bill pledge amount and the immediate balance of the margin account minus the pledge amount of the used bill, and the agreement stipulates that the sum of the group's pledge bill amount and the balance of the margin account shall not be lower than the pledge amount used to issue the bills. As of December 31, 2021, the amount of banker's acceptance drafts pledged by the Company was \$380,531,366.37.

**3、 Receivables financing impairment provision: None**

**4、 Notes receivable that the company has endorsed or discounted at the end of the period and is not due at the balance sheet date:**

project	Period-end derecognition amount	The amount not derecognized at the end of the period
Banker's acceptance draft	135,446,285.74	
Commercial acceptance drafts		
total	135,446,285.74	

**5、 Notes at the end of the period that the company converted to accounts receivable due to the issuer's non-performance: None**

**(三) Other receivables**

project	Closing balances	Balance at the end of the previous year
Interest receivable		
Dividends receivable		
Other receivables	3,443,038,068.08	2,289,549,307.41
total	3,443,038,068.08	2,289,549,307.41

**1、 Interest Receivable: None****2、 Dividends Receivable: None****3、 Other receivables****(1) Disclosure according to aging**

Aging	Closing balances	Balance at the end of the previous year
Within 1 year	3,477,092,439.58	2,289,267,559.81
1 to 2 years	243,333.33	483,333.33
2 to 3 years	243,333.33	613,666.67
More than 3 years	460,666.67	345,384.00
subtotal	3,478,039,772.91	2,290,709,943.81
Minus: Provision for bad debts	35,001,704.83	1,160,636.40
total	3,443,038,068.08	2,289,549,307.41

## (2) Classified disclosure according to the bad debt provision method

category	Closing balances				Balance at the end of the previous year			
	Book balances		Provision for bad debts		Book balances		Provision for bad debts	
	amount	Proportion (%)	amount	Percentage of provision (%)	amount	Proportion (%)	amount	Percentage of provision (%)
Provision for bad debts is made on a case-by-case basis								
Provision for bad debts on portfolio basis	3,478,039,772.91	100.00	35,001,704.83	1.01	3,443,038,068.08	2,290,709,943.81	100.00	1,160,636.40
								0.05
								2,289,549,307.41

category	Closing balances				Balance at the end of the previous year					
	Book balances		Provision for bad debts		Book balances		Provision for bad debts			
	amount	Proportion (%)	amount	Percentage of provision (%)	book value	amount	Proportion (%)	amount	Percentage of provision (%)	book value
total	3,478,039,772.91	100.00	35,001,704.83		3,443,038,068.08	2,290,709,943.81	100.00	1,160,636.40		2,289,549,307.41

Provision for bad debts on a case-by-case basis: None

Provision for bad debts by portfolio:

Portfolio Accrual Items:

name	Closing balances		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Combine combinations of related parties within scope	3,472,507,095.29	34,725,070.95	1.00
A combination of deposit deposits for employee borrowings and others	5,532,677.62	276,633.88	5.00
total	3,478,039,772.91	35,001,704.83	

Where: Combination of related parties within the scope of the merger

name	Closing balances		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Jiangsu Lianhua Technology Co., Ltd	716,346,075.70	7,163,460.76	1.00
Lianhua Technology (Texas) Co., Ltd	1,082,023,682.74	10,820,236.82	1.00
Liaoning Tianyu Chemical Co., Ltd	62,528,549.55	625,285.50	1.00
Hubei Juntai Pharmaceutical Chemical Co., Ltd	70,104,268.79	701,042.69	1.00
Lianhua Technology (Linhai) Co., Ltd	289,864,879.34	2,898,648.79	1.00
Lianhua Technology New Material (Taizhou) Co., Ltd	36,229,022.32	362,290.22	1.00
Lianhua Technology (Shanghai) Co., Ltd	41,113,448.77	411,134.49	1.00
LIANHETECH HOLDCO LIMITED	1,174,297,168.08	11,742,971.68	1.00
total	3,472,507,095.29	34,725,070.95	

(3) Provision for bad debts

	Phase I	Phase II	Phase III	
Provision for bad debts	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (no credit impairment)	Expected credit losses over the entire lifetime (credit impairment incurred)	total
Balance at the end of the previous year	1,160,636.40			1,160,636.40
The balance at the end of the previous year is in the current period				
--Move on to the second stage				
--Move on to the third stage				
--Go back to the second stage				
--Go back to the first stage				
Accrual for the current period	33,841,068.43			33,841,068.43
This issue turns back				
Resale for this period				
Write-off for the current period				
Other changes				
Closing balances	35,001,704.83			35,001,704.83

(4) Provision for bad debts accrued, transferred or recovered in the current period

category	At the end of the previous year balance	The amount of change in the current period			Closing balances
		Accrual	Retract or turn back	Resale or write-off	
Combination of credit risk characteristics	1,160,636.40	33,841,068.43			35,001,704.83
total	1,160,636.40	33,841,068.43			35,001,704.83

(5) Other receivables actually written off in the current period: None

(6) Classification according to the nature of the payment

The nature of the payment	Closing book balances	Book balance at the end of the previous year
Reserve fund	1,134,622.26	1,960,146.66
Buy a house and borrow money	3,809,999.98	
Deposit, Security Deposit	588,055.38	826,000.00
Current payments	3,472,507,095.29	2,287,923,797.15
total	3,478,039,772.91	2,290,709,943.81

(7) Other receivables in the top five of the closing balances collected by debtor

The name of the unit	The nature of the payment	Closing balances	Aging	Percentage of total closing balances of other receivables (%)	Provision for bad debts Closing balances
LIANHETECH HOLDCO LIMITED	Related Party Transactions	1,174,297,168.08	Within a year	33.76	11,742,971.68

The name of the unit	The nature of the payment	Closing balances	Aging	Percentage of total closing balances of other receivables (%)	Provision for bad debts Closing balances
Lianhua Technology (Texas) Co., Ltd	Related Party Transactions	1,082,023,682.74	Within a year	31.11	10,820,236.83
Jiangsu Lianhua Technology Co., Ltd	Related Party Transactions	716,346,075.70	Within a year	20.60	7,163,460.76
Lianhua Technology (Linhai) Co., Ltd	Related Party Transactions	289,864,879.34	Within a year	8.33	2,898,648.79
Hubei Juntai Pharmaceutical Chemical Co., Ltd	Related Party Transactions	70,104,268.79	Within a year	2.02	701,042.69
total		3,332,636,074.65		95.82	33,326,360.75

(8) Other receivables involving government subsidies: None

(9) Other receivables that have been derecognited as a result of the transfer of financial assets: None

(10) Amount of assets and liabilities formed by transferring other receivables and continuing to be involved: None

## (四)

## Long-term equity investment

project	Closing balances			Balance at the end of the previous year		
	Book balances	Impairment provision	book value	Book balances	Impairment provision	book value
Investment in subsidiaries	3,789,910,485.82	633,696,448.71	3,156,214,037.11	3,533,110,485.82	609,755,404.94	2,923,355,080.88
Investment in associates and joint ventures	70,862,471.29		70,862,471.29	80,350,638.63		80,350,638.63
total	3,860,772,957.11	633,696,448.71	3,227,076,508.40	3,613,461,124.45	609,755,404.94	3,003,705,719.51

## 1、Investment in subsidiaries

Invested units	Balance at the end of the previous year	Increased in this issue	Decreased in this period	Closing balances	Provision for impairment for the current period	Impairment provision closing balance
Taizhou Lianhua Import & Export Co., Ltd	20,000,000.00			20,000,000.00		
Lianhua Technology (Taizhou) Co., Ltd	811,220,000.00	10,800,000.00		822,020,000.00		
Shanghai Baofeng Machinery Manufacturing Co., Ltd	64,131,920.81	46,000,000.00		110,131,920.81		
Lianhua Technology (Shanghai) Co., Ltd	31,290,000.00	200,000,000.00		231,290,000.00		
Jiangsu Lianhua Technology Co., Ltd	620,061,581.92	560,062,000.00		1,180,123,581.92		
Lianhua Technology (Yancheng) Co., Ltd	560,062,000.00	-560,062,000.00				

Invested units	Balance at the end of the previous year	Increased in this issue	Decreased in this period	Closing balances	Provision for impairment for the current period	Impairment provision closing balance
Lianhua Technology (Texas) Co., Ltd	289,050,000.00			289,050,000.00		23,976,209.74
Liaoning Tianyu Chemical Co., Ltd	128,880,000.00			128,880,000.00		
Hubei Juntai Pharmaceutical Chemical Co., Ltd	80,800,000.00			80,800,000.00		
LIANHETECH SINGAPORE PTE. LTD	7,642,080.00			7,642,080.00		
Lianhetech Holdco Limited	919,972,903.09			919,972,903.09	23,941,043.77	609,720,238.97
total	3,533,110,485.82	256,800,000.00		3,789,910,485.82	23,941,043.77	633,696,448.71

## 2、Investment in associates and joint ventures

Invested units	Balance at the end of the previous year	Increases and decreases for the period							Closing balances	Impairment provision closing balance
		Additional investments	Reduce investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustments	Other changes in equity	Declare the payment of cash dividends or profits	Provision for impairment		
Associates										
Tianzhou Huangyan										
Lianhe Microfinance Co., Ltd	62,342,172.88			1,354,836.68			-12,000,000.00		52,197,009.56	
Zhejiang Zhongke Chuangye	17,408,465.75			1,156,995.98					18,665,461.73	
Pharmaceutical Co., Ltd										
subtotal	80,350,638.63			2,511,832.66			-12,000,000.00		70,862,471.29	
total	80,350,638.63			2,511,832.66			-12,000,000.00		70,862,471.29	

## (五) Operating income and operating costs

**Operating income and operating costs**

project	The amount for the current period		The amount of the previous period	
	revenue	cost	revenue	cost
Main business	2,242,112,364.87	1,775,366,493.16	1,974,374,661.20	1,449,709,156.31
Other businesses	162,585,597.64	150,382,562.81	122,922,756.51	127,361,709.13
total	2,404,697,962.51	1,925,749,055.97	2,097,297,417.71	1,577,070,865.44

## (六) Return on investment

project	The amount for the current period	The amount of the previous period
Income from long-term equity investments accounted for by the cost method	80,000,000.00	526,000,000.00
Income from long-term equity investments accounted for by the equity method	2,511,832.66	10,350,565.95
Investment income from the disposal of long-term equity investments		-776,966.87
Investment income from the disposal of financial assets measured at fair value and the change thereof is included in the profit or loss of the current period	34,601,975.04	18,470,047.37
Dividend income earned during the holding period of investment in other equity instruments		150,000.00
total	117,113,807.70	554,193,646.45

## 十六、Additional information

## (一) A breakdown of non-recurring profit and loss for the current period

project	amount	illustrate
Gain or loss on disposal of non-current assets	-2,454,311.28	
Tax refunds and reductions that exceed the authority or do not have formal approval documents		
Government subsidies included in the profit and loss of the current period (closely related to the business of the enterprise, except for	34,518,877.96	

project	amount	illustrate
government subsidies that are fixed or quantitatively enjoyed according to the unified national standards)		
Capital occupation fees charged to non-financial enterprises that are included in the profit or loss of the current period		
The investment cost of an enterprise acquiring subsidiaries, associated enterprises and joint ventures is less than the income generated by the fair value of the investee unit's identifiable net assets when it obtains the investment		
Non-monetary asset exchange gains and losses		
Entrusting others to invest in or manage the profit or loss of an asset		
Provision for impairment of assets due to force majeure factors, such as natural disasters		
Gain or loss on debt restructuring		
Enterprise restructuring costs, such as the expenditure of resettlement of employees, integration costs, etc		
Gains or losses in excess of the fair value of transactions at a transaction price that is manifestly unfair		
Net profit or loss for the period from the beginning of the period to the date of the merger of subsidiaries resulting from a merger under the same control		
Profit or loss arising from contingencies unrelated to the normal conduct of the company's business		
In addition to the effective hedging business related to the normal operation of the company, the fair value change gain or loss arising from the holding of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities, and derivative financial liabilities, as well as investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments	40,136,306.63	
Receivables and contractual asset impairment provisions that are separately subject to impairment testing are reversed		
Profit or loss from external entrusted loans		

project	amount	illustrate
Profit or loss from changes in the fair value of investment real estate measured subsequently using the fair value model		
According to the requirements of taxation, accounting and other laws and regulations, the impact of a one-time adjustment on the profit and loss of the current period on the profit and loss of the current period		
Custody fee income derived from fiduciary operations		
Other non-operating income and expenses other than those set out above	- 34,635,486.42	
Other P&L items that meet the definition of non-recurring profit or loss		
subtotal	37,565,386.89	
Income tax impact amount	- 10,047,944.61	
Minority Shareholders' Equity Impact (After Tax)	-256,161.31	
total	27,261,280.97	

(二) **Return on net assets and earnings per share**

Profit for the reporting period	Weighted average return on equity (%)	Earnings per share (RMB)	
		Basic earnings per share	Dilute earnings per share
Net profit attributable to the Company's common shareholders	5.08	0.34	0.34
Net profit attributable to common shareholders of the Company after deduction of non-recurring gains and losses	4.65	0.31	0.31

(三) **Differences in accounting data under domestic and foreign accounting standards:**

None

**Lianhua Technology Co., Ltd**  
**Legal representative: Wang Ping**  
**April 22, 2022**