

# **Centre Testing International Group Co., Ltd.**

## **Annual Report 2021**

**2022-019**

**April 2022**

## **Section I Important Particulars, Table of Contents, and Definition**

**The Board of Directors, Board of Supervisors, directors, supervisors and senior executives of the Company guarantee that the Annual Report is truthful, accurate and complete, without any false record, misleading statement or significant omission, and assume joint and several legal liabilities therefrom.**

**Wan Feng, principal of the Company, Wang Hao, person in charge of accounting, and Li Yanhong, person in charge of accounting organization (accounting supervisor), hereby declare to assure the truthfulness, accuracy and integrity of the Financial Reports in the Annual Report.**

**All directors attended the Board Meeting at which this Report was reviewed.**

**In this Report, the forward-looking descriptions concerning future plans, development strategies, etc. do not constitute any substantial commitment of the Company to investors. Investors and related parties shall maintain adequate risk awareness, and understand the differences among plan, forecast and commitment.**

### **1. Risk of credibility and brand being affected by adverse events**

**Credibility and brand are the motive force for the sustainable development of the Company as a testing and certification body, as well as the foundation of its business survival. It is only possible for the Company to gradually expand its**

**market share and gain a favorable position in market competition when customers recognize its technology and impartiality. Once credibility and brand are impaired by quality problems, the Company will lose customers, along with impact on business development and profitability. Under severe circumstances, the Company might be disqualified for certification & testing, impeding its continued operations.**

**The Company attaches great importance to the maintenance of credibility and brand, actively advocates integrity-based values, and has established a sound internal quality management system to ensure the truthfulness and accuracy of test reports and continuously improve the quality of test services. The Company has established the *Measures for Group Quality Supervision and Management*, the *Measures for Laboratory Quality Supervision and Management*, and the *Measures for Quality Professionals Management* according to ISO/IEC 17025, ISO/IEC 17020, the *Criteria for Accreditation of Laboratory Qualification* and other requirements with a view to regulate the quality supervision of the Group, to ensure that the testing/calibration activities carried out by laboratories comply with laws and regulations, the standards and rules of China National Accreditation Service for Conformity Assessment (CNAS) and China Metrology Accreditation (CMA) and to reduce quality risks. The QHSE Department of the Group is responsible for quality management and control as a whole, and the Group has vertical control over quality, health, safety and environment. The business divisions, subsidiaries and operation outlets**

**additionally establish relevant regulations and strengthen quality control, depending on their business characteristics. Ensuring the continuous improvement in quality professionals' capabilities is an important approach for quality management and control. In 2021, the Company organized, under an online + offline combined training model, 6 online and 11 offline training sessions, delivering courses including the New Recruits – Quality, the publicity of *Measures for Laboratory Quality Supervision and Management*, the CTI Quality Technology Training Course, and the training on internal auditors for laboratory accreditation/qualification to improve employees' expertise.**

**"Integrity" is at the top of the Company's values, and "independence," "fairness" and "honesty" are the essential requirements for business. The Company has established the *Procedures for Guaranteeing Independence, Fairness and Honesty* and the *Administrative Procedures for the Fairness of Certification Activities* to ensure the independence and impartiality of all the Company's inspection and testing efforts, and insist on independent, objective, and truthful reporting of testing and calibration free from external influence. The Company has established an Impartiality Maintenance Committee to regulate and supervise the fairness of certification services. The Impartiality Maintenance Committee supervises and reviews certification work in accordance with the *Operational Procedures of the Impartiality Maintenance Committee*. Through regular training, we keep certification professionals abreast of certification regulations and educate them on professional ethics and code of**

**conduct. The *Employee Handbook* has also specified the disciplinary rules for soliciting or accepting bribes, kickbacks or illegal benefits.**

**The Company has established the *Clean Governance Handbook*, and added and strengthened provisions on anti-corruption and anti-commercial bribery in the *Code of Business Conduct* in line with the *United Nations Convention against Corruption* and other international treaties and practices, Transparency International's technical guides for clean governance, national laws and regulations and customers' clean governance requirements. By operating and developing under high-standard morality, the Company aims to defend the brand philosophy and credibility value treasured by the Company from beginning to end by means of regulation and technology.**

## **2. Market and policy risks**

**The testing industry is guided by policies. With the development of the testing industry worldwide, the testing mechanisms in different countries are increasingly consistent, i.e., the government or industry association manages testing bodies through market access rules such as assessment and approval, to marketize testing and conformity assessment services, improve service quality and promote the industrial development. Independent testing bodies are engaged in market-oriented operations based on the services they provide and as required by clients. Service charges are determined by both sides through negotiation. The testing industry in China has long been influenced by the planned economic system, and is urged by the international community to speed**

**up the opening of the service market after accession to the WTO. Therefore, the domestic testing industry is in urgent need of industry standards that are aligned with international rules to regulate and restrict industrial behaviors. Although open market-oriented development has been acknowledged by national policies, there may still be some policies and regulations that are not conducive to the market-oriented development of the industry. Uncertainties still exist concerning the degree of openness granted by the government to testing, posing a certain degree of risk to the Company.**

**In view of such risk, the Company has set up a special department to be responsible for keeping close track of the policies of competent administrations, regularly reporting to the management, and proactively dealing with potential policy risks.**

### **3. Decision-making risk in M&A and integration risk after M&A**

**The testing and certification industry is segmented, stretching over multiple sectors. Each segment is relatively independent, which makes fast replication difficult. It is a common practice for international testing and certification giants to quickly establish presence in new fields through M&A, which is also one of the long-term development strategies of the Company. There are substantial risks in both the selection of M&A targets and the integration after M&A.**

**Adhering to the principle of prudence, the Company will make a sufficient demonstration through detailed due diligence in the early stage of M&A,**

**strategically select appropriate industries and desirable targets at home and abroad, and make an adequate analysis of return on investment (ROI). To enhance post-investment management, the Company continuously follows up on whether or not the investment is in line with the plan and expectation by introducing professional talent with integration capabilities for collaborative management and operation.**

**In view of the decision-making risk concerning M&A, during the reporting period, the Company further improved the investment decision-making procedures to adapt to its strategic development. In the *Articles of Association*, the *Work Rules of the Strategy and M&A Committee of the Board of Directors*, and other regulations, material investment matters are managed by the Operation and Management Committee of the Group, which shall prove the feasibility of projects; according to the decision-making authority, material investment matters are submitted to the Strategy and M&A Committee of the Board of Directors, the Board of Directors and the General Shareholders' Meeting for deliberation. This improves the scientificity and quality of major investment decisions of the Company.**

#### **4. Risk associated to an investment falling short of expectation**

**The testing industry has a first mover advantage. In order to establish presence across the national testing market at a faster pace, in recent years the Company has built a number of international or domestic leading laboratories or testing bases. As continuous technological innovation is seen in industries**

**such as new energy, new materials, high-end equipment, artificial intelligence, and life health, it also brings more opportunities and challenges to the testing sector. The Company has hence increased investment in healthcare, new materials testing, semiconductor chips, rail transit, new energy vehicles and Internet of Vehicles and other fields, seeing them as major growth pillars in the medium and long term. A laboratory can be put into formal operation only after construction, decoration, personnel recruitment, equipment purchase and qualification review. And it also takes a certain period to achieve the profit and loss balance. The profits of the Company might be impacted by the failure of new laboratories to meet expectations. In the future, the Company will focus on new laboratories, promote their operational efficiency and gradually release their production capacity, so that they can scale up and contribute to a steady growth of revenue and profit.**

**The Company controls the total amount of investment through budget management, makes a detailed analysis of return on investment (ROI), evaluates the reasonableness and necessity of each investment, and properly controls the pace of investment.**

**The profit distribution plan of the Company approved by the current Board of Directors is: to distribute RMB 0.60 (including tax) in cash dividends and 0 bonus share (including tax) to all shareholders for every 10 shares based on 1,673,088,214 shares which constitute total capital stock as at December 31, 2021, and increase by transferring 0 shares to all shareholders with the capital reserve**

**for every 10 shares.**

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## **List of Documents for Reference**

- (I) Financial statements signed and sealed by Wan Feng, the legal representative, Wang Hao, the person in charge of accounting, and Li Yanhong, the person in charge of accounting organization.
- (II) Originals of audit reports sealed by accounting firms and signed and sealed by certified accountants.
- (III) The Annual Report 2021 signed by Mr. Wan Feng, the legal representative.
- (IV) Originals of all documents and announcements of the Company publicly disclosed on websites designated by China Securities Regulatory Commission during the reporting period.
- (V) Other relevant information.

## Definition

Term	refers to	Definition
Company, the Company or CTI	refers to	Centre Testing International Group Co., Ltd.
Shareholder or General Shareholders' Meeting	refers to	Shareholder or General Shareholders' Meeting of Centre Testing International Group Co., Ltd.
Director or Board of Directors	refers to	Director or Board of Directors of Centre Testing International Group Co., Ltd.
Supervisor or Board of Supervisors	refers to	Supervisor or Board of Supervisors of Centre Testing International Group Co., Ltd.
Articles of Association	refers to	Articles of Association of Centre Testing International Group Co., Ltd.
Third-party testing body	refers to	An impartial non-governmental testing body independent of the interests and legal capacity of any party to any trade, transaction, deal, cooperation and dispute. The third-party testing body tests independently and fairly in accordance with applicable standards, contracts or agreements in various industries. The testing process and results are not subject to the impact of clients and other external parties.
CSRC	refers to	China Securities Regulatory Commission
SZSE	refers to	Shenzhen Stock Exchange
Reporting period or the same period in the previous year	refers to	January 1, 2021 to December 31, 2021/January 1, 2020 to December 31, 2020
RMB /ten thousand /hundred million yuan	refers to	An amount denominated in RMB

## Section II Company Profile and Key Financial Indicators

### I. Company profile

Stock abbreviation	CTI	Stock code	300012
Company name in Chinese	华测检测认证集团股份有限公司		
Abbreviated Company name in Chinese	华测检测		
Company name in foreign language (if any)	Centre Testing International Group Co. Ltd.		
Abbreviated Company name in foreign language (if any)	CTI		
Legal representative	Wan Feng		
Registered address	Room 101, No.1 CTI Building, Xingdong Community, Xin'an Sub-district, Bao'an District, Shenzhen		
Postal code of registered address	518101		
Historical changes to registered address	On August 8, 2018, the registered address was changed from 1/F, Building C, Hongwei Industrial Park, No. 6 Liuxian 3rd Road, 70 District, Bao'an District, Shenzhen to Room 101, No.1 CTI Building, Xin'an Sub-district, Baoan District, Shenzhen.		
Office address	CTI Building, No. 4 Liuxian 3rd Road, Xin'an Sub-district, Bao'an District, Shenzhen		
Postal code of office address	518101		
Website	www.cti-cert.com		
Email	security@cti-cert.com		

### II. Contacts

	Secretary of the Board of Directors	Representative of Securities Business
Name	Chen Yan	Ou Jin
Address	CTI Building, No. 4 Liuxian 3rd Road, Xin'an Sub-district, Bao'an District, Shenzhen	CTI Building, No. 4 Liuxian 3rd Road, Xin'an Sub-district, Bao'an District, Shenzhen
Tel.	0755-33682137	0755-33682137
Fax	0755-33682137	0755-33682137
Email	security@cti-cert.com	security@cti-cert.com

### III. Information disclosure and place for storage

Stock exchange website where Annual Report is disclosed	www.cninfo.com.cn
Media and website where Annual Report is disclosed	<i>Securities Times</i> and <i>Shanghai Securities News</i>
Place for storage of Annual Report for future reference	Office of the Board of Directors of Centre Testing International Group Co., Ltd.

### IV. Other related information

Accounting firm employed by the Company

Name of accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Office address	12/F, Building 7, Zone 16, Xisihuan Middle Road, Haidian District, Beijing, PRC
Name of undersigned CPA	Zhou Junxiang and Lv Hongtao

Sponsor institution employed by the Company to perform continuous supervision duties in the reporting period

Applicable  Not Applicable

Name of sponsor institution	Office address	Name of sponsor representative	Period of continuous supervision
Changjiang Financing Services Co., Limited	21/F, Chamtime International Financial Centre, No. 1589 Century Avenue, Pudong New Area, Shanghai	Dai Lulu and Wu Lihua	Unused raised capital is subject to continuous supervision.

Financial consultant employed by the Company to perform continuous supervision duties in the reporting period

Applicable  Not Applicable

### V. Key accounting data and financial indicators

The Company needs to make retroactive adjustment to or restate the accounting data of the previous year.

Yes  No

	2021	2020	Variance from the previous year	2019
Operating income (RMB)	4,329,088,628.50	3,567,712,761.65	21.34%	3,183,255,712.67
Net profits attributable to shareholders of the listed company (RMB)	746,186,939.78	577,610,518.76	29.19%	476,396,504.93
Net profits attributable to shareholders of the listed company net of non-recurring gains/losses (RMB)	646,570,497.44	479,303,570.25	34.90%	357,236,148.44

Net cash flow from operating activities (RMB)	1,072,612,742.17	930,952,966.89	15.22%	795,163,412.01
Basic earnings per share (RMB/share)	0.4465	0.3472	28.60%	0.2874
Diluted earnings per share (RMB/share)	0.4446	0.3449	28.91%	0.2865
Weighted ROAE	18.17%	16.75%	Up by 1.42 pct	16.29%
Earnings before interest, tax, depreciation and amortization (EBITDA)	1,282,979,944.86	979,532,151.74	30.98%	851,789,571.95
	End of 2021	End of 2020	Variance from the end of previous year	End of 2019
Total assets (RMB)	6,476,155,123.79	5,454,676,439.17	18.73%	4,434,268,399.92
Net assets attributable to shareholders of the listed company (RMB)	4,457,308,872.00	3,744,282,087.03	19.04%	3,147,139,004.85

The lower of net profits net of non-recurring gains/losses of the Company of the last three fiscal years is negative, and there is uncertainty in the ability of going concern of the Company disclosed in the Audit Report of the latest year.

Yes  No

The lower of net profits before and after net of non-recurring gains/losses is negative.

Yes  No

The Company's capital stock from the end of the reporting period to the disclosing date of the Annual Report is changed and the amount of ownership interests is affected due to issuance of new shares or additional issuance, allotment of shares, exercise of equity incentive, buyback, or other reasons.

Yes  No

Preferred stock dividends payable	0.00
Interest in perpetual debt payable (RMB)	0.00
Fully diluted earnings per share calculated with the latest capital stock (RMB/share)	0.4441

## VI. Key financial indicators by quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating income	761,736,975.81	1,046,779,822.11	1,201,867,935.16	1,318,703,895.42
Net profits attributable to shareholders of the listed company	100,038,434.60	201,196,126.76	252,366,083.03	192,586,295.39
Net profits attributable to	69,812,844.89	175,654,942.13	235,952,798.06	165,149,912.36

shareholders of the listed company net of non-recurring gains/losses				
Net cash flow from operating activities	-22,003,216.98	203,846,984.71	263,024,827.72	627,744,146.72

The financial indicators or the aggregate amount above is of significant difference from relevant financial indicators disclosed in the quarterly reports and semi-annual reports by the Company.

Yes  No

## VII. Differences in accounting data under domestic and overseas accounting standards

### 1. Differences in net profits and net assets in the Financial Reports respectively disclosed in accordance with international accounting standards and Chinese accounting standards

Applicable  Not Applicable

There was no difference in net profits and net assets in the Financial Reports respectively disclosed in accordance with the international accounting standards and Chinese accounting standards during the reporting period of the Company.

### 2. Differences in net profits and net assets in the Financial Reports disclosed in accordance with international accounting standards and Chinese accounting standards

Applicable  Not Applicable

There was no difference in net profits and net assets in the Financial Reports respectively disclosed in accordance with foreign accounting standards and Chinese accounting standards during the reporting period of the Company.

## VIII. Non-recurring gains/losses items and amount

Applicable  Not Applicable

Unit: RMB

Item	Amount in 2021	Amount in 2020	Amount in 2019	Note
Gains/losses from disposal of non-current assets (including the offset part that has been withdrawn for assets impairment reserve)	5,357,281.99	8,937.65	49,643,230.78	Gains/losses from disposal of fixed assets, investment incomes from disposal of long-term equity investment, etc.
Government subsidies recorded in current gains/losses (excluding the government subsidies in close relation to regular corporate business and granted according to quota or ration under national policies)	85,672,973.49	89,385,649.14	62,572,924.84	Government subsidies

Gains/losses from entrusted investment or management assets	21,771,461.39	22,453,518.35	17,997,762.01	Incomes from wealth management products
Gains/losses from fair value changes arising from the holding of financial assets held for trading and financial liabilities held for trading, and investment incomes from disposal of financial assets held for trading and available-for-sale financial assets, excluding the effective hedging businesses related to the normal businesses of the Company	2,242,380.58		-913,655.36	Fair value changes arising from other non-current financial assets, gains/losses from fair value changes arising from the holding of financial liabilities held for trading, etc.
Non-operating income and expenditures other than the aforementioned items	312,046.80	608,109.20	6,071,915.51	
Other gain/loss items conforming to the definition of non-recurring gains/losses			3,030,184.91	
Less: Amount of impacted income tax	14,993,434.46	12,314,817.04	17,063,566.90	
Amount of impacted minority equity (after tax)	746,267.45	1,834,448.79	2,178,439.30	
Total	99,616,442.34	98,306,948.51	119,160,356.49	--

Details of other gain/loss items conforming to the definition of non-recurring gains/losses:

Applicable  Not Applicable

There are no details of other gain/loss items conforming to the definition of non-recurring gains/losses at the Company.

Notes on defining the non-current gain/loss items listed in the *Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public — Non-Recurring Gains/Losses* as current gains/losses items

Applicable  Not Applicable

In the reporting period, the Company did not define the non-current gain/loss items listed in the *Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public — Non-Recurring Gains/Losses* as current gains/losses items.

## Section III The Management's Discussion and Analysis

### I. Overview of the industry where the Company operates during the reporting period

#### (I) Development of the industry where the Company operates

The Company is a comprehensive third-party organization integrating testing, calibration, inspection, certification and technical services. It provides one-stop solutions for global enterprises. According to CSRC's *Guidelines on Industry Classification of Listed Companies (revised in 2012)*, the Company operates in the "Industry M74 of Professional Technical Services"; and according to the *Classification of Strategic Emerging Industries (2018)* by the National Bureau of Statistics, the Company is engaged in quality inspection technology services, which is classified as a strategic emerging industry. The inspection and testing industry has been listed by the state as high-tech services industry, scientific and technological services industry, productive services industry and strategic emerging industry. As a crucial part of the national quality infrastructure, it plays a key role in building China into a country with strong quality capabilities, serving China as a manufacturing power, driving industrial upgrade, improving product quality and promoting high-quality economic and social development.

China's 14<sup>th</sup> Five-Year Plan includes specifications on national quality infrastructure, certification and accreditation, inspection and testing. Regarding the modernization of industrial chains and supply chains, we will improve national quality infrastructure, strengthen the establishment of standards, measurement, patents and other systems and capacity, intensify efforts to improve quality, and build a new "dual circulation" development paradigm with domestic and overseas markets complementing each other, ultimately achieving high-quality economic development. Secondly, with the market-oriented development of the testing industry and the reform on the regulatory system, the government has gradually liberalized the market for mandatory testing, allowing the access by qualified private testing institutions, which indicates new development opportunities for the testing industry. In recent years, China's inspection and testing market has shown rapid growth. By the end of 2020, there were 48,919 inspection and testing bodies across the nation, issuing 567 million inspection and testing reports, with an annual operating income of RMB 358.592 billion. During the 13<sup>th</sup> Five-Year Plan period, the operating income of inspection and testing institutions nationwide doubled, with an average annual compound growth rate of 14.78%; the number of inspection reports issued increased by 72.3%, representing an average annual compound growth rate of 11.5%. In 2021, the first year of the 14<sup>th</sup> Five-Year Plan, given the goal on high-quality development, market-oriented, international, specialized, clustered, and standard development is still the priority of the inspection and testing industry.

#### 1. Market-oriented reform

Recent years have seen the ongoing market-oriented reform on inspection and testing. The *Implementation Opinions on the Integration of Inspection, Testing and Certification Institutions* (GBF [2014] No. 8) has proposed to promote integration and optimize the layout structure as required by the transformation of government functions and the reform of public institutions; and the *Work Division Plan for Priorities at the National Video and Telephone Conference on Deepening Reforms to Delegate Power, Streamline Administration and Optimize Government Services and Optimizing Business Environment* (GBF [2019] No. 39) requests to disconnect inspection, testing and certification institutions from government departments and to encourage private capital's access to the inspection, testing and certification market. At the end of 2020, there were 11,160 public inspection and testing institutions, accounting for 22.81% of the total, a year-on-year decrease of 2.35 percentage points. There were 27,302 qualified and certified private inspection and testing bodies nationwide, an increase of 18.92% over the end of the previous year, accounting for more than half of the total; together they delivered an operating income of RMB 139.194 billion, an increase of 18.44% year-on-year. As the proportion of public inspection and testing institutions has further declined, private counterparts have seen continued and rapid growth, showing an obvious upward trend year by year. The market-oriented reform has achieved preliminary success.

## 2. Clustered and international development

In 2020, there were 6,414 inspection and testing institutions above state designated scale (with an annual income of more than RMB 10 million), a year-on-year increase of 10.68%, and their operating income reached RMB 277.413 billion, a year-on-year increase of 11.91%. Inspection and testing institutions above state designated size accounted for only 13.11% of the total but their operating income accounted for 77.36%, of which 481 institutions recorded an operating income of over RMB 100 million, and 102 were listed. Driven by both the government and the market, a number of inspection and testing bodies with competitive scale, professionalism and capability have emerged, giving birth to a cluster of inspection and testing brands in China. Amid the trend of intensified development, integration between inspection and testing institutions may accelerate. Therefore, small and medium-sized players need to continue improving their operational efficiency and enhance their competitiveness.

In terms of international development, there is a big gap in international competitiveness between inspection and testing bodies at home and abroad. 73.38% of Chinese inspection and testing institutions provide services within their provinces, and there are only 440 with both domestic and overseas operations. There is still a long way to go before achieving internationalization. To fulfill the goal, Chinese institutions are required to enhance brand awareness, reputation and credibility, as well as international competitiveness. The same also applies to CTI, which is continuously exploring global development and steadily moving forward on the path to internationalization.

## 3. Standard and differentiated development

To give better play to the supporting role of inspection and testing technology, authorities are advancing oversight through

inspections by randomly selected inspectors of randomly selected entities and the public release of inspection results and taking special rectification actions. With focus on areas of livelihood consumption such as food, textiles, and electrical appliances, proficiency testing and blind sample assessment are organized for national-level inspection and testing institutions, to promote improvement in their technical services and capabilities. The *Opinions on Further Strengthening the Management of National Quality Inspection Centers* is released, which makes more rigorous establishment standards for national quality inspection centers. The State Administration for Market Regulation has proposed in the *14<sup>th</sup> Five-Year Plan for Market Supervision Technology Development* that by 2025 it will endeavor to establish a number of national technology innovation bases, key laboratories for national market regulation, technology innovation centers, state-level quality standard laboratories, national quality inspection centers, among others, to fill in the blank in China.

Differentiated development is gaining momentum. Traditional fields such as construction engineering, environment and environmental protection, food, and agricultural products as a percentage in the total industry revenue has shown a downward trend, while emerging sectors such as electronic appliances, material testing, medicine, electricity, and energy are on the rise. CTI has also gradually increased its investment in new fields as its medium and long-term growth pillars.

#### (II) The Company's competitive position in the industry

After years of development, the Company has grown into a leading private testing organization in China. State-owned inspection and testing institutions mostly undertake compulsory inspection and testing projects as part of ministries and commissions' certification requirements on commodity inspection, quality inspection, environmental protection and health. Therefore, they're not in direct competition with the Company. As market-oriented reform continues to go deep, state-owned testing institutions will inevitably embrace marketization, and are likely to compete with the Company. Most private testing institutions in China are mainly engaged in technical testing services in several specific fields, and cannot rival the Company's comprehensive testing services. But with the rapid development of privately-run organizations in the country, a batch of listed peers are expected to stand out and come into competition with CTI. China has opened its technical testing industry to foreign investment since accession to WTO. As a result, large international testing institutions have set up branches in the country to provide comprehensive testing services. They're deemed major competitors of the Company. The Company spares continuous efforts to improve operational efficiency through refined management and increase strategic investment, and steadily promotes the internationalization process to maintain its competitive edge in the industry.

## **II. Main business of the Company during the reporting period**

### (I) Main business introduction

During the reporting period, there was no change to the main business of the Company, which is divided into five segments by industry. The Company serves the following industries and their upstream and downstream supply chains: textiles, clothing and footwear, toys and light industrial goods, electronics and electrical appliances, pharma and clinical services, food and agricultural products, cosmetics and daily products, energy and chemicals, environment, building materials and construction engineering, industrial equipment and manufacturing, rail transit, automotive and aviation materials, chips and semiconductors, low-carbon/environmental protection/green certification, maritime, and digital certification. By the end of the reporting period, the Company had over 150 laboratories and more than 260 service units in over 70 cities all over the world. The Group and all branches and subsidiaries issue more than 2,000,000 credible testing and certification reports every year, serving 100,000 customers and more.

#### (1) Food & Agricultural and Health Products Services

Food & Agricultural and Health Products Services Division is one of the Company's core business divisions. Its service scope covers planting, breeding, primary production, processing and packaging, storage and transportation, distribution and retail, import and export in the following sectors: food, agricultural products, healthcare food, cosmetics, daily chemical products, feed, pet food and packaging materials for food. The Company provides customers with six categories of services – testing, certification, auditing, training, consultation and quick inspection, as well as one-stop quality management solutions.

#### 2. Environmental Services

The Company is the earliest private third-party environment testing institution in China, and has established over 30 professional laboratories over the country. The service scope includes environmental technology consultation, environmental monitoring and testing, occupational health, rail transit, automatic environmental monitoring and O&M, marine environmental monitoring, agricultural environmental monitoring, judicial identification, and more. The Company provides governments, enterprises and all kinds of organizations with one-stop services ranging from planning, on-site investigation, sampling, analysis, reporting, to evaluation. With accurate conclusions, CTI helps customers pursue healthy, safe and environmentally friendly working and living environment, improve environmental quality, and enhance public health.

#### 3. Pharma and Clinical Services

With professional teams, wide range of high-end equipment and high standard compliance of quality systems, Pharma and Clinical Services division provides solutions for pharmaceutical industries and clinical services.

For Pharma and clinical sector, the pharmaceutical services teams provide drug screening, pre-clinical safety evaluation, bioanalysis, clinical trial monitoring, and quality consistency evaluation of generic drugs. For biopharma, there are protein characterization, and protein structure analysis, with bio-safety services.

Within clinical services, the team provides precise clinical testing, genetic testing, functional medicine evaluations, pathological

diagnosis, metabolomics, scientific research services etc.

During the Covid19 epidemic, the nucleic acid testing services were offered by the clinical services team. Normalized nucleic acid testing helped to provide a strong guarantee for promoting the economy and protecting people's livelihood, stabilizing domestic and foreign trade, and boosting consumption.

#### 4. Construction Engineering & Industrial Services

Relying on the brand advantages of CTI Engineering, CTI Materials, CTI Rail Transit, CTI Industrial and CTI Fire Protection, the Construction Engineering and Industrial Services Division provides one-stop services for laboratory testing, non-destructive testing, inspection, certification, consulting and project management. It covers a wide range of industries such as civil and public buildings, public utility works, building materials, rail transit, fire-resistant and flame-retardant materials, metal and non-metallic materials, industrial products and complete sets of equipment, as well as full-cycle management of large industrial projects. It has more than 30 laboratories and service outlets nationwide, equipped with experienced inspection and certification teams and technical experts. With fast, efficient and professional services within easy reach, the Company helps enterprises control product quality, supervise engineering quality, and avoid unknown risks, thereby enhancing market competitiveness.

#### 5. Metrology and Digital Services

Metrology and Digital Services, as one of the Company's core services, include measurement and calibration, bulk product inspection at port, fumigation and pest risk control management, laboratory technology service, and commercial password products and services, among others. The Company provides calibration and testing services for CNAS projects and its service scope covers the majority of the cities over the country, meeting large group customers' demands for multi-site measurement and calibration.

#### 6. Consumer Goods Services

The Company serves industries of consumer goods such as electronic and electrical products, chips, textiles and garments, bags, shoes, toys, baby products, school supplies, furniture, food contact materials, groceries, sports equipment, energy and petrochemicals. It provides professional technical services and integrated solutions in testing, product certification, China Compulsory Certification (CCC), supply chain management and auditing, product quality improvement schemes, market access and compliance training to support a green and healthy life.

#### 7. Automotive Services

Established in 2007, the Automotive Services Division is the first laboratory specializing in transportation services in China. So far it has been certified by CNAS, CMA, A2LA, NADCAP, AS9100 and other international/domestic systems, and has established a professional technical team of more than 400 members. Professional laboratories have been set up in all automotive industry clusters in the county, contributing to an extensive service network reaching all industrial bases. Its service scope covers automotive material

testing, environmental protection and chemical testing, interior and exterior parts testing, structural parts testing, optical auto components testing, and fastener testing, as well as aerospace material testing, intelligent connected vehicles, and vehicle inspection. The Company offers one-stop solutions for testing, analysis, auditing and training.

#### 8. Electronic Technology Services

The Company's Electronic Technology Services cover electronics and electrical appliances, electronic auto components, rail transit locomotives and components, electrical equipment, large machinery and medical equipment. It provides safety testing, energy efficiency testing, electromagnetic compatibility testing, automotive EMC testing, radio frequency testing, lighting health testing, on-site EMC testing and other first-class machinery directives services, as well as certification services in multiple countries. In Singapore, CTI is qualified for CB certification, providing customers with one-stop services from testing to certification. In the field of electronic equipment testing for new energy vehicles, the Company's new energy electronic product testing laboratory boasts professional designs in test route, floor load capacity, power supply and power distribution capacity, together with industry-leading technical competency, quality control standards and productivity. The Company also provides services that integrate digital information and wireless functions, tailored for automotive electronic equipment in new forms.

#### 9. Low Carbon/Environmental Protection/Green Certification

The Company helps develop sustainable development capabilities for enterprises by providing services for management system certification, carbon neutrality, carbon verification, voluntary emission reduction projects, energy saving and green manufacturing, product certification (3C), ESG report preparation/management improvement and database, EHS compliance evaluation, second-party audit and training. As an accredited third-party greenhouse gas verification/inspection agency, CTI has obtained CDM, VCS, GS, CCER and other international and domestic certifications for low-carbon and energy-saving services, as well as third-party carbon verification qualifications in 23 provinces or cities in China. Thus, it is able to provide a full range of services for enterprises in their carbon neutrality process. The service scope covers greenhouse gas emission/emission reduction accounting/certification, including carbon certification indicator statements, reports, and certificates for CDM/CCER/VCS/GS, greenhouse gas emission accounting/verification under ISO 14064//ISO14067 and other international standards and rules, and the examination, accounting and verification of greenhouse gas emissions under Chinese national standards. CTI is qualified for issuing carbon neutrality certificates, making suggestions for carbon credit asset procurement and management, and offering green factory/campus/supply chain services. It is also engaged in SBTi, carbon emission reduction strategy design, and greenhouse gas management system establishment. Regarding environmental information disclosure and improvement, CTI helps submit carbon emission disclosure information to CDP, compile ESG reports and social responsibility reports in line with international standards such as TCFD, and improve ESG ratings. As for supply chain carbon neutrality, highly customized service solutions are available for core supply chain companies.

#### 10. Marine Services

In the maritime field, the Company provides international third-party inspection, testing and certification services for shipping companies, shipyards, and supporting products manufacturers around the world. CTI is now an ISO/IEC17020 accredited inspection agency and an ISO/IEC17025 accredited laboratory. It offers marine fuel oil testing and solutions, ballast water (commissioning testing and VGP testing), as well as environmental protection services such as domestic sewage/drinking water/desulfurization wastewater/bilge water testing, inventory of hazardous materials (IHM) preparation and maintenance, asbestos inspection/removal/management and asbestos-free certification.

##### (II) Overall business model of the Company

The overall business model of the Company: The R&D Department of the Company is responsible for studying national standards in China and overseas, industry standards, and standards made by large customers (enterprise standards), developing new testing methods, and determining the operation flow through equipment and personnel allocation, so as to improve testing capabilities and expand testing scope. Relying on the extensive brand influence of the Company, the Marketing Department promotes testing services to customers, seeks testing orders, and presents data and testing reports after laboratory testing.

##### (III) Performance drivers

During the reporting period, the Company achieved a total operating income of RMB 4,329,088,600, up by 21.34% compared with the same period in the previous year. The net profits attributable to shareholders of the listed company reached RMB 746,186,900, up by 29.19% compared with the same period in the previous year. The net profits attributable to shareholders of the listed company net of non-recurring gains and losses was RMB 646,570,500, up by 34.90% over the same period of the previous year. The main reasons are as follows:

During the reporting period, the management adhered to the established business objectives, increased investment in strategic tracks, and promoted the healthy development of all business segments, which boosted the Company's core competitiveness. The Company showed good business performance in 2021, with steady growth in both operating income and net profit.

### **III. Analysis of core competitiveness**

#### 1. Advantages in brand and credibility

Brand and credibility are keys to the survival and development of an independent third-party testing agency. Adhering to the values of "Integrity, Collaboration, Expertise, Customer Centricity, Ambition," the Company regards "building trust and ensuring quality of life for all" as its mission. By comprehensively assuring quality and safety, it pursues the vision of "CTI is Always by Your Side." CTI has established a laboratory management system in compliance with ISO/IEC 17025, and an inspection body management

system under ISO/IEC 17020. It is certified by China National Accreditation Service for Conformity Assessment (CNAS), qualified by China Metrology Accreditation (CMA), and designated as a notified body by both China Compulsory Certification (CCC) and European Commission. In 2021, the Company officially became an APSCA Full Member, an EU Notified Body for PPE, a FOSTA-accredited inspection agency, and a testing agency authorized by South African Bureau of Standards. In the meantime, it has obtained a complete set of certification and testing laboratory qualifications for toys and strollers from CCC, and its 16 laboratories have been awarded as Arable Land Quality Standardization Laboratory by the Ministry of Agriculture and Rural Affairs. The comprehensive qualification and accreditation make the Company's test reports more credible around the world.

Throughout the development course, the Company constantly follows the basic principle of "honest operation and independent judgment." It has established its own quality management system in accordance with ISO/IEC 17025, ISO/IEC 17020, the *Rules for the Examination of Qualification Accreditation of Laboratories* and the internal document *Measures for Group Quality Supervision and Management*. Group-wide quality management requirements are put in place through quality audit, special-purpose audit, internal audit and management review in order to provide truthful and accurate testing services. The Company has established a multi-level quality management organization. At the Group level, the QHSE Department is responsible for quality control as a whole. At the level of business division/subsidiary/operation outlet, regulations are developed according to respective business characteristics to enhance quality management. During the reporting period, 14 quality training courses were delivered, totaling 41,569.63 hours. Quality management training is intensified to reinforce quality control in a continuous manner.

The Company applies a cutting-edge laboratory information management system (LIMS) to manage laboratory personnel, equipment, testing methods and samples, so that customer samples are under systematic management throughout the entire circulation and testing process in laboratories. The LIMS uses codes and barcodes to track samples in the process of circulation, while keeping their brands, manufacturers and other labels invisible. This prevents laboratory workers from knowing sample providers or customers, effectively avoiding data alteration and other frauds. At the same time, information-based experimental process and paperless office assure comprehensive control and management over the organization, analysis, processing, inquiry of experimental data, as well as quality activities in the experimental process, so as to ensure the truthfulness and reliability of the reports issued.

## 2. Advantages in excellent management team and professional talent

The sustainable development of a business depends on the growth of its team. The core team of the Company has long-standing experience in the testing industry, and keeps abreast of industrial developments to make strategies in adaptation to changes in policies and the industry. The Company insists on creating a research-based atmosphere oriented at a high proportion of highly educated and high-quality talent, and on establishing a sound and scientific promotion system. This enables the Company to continuously attract

talent interested in the testing industry from all walks of life. The Company values the growth of every employee, committed to becoming a platform suitable for the career development of employees. It encourages employees to become experts or managers in their respective professions, tapping into their potential and offering them adequate opportunities for adaptation and attempt, so that they can strike a dynamic balance between self-worth and business growth. As for its personnel training system, the Company has developed a series of courses and promotion programs for new hires, regular employees, professional skills and leadership development, laying a solid foundation for the sustainable development of the Company.

To strengthen training on all employees, the Group has launched E-Learning, an online learning platform, to expand training scope, so that more employees could improve their professional capabilities more conveniently. All employees of the Group have access to independent learning according to their actual needs. Together they received a total of 237,028.9 hours of online and offline training in 2021, that is, 21.4 training hours per employee. For leadership development, the Company has set up the Huihua Executive Development Program (EDP), the Guanghua Leadership Acceleration Program (LAP), the Jinghua Management Acceleration Program (MAP), and the Qinghua Management Trainee (MT) Program, to comprehensively improve the leadership of managers at all levels. Lecturers with rich experience in international strategic M&A are invited to give lectures to the senior management, in a bid to comprehensively improve its strategic M&A and post-investment management capabilities. The Company employs consistent talent development strategies and policies overseas. For better integration with the companies it has acquired overseas, the Group tends to appoint well-performing employees in the original companies as core managers and technicians, who are assisted by the managers appointed by the Group to keep teams stable after M&A. To maintain the stability of core teams and attract more talent, the Company rolls out employee performance evaluation schemes, employee stock ownership plans, equity incentive plans and other incentives. By doing so, it hopes to motivate its core teams to take the lead and fulfil the Company's strategic targets, laying the foundation for its efficient, high-quality and sustainable development.

### 3. Digital strategy that improves service capabilities

The Company's laboratory network spreads all over the major cities in China and reaches surrounding regions thanks to its strategic layout. Through over 150 laboratories and more than 260 service outlets spanning over 70 cities in more than 10 countries/regions all over the world, the Company is operating in the following industries as well as their upstream and downstream supply chains: textiles, clothing and footwear, toys and light industrial goods, electronics and electrical appliances, pharma and clinical services, food and agricultural products, cosmetics and daily products, petrochemicals, environment, building materials and construction engineering, industrial equipment and manufacturing, rail transit, automotive and aviation materials, chips and semiconductors, low-carbon/environmental protection/green certification, maritime, and digital certification. A well-established laboratory network and one-stop service capabilities have become CTI's crucial advantages in competition.

CTI is devoted to providing more professional and value-added services for customers, keeping a keen eye on customer needs and constantly improving service quality and competency. The Company has been deeply engaging in the testing industry for years, with its services covering a wide range of industries and test items. Thus it has gathered massive testing data, which is highly reliable, comprehensive in both width and depth, and serves extensive purposes. The Company provides enterprises with risk-based testing schemes, risk-based internal and supply chain management schemes, quality & cost control basis, supplier evaluation basis, etc.; offers the government the basis for prediction and prevention of spot check risks, the basis for making decisions on policies and regulations, and the support for efficiency and scientificity of decision-making; and helps consumers learn about product quality and safety before making any decisions.

CTI has established a self-operated e-commerce platform CTI MALL and a big data analysis mechanism, as part of its digital strategy. It demonstrates the Company's determination to improve service quality leveraging digital technology. CTI MALL makes full use of cutting-edge digital technology – such as digital connection, transmission, structured storage and visualization technologies – and relies on massive computing capacity to enable integrated management of multi-terminal customers, standard service packages, visualized whole-process information, automated report verification and other functions with full coverage of the upstream and downstream supply chains of multiple industries. CTI MALL allows users not only to place orders on their own 24 hours a day and learn about latest changes to global standards, but also to discuss with quality experts online, customize solutions, and enjoy more convenient and flexible, transparent and efficient, professional and high-quality services, guaranteeing service quality and safety in an all-round manner.

#### 4. Advantages in innovation and R&D

CTI has prepared the *Innovative R&D Management Regulations* to regulate the Group's innovative R&D activities, and set up the CTI Research Institute to commit to digital strategy, talent base construction, standard research, and development and revision, patent invention and other scientific research and innovation undertakings, making greater contributions to regional innovation and development. The Company is one of the first private testing bodies and the most invested professional research institutions in China. With the technical support of the CTI Research Institute, the Company has never stopped improving its core competitiveness in testing technologies. Its core research team centered on industry experts is devoted to the research of frontier technologies, aiming to provide strong technological support and sufficient technical preparation for the business expansion of CTI's business divisions.

A postdoctoral innovation practice base was established in 2018 to serve as a platform for state-level scientific research projects and experiments for outstanding young people from colleges and research institutes, and build a team of senior scientific research elites. This is expected to provide technical support for the Company to enhance its technological innovation competitiveness. Up to now, there are 5 postdoctoral fellows at the postdoctoral innovation practice base, working on materials, chemistry, marine

environment, rail transit and environmental big data, among other fields. The CTI Research Institute has led in the project "R&D and Application of Integrated Inspection and Testing Service Platform for Emerging Industries," as part of the national key R&D program of the Ministry of Science and Technology – R&D and Application Demonstration of Key Technologies for Generic Services in Modern Service Industry. The project aims to tackle key challenges in resource integration, quality control, evaluation standards, and technical coordination in service stages such as inspection, testing, certification, and calibration for emerging industries such as new materials, new energy, energy conservation and emission reduction, and environmental protection. So far, the project has completed mid-term inspection, and is expected to fruit breakthroughs in no less than 25 key technologies, no less than 15 patents, and no less than 2 national, industry or core enterprise standards, alongside with a one-stop inspection and testing service collaboration platform. The Company has also participated in the formulation and revision of a number of international standards launched by International Organization for Standardization (ISO) and International Electrotechnical Commission (IEC). In 2021, CTI led in the revision of *ISO/TC34/SC6 Meat and meat products — Determination of L-(+)-glutamic acid content — Reference method*, and participated in the development of *ISO/TC34/SC6 Meat and meat products - Determination of total phosphorous content*, *ISO/TC52 Light gauge metal containers - Easy open ends and peel off ends*, *ISO/TC34/SC6: ISO7124 Determination of fipronil and its metabolite residues in eggs and egg products by GC-MS* and other national standards. As of December 31, 2021, the Company had obtained 228 patents, including 48 invention patents and 180 utility model patents, and participated in the formulation and revision of 647 standards, among which 545 standards had been published, including 345 national standards and 20 mandatory standards. During the reporting period 41 patents and 49 standards were newly added, together with 56 membership seats in all kinds of technical committees for standardization. Many of the Company's R&D achievements have been recognized by the market, government departments and industry associations, and its leading R&D capabilities have greatly assured CTI's development.

## **IV. Analysis of main business**

### **1. Overview**

The Company's management took proactive and effective measures in response to the resurgence of the COVID-19 pandemic in China during the reporting period. While maintaining regular epidemic prevention and control, it led all employees to implement refined management, accelerate strategic investment, establish a talent system and incentive mechanisms through different channels, and continuously enhance its marketing capabilities and ESG despite of all kinds of difficulties. This helps ensure the stable growth of all business divisions, laying a solid foundation for future development. During the reporting period, the Company achieved a total operating income of RMB 4,329,088,600, an increase of 21.34% over the same period of the previous year. The net profits attributable to shareholders of the listed company was RMB 746,186,900, up by 29.19% over the same period of the previous year.

The net profits attributable to shareholders of the listed company net of non-recurring gains/losses recorded RMB 646,570,500, a year-on-year increase of 34.90%. The Company's cash flow continued to show good performance. Its EBITDA attributable to shareholders of the listed company in 2021 reached RMB 1,282,979,900, growing by 30.98% over the same period last year.

(I) Consolidate foundation for all business divisions and gain momentum for future development

1. Life Science. During the reporting period, the Company's environmental testing business saw steady growth in both operating income and gross profit margin. In the meantime, harnessing its advantages in extensive laboratory network and complete testing capabilities, the Company launched a key account strategy and a key project specialization strategy, providing nationally standardized special services for key accounts. This lays a solid foundation for long-term and sustainable development in the future. The Company has been authorized by the Ministry of Agriculture and Rural Affairs as an inspection body for soil environment monitoring samples in the production area of agricultural products, a state-level investigation and testing laboratory for soil pollution, and an arable land quality standardization laboratory. By the end of 2021, 16 laboratories had been shortlisted for arable land quality standardization laboratories by the Ministry of Agriculture and Rural Affairs, making full technical preparations for the third national soil census. In recent years, the food testing business has won a larger market share and secured its leadership position in the industry by continuously tapping into the potential of large business customers. In particular, its two sub-segments – cosmetic efficacy testing and pet food testing – have stood out. At the end of 2020, the Company gained keen insights into the changes in policies and regulations in the field of cosmetic efficacy testing, and promptly seized the opportunity for industrial boom. In 2021, its laboratory network reached Shanghai, Suzhou, Shenzhen, Guangzhou and other places, with sales channels connected to major cities across the country and a number of industry benchmarking laboratories established. This leads to broader brand reputation and industry influence. Major breakthroughs have been made in international brand customer expansion, standard formulation and revision, publication of papers in core journals, and proficiency testing. The market demand for pet food testing services has grown rapidly, thanks to the fast development of the pet food market. In 2021, the Company timely expanded the scope of testing items, improved testing quality, and enhanced technical service capabilities, resulting in the rapid growth in pet food testing business. In 2021, the Life Science segment delivered an operating income of RMB 2,087,322,900, a year-on-year increase of 17.09%.

2. Pharma and Clinical Services. Benefiting from the prosperity of the pharmaceutical industry in China, the Company's pharmaceutical testing revenue hit a new high in 2021. Investment in the Pharma and Clinical Services sector is on the rise: during the reporting period the company established a new drug testing laboratory, aspiring to develop into a third-party technical service body that provides one-stop drug quality research and production release solutions for the pharmaceutical industry. A number of clinical medical laboratories have been set up in Shanghai, Jiangsu, Hebei, Shandong, Henan, and Guangdong. In the future, it will establish presence in other cities, so as to form into a nationwide network and offer local services. In 2021, the Pharma and Clinical

Services sector achieved an operating income of RMB 369,430,400, a year-on-year increase of 78.13%.

3. Trade Assurance. Trade Assurance has intensified efforts to maintain its market share and continued to optimize channel layout. With the surge of the new energy industry and the maturity of 5G technology, the demand for reliability testing has increased. In the reporting period, CTI passed the fumigation and disinfection qualification review by Shenzhen Customs, and is qualified for providing disinfection services for imported and exported goods and environment. In 2021, the Trade Assurance segment achieved an operating income of RMB 573,557,200, up by 19.58% year-on-year.

4. Consumer Goods Testing. As the penetration rate of new energy vehicles is on the rise, the Company has continued to increase investment in order to meet the demand for new energy vehicle testing. During the reporting period, CTI greatly improved its testing capabilities for electronic auto products reliability and automotive EMC, making it a leading testing body in the sector. It has won well-known OEMs' recognition, as well as orders from many industry-leading customers. In 2021 the Consumer Goods Testing segment delivered an operating income of RMB 495,310,100, growing by 23.27% year-on-year.

5. Industrial Testing. During the reporting period, the consultation draft of the new metrology law was released, and regional metrology reform pilots kicked off, benefiting the development of private third-party metrology and calibration businesses. In 2021 the Company expanded the capacity of its existing laboratories, while exploring opportunities in lower-tiered markets, which led to rapid growth in the measurement business. In the field of construction engineering, the testing teams and capabilities of rail transit and flame retardant have been strengthened, alongside with breakthroughs made in qualifications, participation in standard formulation and revision, and engagement in key projects. In the reporting period, CTI obtained China's first PSD system (electrical control and machinery) SIL2 certificate and signal module SIL4 certificate, participated in two national projects: Sichuan-Tibet Railway construction quality inspection and Xi'an National Games security inspection, and was included into the 2021 List of Railway Engineering Quality Supervision and Testing Bodies. The integration with MARITEC PTE. LTD, which was acquired in 2020, has been completed, which is expected to power the Company's development in the shipping sector. In 2021, the Industrial Testing segment's operating income reached RMB 803,467,900, representing a year-on-year increase of 15.40%.

#### (II) Reinforce lean management and accelerate strategic investment

During the reporting period, the Company's operating efficiency saw steady improvement, with more robust foundation for endogenous growth. In terms of investment efficiency, investment ratio was under control; investment return was analyzed, and the fulfillment of investment goals regularly reviewed. Corporate resources were coordinated to have proportional control over the growth of headcount and budget, and rationalize the expansion of laboratory area, which resulted in better performance in key indicators such as per capita output value, equipment utilization efficiency, and unit area output. Cash flow management was strengthened, with systematic control measures put in place in key stages such as contract review, collection of accounts receivable,

and control of prepaid accounts.

Centered on short-term, medium-term and long-term development strategies, the Company has accelerated the incubation of new growth pillars through the gradual layout of endogenous and extensional development strategies. During the reporting period, it increased investment in pharma and clinical services, new material testing, semiconductor chips, rail transit, new energy vehicles and other fields, and made substantial progress in qualifications, technical capabilities, customer recognition, and talent teams.

Concerning strategic M&A, CTI Germany Holding GmbH & Co. KG, a wholly owned subsidiary of the Company, acquired 90% of the shares of imat-uve GmbH. imat-uve enjoys a high reputation in the field of motor vehicle testing in Europe. Besides widely recognized technical capabilities, it has also established long-term and close partnership with many noted automotive brands. Based on good cooperation foundation, the acquisition is expected to come into synergy with CTI's domestic automotive industry chain testing services. This will help raise the Company's brand awareness among German automakers, and develop premium technical capabilities and differentiated advantages, as part of its international development strategies. During the reporting period, the Company acquired 100% equity in MGA (Nantong) Automotive Safety Testing Services Co., Ltd. with its own capital of RMB 35 million. The two parties have entered into an equity transfer agreement. The transaction is anticipated to improve CTI's car seat testing capabilities, making it a more specialized and differentiated brand in the field of automotive testing. During the reporting period, the Company acquired a 40% stake in the joint-stock company How-To Consulting (Shanghai) Co., Ltd. for RMB 19.2 million, and became its controlling shareholder. The transaction was intended to integrate How-To's professional advantages with the Company's diversified services, which gives birth to great synergy and expanded industrial influence. This is of great significance to developing one-stop services for the entire industrial chains of daily chemical products and food and enhancing product R&D capabilities. Considering the requirements for local food and agriculture testing services and future development plans, the Company acquired 70% equity of Jilin Anxin Food Technology Service Co., Ltd. (Jilin Anxin) through bidding. Jilin Anxin is the largest third-party testing company in Jilin, boasting broad influence in the province and surrounding regions. It is the only testing agency designated for "China Good Grain and Oil" certification in Jilin, and is also in charge of the arbitration of disputed grains. This transaction marks the Company's successful participation in the restructuring of state-owned enterprises again following its holding of China-Singapore Tianjin Eco-city. Meanwhile, it has added new impetus to the Company's comprehensive operations in the field of food and agricultural products inspection and testing.

In terms of investment in new tracks, the Company has entered the segment of data center testing and certification by investing in Guoxin Tianyuan (GQC), and plans to become its controlling shareholder and wholly-owned parent company step by step in 2022 and beyond. The new data center construction market has broad prospects, given China's 14<sup>th</sup> Five-Year Plan to build the core pillars of "new digital infrastructure." GQC enjoys a good reputation in the industry, and has superior customer resources and an

industry-leading market share. This transaction is expected to make the Company's certification business more comprehensive and vibrant, giving birth to standard, large-scaled, intelligent and specialized third-party testing and certification services for data centers. The Company purchased 12.10% stake in Shanghai Fairyland Software Co., Ltd. (Fairyland) held by Nanjing Yuangu at a price of RMB 65 million. Fairyland is an industry leader that specializes in software and information services, and has been long engaged in financial technology, intelligent testing and other professions leveraging AI, big data, and cloud computing technologies. The acquisition is hoped to contribute to the Company's digital strategy and improve its competitiveness and sustainable profitability with the help of Fairyland's technical capabilities.

(III) Establish talent system and incentive mechanism through multiple channels

A first-class management team is the key driver for business growth. The Company stays committed to establishing team competitiveness through various channels such as internal training and external introduction. Regarding internal training, the CTI Learning and Development Building and the E-learning platform have been constructed to improve employee competency; the Jinghua Management Acceleration Program (MAP), the Guanghai Leadership Acceleration Program (LAP), and the Huihua Executive Development Program (EDP) have been launched to comprehensively enhance the leadership of managers at all levels. To cultivate innovation talent, the Company has established a postdoctoral innovation practice base, which serves as a platform for state-level scientific research projects and tests for outstanding talent from universities and research institutes. During the reporting period, 3 training sessions on innovation and R&D were delivered, which educated R&D professionals at subsidiaries on project application, innovative development and management, patent application, paper publication, and other topics. The training was participated by 300 employees and more. The Company also held its first innovation project defense event, covering RPA, sample automatic identification and management, among other professions, which produced helpful suggestions for making CTI a technology-based inspection and testing body. In 2021, the Company introduced a number of world-class elites in the fields of medicine and consumer goods, which is hoped to power the international development of its pharma and clinical services and consumer goods businesses, as well as the fulfillment of strategic objectives.

A scientific incentive mechanism is in place at CTI. In addition to employee stock ownership plans and equity incentive plans at the listed company level, the Company has also rolled out employee stock ownership plans for its subsidiaries to better promote the development of the Pharma and Clinical Services sector. During the reporting period, Shanghai CTI Pinchuang Medical Testing Co., Ltd. (CTI Pinchuang) launched an employee stock ownership plan through capital increase and share expansion. The plan was applicable to CTI Pinchuang's directors, senior management and key employees. In particular, the management and Mr. Wan Feng, chairman of CTI Pinchuang joined in the scheme, as part of the long-term and effective restraint mechanism for the management of CTI and to enhance the confidence of CTI employees in holding shares. The employee stock ownership plan, while motivating CTI

employees and inspiring their creativity, has tied employees' interests with the Company's, thus boosting its growth momentum and core competitiveness. At the same time, the participation of CTI's management and chairman Mr. Wan Feng is believed to support the Company's long-term and effective restraint mechanism and drive its sustainable and stable development.

(IV) Continue to improve marketing capabilities and service expertise

During the reporting period, the Company continued to improve its capacity building and made breakthroughs in product certification, evaluation capabilities, and international standards. In 2021, CTI was officially authorized by the European Commission as a Notified Body for CE marking to personal protective equipment (PPE) (No. 2845). It is also the first and only private third-party testing, certification, and auditing service organization in China authorized by the European Commission during the pandemic. It has also been designed by CCC as a notified body to baby strollers and toys – riding toys, and as a qualified laboratory for baby strollers. Hence CTI is able to offer one-stop CCC services covering electrical toys, plastic toys, metal toys, riding toys and baby strollers. In the sector of ESG evaluation, in 2021 the Company developed and launched an ESG database. It also completed the ESG rating of CSI 300 companies in the Chinese mainland market and H-share listed companies in Hong Kong, and released its rating product under the name of "华测CTI" via the ESG channel of Sina Finance. A complete ESG product matrix has come into being. The international standard *ISO 4134:2021 Meat and meat products – Determination of L-(+)-glutamic acid content – Reference method* has been published. CTI led in the revision of the standard, which took 3 years from proposal to official release. It is also the first ISO international standard led by the Company, marking that it has come to a new stage as a leader in the formulation and revision of international standards.

During the reporting period, the Company completed the establishment of the Marketing Department of the Group, as well as the marketing team at each business division, so as to improve its marketing capability. The marketing teams at business divisions are requested to promote team building and business promotion, and strengthen alignment with the Group in strategic directions and projects, which has led to a more robust marketing system and wider brand influence. CTI President led the establishment of the International Development Department. Now an international sales network has taken shape, together with a business team and strategic plans, winning the recognition of growing international customers. The company's official self-operated e-commerce platform, CTI MALL, has gone live, available in both PC and mobile versions, allowing customers to enjoy more efficient and convenient services.

(V) Improve ESG performance and support China's goals on carbon neutrality and peak carbon emissions

During the reporting period, the Company identified sustainable development as part of its long-term strategic plan, determined to improve its ESG (environmental, social and governance) performance and assume its responsibilities as a leading player. In April 2021, its first *ESG Report* was released, with ESG improvement tasks unveiled in the same year. An ESG management structure is set

up under the Strategy and M&A Committee of the Board of Directors, and the *ESG Management Regulation* was developed and released. CTI's social responsibility performance has been acknowledged by the market. It ranked No.84 among the top 500 ESG enterprises in China, selected by Sina Finance in December 2021. In the Wind ESG 2021 Industry Top Rated ranking, CTI was given an AA rating, making it not only the No. 1 in the industrial sector, but also the only AA-rated inspection and testing body on the list.

Surrounding the targets on carbon neutrality and peak carbon emissions, the Company provides customers with one-stop customized services such as carbon neutrality target setting, carbon neutrality roadmap, carbon accounting and verification at the organization and product levels, identification of carbon emission reduction projects, carbon management on supply chains, energy saving planning and management, green manufacturing and more. By the end of 2021, CTI had reviewed and certified over 1,500 carbon emission reduction projects under CCER/CDM/GS/VCS, and launched over 500 service projects for greenhouse gas emissions verification (ISO 14064-1), products' carbon footprint accounting and verification, and carbon neutrality verification, more than 2,000 third-party carbon emissions verification and review projects in 23 provinces and cities across the country, more than 600 energy management system certification/energy-saving diagnosis/energy audit projects, and more than 40 state-level green manufacturing projects.

## 2. Revenue and costs

### (1) Composition of operating income

Overall operating income

Unit: RMB

	2021		2020		Year-on-year variance
	Amount	Percentage of operating income	Amount	Percentage of operating income	
Total operating income	4,329,088,628.50	100%	3,567,712,761.65	100%	21.34%
By industry					
Technical services	4,329,088,628.50	100.00%	3,567,712,761.65	100.00%	21.34%
By product					
Trade assurance	573,557,240.09	13.25%	479,649,797.53	13.44%	19.58%
Consumer goods testing	495,310,144.36	11.44%	401,810,285.54	11.26%	23.27%
Industrial testing	803,467,933.38	18.56%	696,228,126.21	19.51%	15.40%
Life science	2,087,322,872.97	48.22%	1,782,628,959.60	49.97%	17.09%
Pharma and	369,430,437.70	8.53%	207,395,592.77	5.81%	78.13%

clinical services					
By region					
China	4,183,507,491.19	96.64%	3,394,052,361.45	95.13%	23.26%
Overseas	145,581,137.31	3.36%	173,660,400.20	4.87%	-16.17%
By sales mode					
Direct sales	4,329,088,628.50	100.00%	3,567,712,761.65	100.00%	21.34%

**(2) Industries, products, regions or sales modes accounting for more than 10% of the Company's operating income or operating profits**

√ Applicable □ Not Applicable

Unit: RMB

	Operating income	Operating costs	Gross margin	Variance in operating income compared with the same period in the previous year	Variance in operating costs compared with the same period in the previous year	Variance in gross margin compared with the same period in the previous year
By industry						
Technical services	4,329,088,628.50	2,128,450,515.88	50.83%	21.34%	19.23%	0.87%
By product						
Trade assurance	573,557,240.09	192,258,224.58	66.48%	19.58%	28.44%	-2.31%
Consumer goods testing	495,310,144.36	242,539,923.37	51.03%	23.27%	6.76%	7.57%
Industrial testing	803,467,933.38	445,200,294.10	44.59%	15.40%	18.99%	-1.67%
Life science	2,087,322,872.97	1,056,453,370.27	49.39%	17.09%	17.02%	0.03%
Pharma and clinical services	369,430,437.70	191,998,703.56	48.03%	78.13%	46.21%	11.35%
By region						
China	4,183,507,491.19	2,077,422,009.59	50.34%	23.26%	21.25%	0.82%
Overseas	145,581,137.31	51,028,506.29	64.95%	-16.17%	-28.98%	6.32%
By sales mode						
Direct sales	4,329,088,628.50	2,128,450,515.88	50.83%	21.34%	19.23%	0.87%

The main business data of the Company for the previous one year, adjusted according to the statistical caliber at the end of the reporting period if the statistical caliber for the main business data of the Company was adjusted in the reporting period

Applicable  Not Applicable

Unit: RMB

	Operating income	Operating costs	Gross margin	Variance in operating income compared with the same period in the previous year	Variance in operating costs compared with the same period in the previous year	Variance in gross margin compared with the same period in the previous year
<b>By industry</b>						
Technical services	3,567,712,761.65	1,785,116,400.94	49.96%	12.08%	10.84%	0.56%
<b>By product</b>						
Trade assurance	479,649,797.53	149,689,249.01	68.79%	10.49%	6.73%	1.10%
Consumer goods testing	401,810,285.54	227,183,832.56	43.46%	-5.35%	11.68%	-8.62%
Industrial testing	696,228,126.21	374,149,986.12	46.26%	23.87%	11.35%	6.04%
Life science	1,782,628,959.60	902,774,464.90	49.36%	11.01%	9.52%	0.69%
Pharma and clinical services	207,395,592.77	131,318,868.35	36.68%	32.30%	23.35%	4.59%
<b>By region</b>						
China	3,394,052,361.45	1,713,269,629.53	49.52%	9.83%	8.87%	0.44%
Overseas	173,660,400.20	71,846,771.41	58.63%	86.79%	95.18%	-1.78%
<b>By sales mode</b>						
Direct sales	3,567,712,761.65	1,785,116,400.94	49.96%	12.08%	10.84%	0.56%

Reason for changing statistical caliber

According to its future development strategy, in this reporting period the Company split Pharma and Clinical Services from the Life Science segment and identified it as a separate segment. Therefore, the original four business segments have been changed to five business segments, namely: Trade Assurance, Consumer Goods Testing, Industrial Testing, Life Science and Pharma and Clinical Services. This is intended to help investors better understand the Company's business development.

### **(3) The Company's revenues from physical sales are greater than its service revenues**

Yes  No

**(4) Performance of major sales contracts or major procurement contracts signed by the Company as of this reporting period**

Applicable  Not Applicable

**(5) Composition of operating costs**

Industry category

Unit: RMB

Industry category	Item	2021		2020		Year-on-year variance
		Amount	Percentage of operating income	Amount	Percentage of operating income	
Technical services	Employee remuneration	863,399,217.24	40.56%	710,827,435.26	39.82%	21.46%
Technical services	Depreciation and amortization costs	328,820,920.76	15.45%	245,534,982.18	13.75%	33.92%
Technical services	Outsourcing expenses	238,618,460.93	11.21%	222,872,211.23	12.49%	7.07%
Technical services	Laboratory consumables	268,818,363.90	12.63%	204,074,165.47	11.43%	31.73%
Technical services	Rents and utilities	96,936,375.81	4.55%	128,431,584.79	7.19%	-24.52%
Technical services	Others	331,857,177.23	15.59%	273,376,022.01	15.31%	21.39%
Total		2,128,450,515.87	100.00%	1,785,116,400.94	100.00%	19.23%

Note

N/A.

**(6) The consolidation scope was changed in the reporting period**

Yes  No

**(I) Business combination not under the same control**

**1. Business combination not under the same control incurred in the current period**

Name of acquiree	Date of acquiring equity	Cost of equity acquisition	Equity ratio acquired (%)	Method of equity acquisition	Purchase date	Determination basis of purchase	Revenues of the acquiree from the purchase date to the end of the	Net profits of the acquiree from the purchase date
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						date	period	to the end of the period
imat-uve gmbh	December 6, 2021	144,904,274.37	90.00	Purchase with cash	December 6, 2021	Acquisition of control	11,585,838.17	839,488.19
How-To Consulting (Shanghai) Co., Ltd.	January 1, 2021	19,200,000.00	60.00	Purchase with cash	January 1, 2021	Acquisition of control	42,371,576.03	7,209,406.84

## 2. Merger costs and goodwill

Merger costs	Imat-Uve Gmbh	How-To Consulting (Shanghai) Co., Ltd.
Cash	135,831,543.05	19,200,000.00
Fair value of non-cash assets		
Fair value of debts issued or assumed		
Fair value of equity securities issued		
Fair value of contingent consideration	9,072,731.32	
Fair value on the purchase date of equity held prior to the purchase date		9,600,000.00
Others		
Total merger costs	144,904,274.37	28,800,000.00
Less: Fair value of identifiable net assets obtained	24,131,751.30	2,555,189.92
Goodwill/amount of merger costs lower than the fair value of identifiable net assets acquired	120,772,523.07	26,244,810.08

### (1) Determination of the fair value of merger costs and description of contingent consideration and its changes

The fair value of merger costs shall be comprehensively determined subject to the cash actually paid and contingent consideration.

### (2) Main reason for the formation of a large goodwill value

The amount of the fair value of merger costs greater than the fair value of identifiable net assets acquired by the acquiree in the merger.

## 3. Identifiable assets and liabilities of the acquiree on the purchase date

Item	imat-uve gmbh		How-To Consulting (Shanghai) Co., Ltd.	
	Fair value on the purchase date	Book value on the purchase date	Fair value on the purchase date	Book value on the purchase date
Monetary fund	5,794,673.10	5,794,673.10	5,325,475.89	5,325,475.89
Receivables	27,736,337.02	27,736,337.02	10,265,609.91	10,265,609.91
Advances	789,539.16	789,539.16	201,126.53	201,126.53
Other receivables	8,266,570.05	8,266,570.05	1,628,801.37	1,628,801.37

Inventories	4,242,319.05	4,242,319.05		
Other current asset	31,867.99	31,867.99	39,530.00	39,530.00
Long-term receivables	145,696.61	145,696.61		
Fixed assets	15,160,888.21	15,160,888.21	968,038.23	968,038.23
Construction in process			629,513.62	629,513.62
Right-of-use assets	13,515,162.20	13,515,162.20		
Intangible assets	198,404.43	198,404.43	258,647.86	258,647.86
Long-term deferred expenses	6,269,906.46	6,269,906.46	470,542.67	470,542.67
Deferred income tax assets	1,376,588.86	1,376,588.86		
Other non-current assets			706,000.00	706,000.00
Less: Short-term borrowings	2,804,027.47	2,804,027.47		
Payables	2,988,903.07	2,988,903.07	4,696,772.79	4,696,772.79
Contract liabilities	6,274,257.26	6,274,257.26	976,822.08	976,822.08
Payroll payable	2,749,324.88	2,749,324.88	2,611,582.88	2,611,582.88
Taxes payable	2,044,683.43	2,044,683.43	642,839.26	642,839.26
Other payables	12,997,776.03	12,997,776.03	7,306,619.20	7,306,619.20
Non-current liabilities due within one year	5,595,729.75	5,595,729.75		
Long-term borrowings	13,900,904.85	13,900,904.85		
Lease liabilities	7,359,289.38	7,359,289.38		
Deferred income tax liabilities				
Net assets	26,813,057.02	26,813,057.02	4,258,649.87	4,258,649.87
Less: Minority equity	2,681,305.72	2,681,305.72	1,703,459.95	1,703,459.95
Net assets acquired	24,131,751.30	24,131,751.30	2,555,189.92	2,555,189.92

#### 4. Gains or losses of the equity held before purchase date that is re-measured by fair value

Acquiree	Book value of the equity held before purchase date on purchase date	Fair value of the equity held before purchase date on purchase date	Gains or losses of the equity held before purchase date that is re-measured by fair value	Determination method of fair value of the equity held before purchase date on purchase date and main assumptions	Amount of other comprehensive income related to the equity originally held and transferred to investment income before purchase date

How-To Consulting (Shanghai) Co., Ltd.	2,345,194.61	9,600,000.00	7,254,805.39	It is determined by dividing the equity transfer price by the equity transfer ratio and multiplying it by the original shareholding ratio before purchase date.
Total	2,345,194.61	9,600,000.00	7,254,805.39	

## (II) Business combination under the same control

### 1. Business combination under the same control incurred in the current period

There is no business combination under the same control incurred in the current period.

### 2. Disposal of subsidiaries

There is no disposal of subsidiaries in the current period.

### 3. Changes of merger scope for other reasons

New subsidiaries of the Company include: CTI Germany Management GmbH, CTI Germany Holding GmbH & Co. KG, Maritec (Shanghai) Co., Ltd., Zhengzhou CTI Medlab Co., Ltd., Qingdao CTI Medical Laboratory Co., Ltd., Tianjin CTI Medical Laboratory Co., Ltd., Suzhou CTI Medical Laboratory Co., Ltd., Kunming CTI Medical Laboratory Co., Ltd., Beijing CTI Medical Laboratory Co., Ltd., Shanghai CTI Aiyuan Medical Laboratory Co., Ltd., Jiangxi Application CTI Testing Co., Ltd., Centre Testing International (Tibet) Co., Ltd., CTI Guoruan Technical Service (Nanjing) Co., Ltd., Southern Pinbiao Centre Testing International (Shenzhen) Co., Ltd., CTI Pindong Testing (Shanghai) Co., Ltd., and Southern Pinbiao Centre Testing International (Beijing) Co., Ltd.

Subsidiaries canceled by the Company include: Shenzhen CTI Occupational Health Outpatient Department, CTI Biotechnology (Suzhou) Co., Ltd., Huayi Testing and Certification (Shenzhen) Co., Ltd. and Tianjin Jinbin CTI Product Testing Center Co., Ltd.

## (7) Significant changes or adjustments to the business, products or services of the Company during the reporting period

Applicable  Not Applicable

## (8) Main sales accounts and suppliers

Main sales accounts of the Company

Total sales amount of top five customers of the Company (RMB)	145,519,719.16
Total sales amount of top five customers as percentage in total annual sales amount	3.36%
Sales amount of related parties in sales amount of top five customers as percentage in total annual sales amount	0.00%

Information on top five customers of the Company

No.	Customer name	Sales amount (RMB)	As percentage in total annual sales amount
1	Customer I	59,439,407.43	1.37%
2	Customer II	30,209,857.52	0.70%
3	Customer III	22,529,715.87	0.52%
4	Customer IV	19,206,125.49	0.44%
5	Customer V	14,134,612.85	0.33%
Total	--	145,519,719.16	3.36%

Other information of main customers

 Applicable  Not Applicable

Main suppliers of the Company

Total purchase amount of top five suppliers of the Company (RMB)	272,890,901.45
Total purchase amount of top five suppliers as percentage in total annual purchase amount	14.16%
Purchase amount of related parties in purchase amount of top five suppliers as percentage in total annual purchase amount	0.00%

Information on top five suppliers of the Company

No.	Supplier name	Purchase amount (RMB)	Percentage in total annual purchase amount
1	Guangdong Xudong Construction Engineering Co., Ltd.	77,105,733.77	4.00%
2	Shenzhen Top One Automobile Rental Co., Ltd.	67,755,971.67	3.52%
3	Sinopharm Guangdong Medical Device Supply Chain Co., Ltd.	63,477,531.51	3.29%
4	Shanghai Jiuan Construction Group Co., Ltd. Qingdao Branch	37,492,297.94	1.95%
5	Xinshi Construction Group Co., Ltd.	27,059,366.56	1.40%
Total	--	272,890,901.45	14.16%

Other information of main suppliers

 Applicable  Not Applicable

### 3. Expenses

Unit: RMB

	2021	2020	Year-on-year	Explanations for significant changes
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			variance	
Selling expenses	768,973,995.12	667,765,014.41	15.16%	
Administrative expenses	275,559,823.79	235,133,917.95	17.19%	
Financial expenses	11,707,346.93	11,422,846.70	2.49%	
R&D expenses	375,974,472.79	308,228,794.04	21.98%	
Taxes and surcharges	22,521,015.48	18,261,380.62	23.33%	

#### 4. R&D investment

√ Applicable □ Not Applicable

Name of main R&D project	Project purpose	Progress	Intended goal	Expected impact on the Company's future development
Mixed gas corrosion test chamber	To research and develop advanced detection devices and detection methods, and protect related technologies in the form of intellectual property rights	Authorized 202023191121.9	To obtain patent licensing	Improved corporate competitiveness
A xenon lamp aging testing chamber	To research and develop advanced detection devices and detection methods, and protect related technologies in the form of intellectual property rights	Authorized 202023193053.X	To obtain patent licensing	Improved industrial position
A high-temperature aging tester for LED products	To research and develop advanced detection devices and detection methods, and protect related technologies in the form of intellectual property rights	Authorized 202023192247.8	To obtain patent licensing	Improved industrial position
Exhaust gas sampling device for severe cold	To research and develop advanced detection devices and	Authorized 202023193089.8	To obtain patent licensing	Improved corporate competitiveness

regions	detection methods, and protect related technologies in the form of intellectual property rights			
Energy recovery device and battery test system	To research and develop advanced detection devices and detection methods, and protect related technologies in the form of intellectual property rights	Authorized 202021961570.4	To obtain patent licensing	Improved corporate competitiveness
Self-aligning adapter for tensile tester	To research and develop advanced detection devices and detection methods, and protect related technologies in the form of intellectual property rights	Authorized 202021504531.1	To obtain patent licensing	Improved industrial position
Detection of dihydropyridine in feed by GC-MS	To research and develop advanced detection devices and detection methods, and protect related technologies in the form of intellectual property rights	Authorized 201711353136	To obtain patent licensing	Improved industrial position
A primary screening method for chemical oxygen demand of chlorinated wastewater	To research and develop advanced detection devices and detection methods, and protect related technologies in the form of intellectual property rights	Authorized 201810148662.1	To obtain patent licensing	Improved industrial position
Meat and meat products - Determination of L-(+)-glutamic acid content - Reference	To innovate detection methods	International standard, issued	To expand Chinese influence in international standards	Good understanding of international rules, increased national right of speech in foreign trade

method				
Meat and meat products — Determination of total phosphorous content	To innovate detection methods	International standard, issued	To expand Chinese influence in international standards	Good understanding of international rules, increased national right of speech in foreign trade
Consumer goods safety – Guidelines for characterization and exposure assessment of chemical hazard	To improve system of standards	National standard, issued	To guide safety evaluation of consumer goods	Enhanced brand credibility
Professional sportswear – Ski and snowboard wear	To improve system of standards	National standard, issued	To provide technical support for winter sports	Enhanced brand credibility
General specification of inspection robots for large industrial pressure equipment	To improve system of standards	National standard, issued	To specify general regulations on industrial robots	Enhanced brand credibility
Snowboard plate-bindings – Requirements and test methods	To innovate detection methods	National standard, issued	To provide technical support for winter sports	Enhanced brand credibility
Touring ski-boots for adults – Interface with touring ski-bindings – Requirements and test methods	To innovate detection methods	National standard, issued	To provide technical support for winter sports	Enhanced brand credibility
Protective equipment for use in ice hockey – Part 5: Neck laceration protectors for ice hockey players	To improve system of standards	National standard, issued	To provide technical support for winter sports	Enhanced brand credibility

Test method for scratch resistance of ultrathin glass	To innovate detection methods	National standard, issued	To specify a test method for construction materials	Enhanced brand credibility
Performance evaluation methods of mobile household robots	To innovate detection methods	National standard, issued	To specify the performance evaluation of household robots	Enhanced brand credibility
Dual arm industrial robots – Performance and related test methods	To innovate detection methods	National standard, issued	To specify the performance evaluation of industrial robots	Enhanced brand credibility
Intelligent laboratory – Information management system – functional requirements	To improve system of standards	National standard, issued	To specify functional requirements for intelligent laboratories	Enhanced brand credibility; support for digital transformation
Development of enterprises' energy-use right certification project tracking and service system	To improve technical service efficiency	Research results obtained	System serving the goals on carbon neutrality and peak carbon emissions	Improved service capabilities in carbon emissions field
Research on efficiency improvement through application of big data mining technology to pantograph and rail wheel detection	To improve technical service efficiency	Research results obtained	Technology application in rail transit field	Improved service capabilities in rail transit field
8MW2311 Preclinical safety evaluation and pharmacokinetic study	To enhance technical service performance	Research results obtained	Preclinical safety evaluation method for new drugs	Improved service capabilities in preclinical safety evaluation and pharmacokinetics of new drugs

Application of predatory insects to pesticide registration and testing and related research	To enhance technical service performance	Research results obtained	To expand testing capacity in pesticide registration	Expanded technical capabilities in pesticide registration and testing field
Development of CTI e-signature system for inspection services	To improve technical service efficiency	Research results obtained	E-signature technology	Expanded service capabilities in digital field; leadership in digital development of the industry
Study on efficacy of cosmetic product claims	To enhance technical service performance	Research results obtained	Cosmetic efficacy evaluation technology	Expanded service capabilities in cosmetic efficacy field; increased industrial influence
Development of information system for cosmetics registration and filing inspection	To improve technical service efficiency	Research results obtained	Cosmetics information system	Enhanced information-based operations in cosmetics field; leadership in information-powered development of the industry
R&D of geological disaster structure monitoring and early warning system	To enhance technical service performance	Research results obtained	Geological disaster early warning system	Improved earning warning capabilities in geological disaster field, securing technical support for protecting people's life safety
R&D and application of integrated inspection and testing service platform for emerging industries	To improve the service efficiency of the entire inspection and testing industry	In progress	Project under the national key R&D program of the Ministry of Science and Technology – R&D and Application Demonstration of Key Technologies for Generic Services in Modern Service Industry	Establishment of a public service platform for the inspection and testing industry; improved online service performance in the industry

R&D professionals in the Company

	2021	2020	Variance
Number of R&D professionals	1,601	1,519	5.40%
Proportion of R&D professionals	14.44%	15.09%	-0.65%

R&D professionals' education background			
Bachelor's degree	949	856	10.86%
Master's degree	191	224	-14.73%
Others	461	439	5.01%
Composition of R&D professionals by age			
Below 30	802	697	15.06%
30-40	711	746	-4.69%
Above 40	88	76	15.79%

R&D investment by the Company in the past three years and its proportion to operating income

	2021	2020	2019
Amount of R&D investment (RMB)	375,974,472.79	308,228,794.04	300,589,399.68
R&D investment as percentage in operating income	8.68%	8.64%	9.44%
Amount of capitalized R&D expenditures (RMB)	0.00	0.00	0.00
Capitalized R&D expenditures as percentage in R&D investment	0.00%	0.00%	0.00%
Capitalized R&D expenditures as percentage in net profits of the current period	0.00%	0.00%	0.00%

Reasons for and impacts of significant changes in the composition of R&D professionals

Applicable  Not Applicable

Reasons for the significant changes in the proportion of total R&D investment to operating income compared with the previous year

Applicable  Not Applicable

Reasons and rationality explanation for significant changes in the capitalization rate of R&D investment

Applicable  Not Applicable

## 5. Cash flow

Unit: RMB

Item	2021	2020	Year-on-year variance
Subtotal of cash inflows from operating activities	4,515,607,217.60	3,974,110,260.31	13.63%
Subtotal of cash outflows	3,442,994,475.43	3,043,157,293.42	13.14%

from operating activities			
Net cash flow from operating activities	1,072,612,742.17	930,952,966.89	15.22%
Subtotal of cash inflows from investment activities	3,253,683,097.80	2,524,776,731.09	28.87%
Subtotal of cash outflows from investment activities	3,374,919,460.77	3,461,656,384.56	-2.51%
Net cash flow from investment activities	-121,236,362.97	-936,879,653.47	87.06%
Subtotal of cash inflows from financing activities	60,177,304.40	386,961,515.44	-84.45%
Subtotal of cash outflows from financing activities	408,046,896.70	319,471,380.52	27.73%
Net cash flow from financing activities	-347,869,592.30	67,490,134.92	-615.44%
Net increase in cash and cash equivalents	598,110,728.00	53,081,022.17	1,026.79%

Description of main influencing factors of year-on-year significant changes in relevant data

Applicable  Not Applicable

[Net cash flow from investment activities]: It has a year-on-year increase of 87.06%, mainly due to an increase in the amount applied to redeem money management products in the current period compared with the same period in the previous year.

[Subtotal of cash inflows from financing activities]: It shows a year-on-year decrease of 84.45%, mainly due to a drop in new borrowings in the current period compared with the same period in the previous year.

[Net cash flow from financing activities]: It has a year-on-year decrease of 615.44%, mainly due to a drop in new borrowings and an increase in the amount paid to acquire minority shareholders' equity in the current period.

[Net increase in cash and cash equivalents]: It has a year-on-year growth of 1026.79%, mainly due to the combined impact of the operating activities, investment activities and financing activities above.

Description of reasons for the significant difference between the net cash flow from operating activities of the Company and the net profits for the current year during the reporting period

Applicable  Not Applicable

## V. Non-main business

Applicable  Not Applicable

Unit: RMB

	Amount	Percentage in total profit	Cause description	Whether it is sustainable
Investment income	37,589,917.82	4.42%		No
Gain or loss from	19,608,183.48	2.31%	It mainly includes an	No

changes in fair value			increase in financial assets held for trading (income from wealth management products) over the same period last year.	
Asset impairment	-2,452,581.37	-0.29%	It is mainly due to the effect of the provision made for loss of impairment in contract assets.	No
Non-operating income	5,310,935.09	0.63%	It is mainly due to the fact that Huaan won in the case versus Leng Xiaoqi and the estimated liabilities of RMB 1.99 million accrued in previous years are reversed in the current period.	No
Non-operating expenses	5,929,525.29	0.70%	It is mainly due to the one-time renovation and restoration compensation for leased houses in the current period.	No
Other incomes	85,252,973.49	10.04%		No
Credit impairment loss ("-" for loss)	-35,996,620.78	-4.24%	It is mainly due to the effect of the provisions made for losses of impairment in accounts receivable.	No
Asset disposal Income ("-" for loss)	259,673.92	0.03%	It is mainly due to the decline in income from long-term asset disposal.	No

#### IV. Assets and liabilities

##### 1. Significant changes in asset composition

Unit: RMB

	End of 2021		Beginning of 2021		Variance in percentage	Notes on significant changes
	Amount	Percentage in total assets	Amount	Percentage in total assets		

Monetary fund	1,163,194,111.62	17.96%	560,617,641.58	9.95%	8.01%	It is mainly due to the Company's improvement of capital liquidity management and optimization of capital structure in the current period.
Accounts receivable	1,023,426,752.28	15.80%	758,173,539.15	13.46%	2.34%	It is mainly due to the Company's cycle of settlement with project-based and governmental customers.
Contract assets	137,821,410.86	2.13%	103,297,161.09	1.83%	0.30%	It is mainly due to an increase in the inspection services completed but not settled with project-based customers compared with the beginning of the year.
Inventories	55,375,076.19	0.86%	32,339,457.78	0.57%	0.29%	It is mainly due to an increase in the unit cost of experimental animals for the CRO product line compared with the beginning of the year.
Investment real estate	33,059,123.19	0.51%	33,930,353.64	0.60%	-0.09%	-
Long-term equity investment	215,608,164.88	3.33%	118,068,367.89	2.10%	1.23%	It is mainly due to the newly added affiliates Shanghai Fairyland and Beijing GQC.
Fixed assets	1,456,976,877.26	22.50%	1,418,322,366.18	25.17%	-2.67%	-
Construction in progress	360,955,910.73	5.57%	212,138,027.61	3.76%	1.81%	It is mainly due to: 1) the continuous investment in Northern Testing Base increased by RMB 76.97 million compared with the beginning of the year; 2) the new investment in the Qingdao Testing Base was RMB 37.55 million; 3) the continuous investment in Central China Testing Base increased by RMB 35.92 million compared with the beginning of the year; 4) and the continuous investment in Northern Testing Base increased by RMB 17.88 million from the beginning of the year.
Right-of-use assets	292,243,323.44	4.51%	188,176,090.55	3.34%	1.17%	It is mainly due to an increase in operating leases to which the new lease standards apply in the current

						period.
Short-term borrowings	4,746,245.60	0.07%	160,154,305.56	2.84%	-2.77%	It is mainly due to the Company's repayment of due loans in the current period.
Contract liabilities	118,246,096.02	1.83%	75,179,931.49	1.33%	0.50%	It is mainly due to an increase in advance payment for the unfinished CRO product line compared with the beginning of the year.
Long-term borrowings	42,867,074.36	0.66%	84,823,699.31	1.51%	-0.85%	It is mainly due to the repayment of the long-term borrowings by Centre Testing International (Hong Kong) Co., Ltd.
Lease liabilities	217,206,715.05	3.35%	131,304,149.38	2.33%	1.02%	It is mainly due to an increase in operating leases to which the new lease rules apply in the current period.
Financial assets held for trading	420,840,936.13	6.50%	1,001,604,472.72	17.78%	-11.28%	It is mainly due to the redemption of due wealth management products.
Notes receivable	9,895,893.18	0.15%	21,430,570.22	0.38%	-0.23%	It is mainly due to the acceptance of due notes.
Advance payment	28,128,409.28	0.43%	44,899,553.08	0.80%	-0.37%	It is mainly due to a decrease in the Company's advance payment for experiment consumables, outsourcing fees and other items at the end of the period compared with the beginning of the year.
Goodwill	589,129,815.32	9.10%	442,112,482.14	7.85%	1.25%	In the current period, the Company acquired 60% equity of How-To Consulting (Shanghai) Co., Ltd. to increase its goodwill by RMB 26.24 million and CTI Germany Holding GmbH & Co. KG acquired 90% stake in imat-uve gmbh to increase its goodwill by RMB 120.77 million.
Other payables	166,640,692.41	2.57%	99,400,072.98	1.76%	0.81%	It is mainly due to the reception of RMB 42.73 million for employees' subscription of public rental housing by Centre Testing International Pinzheng (Shanghai) Co., Ltd.
Non-current liabilities due	135,344,400.68	2.09%	82,294,577.32	1.46%	0.63%	It is mainly due to an increase in operating leases to which the new

within one year						lease rules apply in the current period.
Capital reserve	186,693,947.13	2.88%	113,431,570.48	2.01%	0.87%	The exercise of incentives associated to the equity of the Company increased capital reserve in the current period.
Undistributed profit	2,362,107,773.22	36.47%	1,771,832,899.47	31.44%	5.03%	It is mainly due to increased profit as a result of sound profitability of the Company.

Foreign assets account for a large proportion

Applicable  Not Applicable

## 2. Assets and liabilities measured at fair value

Applicable  Not Applicable

Unit: RMB

Item	Beginning balance	Gain/loss from changes in fair value in the current period	Accumulated changes in fair value recognized in equity	Impairment provided for in the current period	Purchase amount in the current period	Sale amount in the current period	Other changes	Ending balance
Financial asset								
1. Financial assets held for trading (excluding derivative financial assets)	1,001,604,472.72	17,365,802.90	18,970,275.62	0.00	2,580,000,000.00	3,183,110,560.98	4,981,221.49	420,840,936.13
2. Other non-current financial assets	47,294,000.00	2,692,834.28	2,692,834.28			13,843,034.10		36,143,800.18
Total of items above	1,048,898,472.72	20,058,637.18	21,663,109.90		2,580,000,000.00	3,196,953,595.08	4,981,221.49	456,984,736.31

tioned								
Financial liabilities	0.00							0.00

Other changes

N/A.

The measurement attribution of the Company's main assets in the reporting period was significantly changed

Yes  No

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

Item	Balance	Reason for restriction
Monetary fund	22,061,288.73	Security, fund in litigation-limited accounts and limited amount of account
Total	22,061,288.73	

## V. Investment analysis

### 1. General

Applicable  Not Applicable

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

Applicable  Not Applicable

Unit: RMB

Investee name	Main business	Investment method	Investment amount	Shareholding ratio (%)	Source of funds	Partner	Term of investment	Product type	Progress as at the balance sheet date	Expected earnings	Gain/loss from investment in the current period	Litigation involving or not	Date of disclosure (if any)	Index of disclosure (if any)
imat-ue gmbh	Motor vehicle testing services	Acquisition	144,904,274.37	90.00%	Own funds	Imat-ue group GmbH	Long-term	Testing services	Acquisition completed	0.00	839,488.19	No	December 8, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

Total	--	--	144,904,274.37	--	--	--	--	--	--	0.00	839,488.19	--	--	--
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### 3. Significant non-equity investment in progress during the reporting period

Applicable  Not Applicable

### 4. Financial assets measured at fair value

Applicable  Not Applicable

### 5. Utilization of raised funds

Applicable  Not Applicable

#### (1) Overall utilization of raised funds

Applicable  Not Applicable

Unit: RMB 10,000

Year of raising	Raising method	Total amount of funds raised	Total amount of raised funds used in the current period	Total amount of raised funds used	Total amount of raised funds changed in purpose of use during the reporting period	Total amount of raised funds changed in purpose of use	Total amount of raised funds changed in purpose of use as percentage	Total amount of raised funds yet to be used	Purpose of raised funds yet to be used and their allocation	Amount of raised funds left idle for more than two years
2016	Issue RMB ordinary shares to 5 specific investors through private placement	90,521.38	21,225.29	90,473.78	0	46,169.82	51.00%	8,175.43	Raised funds yet to be used are deposited in the special bank account for	0

	nts								raised funds	
合计	--	90,521.38	21,225.29	90,473.78	0	46,169.82	51.00%	8,175.43	--	0
Overall utilization of raised funds										
<p>(I) Amount of actually raised funds and time of being credited into account</p> <p>Approved by the China Securities Regulatory Commission in the <i>Reply on Approval of Private Placement by Centre Testing International Group Co., Ltd.</i> (ZJXK [2016] No. 1500), and agreed by your company, the Company issued RMB 71,539,657 ordinary shares (A share) to 5 specific investors through private placements in September 2016 at the issue price of RMB 12.86/share, raising RMB 919,999,989.02 in total. The amount of RMB 906,899,989.13 after deduction of the underwriting and sponsoring fees, i.e., RMB 13,099,999.89, was transferred by the underwriter, Changjiang Financing Services Co., Ltd., to the regulatory account for raised funds of the Company on September 29, 2016. And after deducting the new external expenses directly related to the issuance of equity securities, i.e., RMB 1,686,200.00, including the expenses for internet issues, printing of prospectus, reporting accountant, attorneys and assessment, the net funds raised in this placement by the Company was RMB 905,213,789.13. The availability of the raised funds above was verified by Pan-China Certified Public Accountants LLP, which issued the <i>Capital Verification Report</i> (TJY [2016] No. 3-133).</p> <p>(II) Use and balance of raised funds</p> <p>The accumulated amount of raised funds used by the Company in previous years reached RMB 692,484,905.16, and the accumulated net amount of bank deposit interests received in the previous years was RMB 74,693,858.86 after deduction of bank charges, etc. The amount of raised funds actually used in 2021 was RMB 212,252,948.06. The net amount of bank deposit interests received in 2021 was RMB 6,584,491.22 after deduction of bank charges, etc. As of December 31, 2021, the accumulated amount of raised funds used reached RMB 904,737,853.22, and the accumulated net amount of bank deposit interests received was RMB 81,278,350.08 after deduction of bank charges, etc.</p> <p>As of December 31, 2021, the balance of raised funds deposited in the special bank account for raised funds was RMB 81,754,285.99 (including the accumulated net amount of bank deposit interests after deduction of bank charges, etc.).</p>										

## (2) Committed projects using raised funds

√ Applicable □ Not Applicable

Unit: RMB 10,000

Investment projects committed and arrangement for over-raised funds	Whether the project is changed (including partial change)	Total amount of raised funds committed to be invested	Total investment after adjustment (1)	Amount invested in the current reporting period	Total amount invested by the end of the period (2)	Investment progress at the end of the period (3) = (2)/(1)	Date when the project reaches expected service condition	Benefits generated in the current reporting period	Total benefits generated by the end of reporting period	Whether expected benefits are generated	Whether there are significant changes in project feasibility
Committed investment projects											

Phase I of CTI East China Comprehensive Testing Base (Shanghai)	Yes	44,276.76	30,276.76		32,498.63	107.34%	March 31, 2020	1,335.29	2,051.92	Not applicable	No
Phase II of CTI East China Testing Base (Suzhou)	Yes	21,646.42	12,646.42		14,066.41	111.23%	August 31, 2020	2,700.16	4,966.59	Not applicable	No
Construction of information-based system and data center	Yes	14,758.92	1,384.86	75.76	1,546.32	111.66%	March 31, 2021	-	-	Not applicable	No
Product authenticity and traceability testing platform based on stable isotope	Yes	5,903.57	43.52		43.52	100.00%	December 31, 2019	-	-	Not applicable	No
High throughput gene testing platform	Yes	3,935.71				0.00%	December 31, 2018	-	-	Not applicable	No
Establishment of Southern Testing Base	No		11,574.06	8,614.83	14,502.16	125.30%	December 31, 2021	-	-	Not applicable	No
Establishment of	No		15,800	4,457.59	12,071.27	76.40%	December 31,	-	-	Not applic	No

Northern Testing Base							2022			able	
Establishment of Central China Testing Base	No		9,795.76	4,037.09	9,478.27	96.76%	December 31, 2022	-	-	Not applicable	No
Establishment of Qingdao Testing Base	No		9,000	4,040.02	6,267.27	69.64%	December 31, 2025	-	-	Not applicable	No
Subtotal of committed investment projects	--	90,521.38	90,521.38	21,225.29	90,473.78	--	--	4,035.45	7,018.51	--	--
Arrangement for over-raised funds											
N/A											
Total	--	90,521.38	90,521.38	21,225.29	90,473.78	--	--	4,035.45	7,018.51	--	--
Failure to achieve planned progress or expected benefits (by specific project) and its reason	<p>Note 1: Among the five projects under private placements in 2016, the projects "product authenticity and traceability testing platform based on stable isotope" and "high through-put gene testing platform" are terminated, and the remaining funds are invested in the establishment of Central China Testing Base. For details, please refer to the adjustment to the implementation mode of investment project funded by raised funds. "Phase I of CTI East China Comprehensive Testing Base (Shanghai)" and "Phase II of CTI East China Testing Base (Suzhou)" are gradually generating expected benefits. The Company has optimized the implementation plan for the "construction of information-based system and data center," and is advancing the project with its own funds.</p> <p>Note 2: In 2017, there was a change in the raised funds, namely, the deployment of funds for non-public projects of 2016 was adjusted. In 2020, there was a change in the raised funds. The Company transferred RMB 18,000,000 from the funds raised for the "construction of information-based system and data center" to fund the construction of the Northern Testing Base. For details, please refer to the adjustment to the implementation mode of investment project funded by raised funds. The "Southern Testing Base" project was completed as planned on December 31, 2021. The "Northern Testing Base" and "Central China Testing Base" projects are under capital construction.</p> <p>Note 3: In 2018, there was a change in the raised funds, namely, the deployment of funds for non-public projects of 2016 was adjusted, with the project under capital construction.</p>										
Notes on significant changes in project	Not applicable										

feasibility	
Amount, purpose and utilization of over-raised funds	Not applicable
Changes in implementation location of investment project funded by raised funds	Applicable
	Occurring in previous years
	At its 27 <sup>th</sup> Meeting held on May 20, 2019, the 4 <sup>th</sup> Board of Directors deliberated and adopted the <i>Proposal on Increasing the Implementation Location of Some Fund-raising Projects</i> , where it was agreed to establish "Phase II of CTI East China Testing Base (Suzhou)." Suzhou CTI Testing Technology Co., Ltd. was the implementer of "Phase II of CTI East China Testing Base (Suzhou)," a fundraising project of the Company, and the originally planned implementation location was at No. 3286, Chengyang Road, Xiangcheng District, Suzhou. On May 8, 2019, the implementor Suzhou CTI Testing Technology Co., Ltd. set up a branch company in Kunshan. In order to more effectively integrate the resources of subsidiaries, an implementation site was added, i.e., Zhihuixincheng Eco-industry Park, No. 1206, Jinyang East Road, Lujia Town, Kunshan City, to continue the joint implementation of the project.
Adjustment to implementation mode of investment project funded by raised funds	Applicable
	Occurring in previous years
	<p>The <i>Proposal on Changing the Purpose of Raised Funds</i> was deliberated and adopted at the 11<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Directors and the 8<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Supervisors held on August 23, 2017.</p> <p>Considering the Company's business expansion and industrial developments, and for the purpose of developing regional markets, the Company has planned to build regional testing centers in major cities across the country. Land use rights have been obtained in some regions, and the approval procedures with competent authorities are expected to be completed in the near future. Therefore, the Company is in high demand for capital. The funds raised in private placements of 2016 were available in September 2016. Some projects go well, while some are making slow progress, which leads to a great deal of idle raised funds. To increase the use efficiency of raised funds and reasonably allocate the resources of the Company, according to the <i>Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange</i>, the <i>Guidelines for the Standard Operation of Listed Companies for the ChiNext Board</i> and other applicable regulations, the Company has adjusted the deployment of funds for non-public projects of 2016, namely:</p> <ol style="list-style-type: none"> <li>1. Adjust the funds for "Phase I of CTI East China Comprehensive Testing Base (Shanghai)." Given the project's actual progress and capital requirements, the project fund of RMB 140,000,000 is adjusted to be used for the construction of the Northern Testing Base.</li> <li>2. Adjust the funds for "construction of information-based system and data center." Due to the long construction cycle of information projects, the project's capital demand is not large in the short term, resulting in a large amount of idle funds. To improve use efficiency, the Company has adjusted the use of some funds for the purpose of base construction according to the project's progress and schedule of capital use. The Company will continue the project stage by stage and meet subsequent capital demands with its own funds. RMB 115,740,600 is transferred from the project funds and invested in the construction of the Southern Testing Base.</li> </ol>

	<p>3. The projects "product authenticity and traceability testing platform based on stable isotope" and "high through-put gene testing platform" are terminated. The projects above are in the preliminary stage in the whole market, resulting in low market demand and small short-term capital demand. In order to improve use efficiency, the Company has used the remaining funds of RMB 97,964,800 to invest in the construction of the Central China Testing Base. (Due to the fact that two decimals are not retained in the announced data concerning the change of purpose during the reporting period, there is a difference of RMB 7,200 in the amount of change). The Company will use self-raised funds for subsequent capital demands according to project progress.</p> <p>4. The <i>Proposal on Changing the Purpose of Raised Funds</i> was deliberated and adopted at the 14<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Directors and the 11<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Supervisors held on April 26, 2018.</p> <p>Considering the requirement of base construction and the fund use arrangement for "Phase II of CTI East China Testing Base (Suzhou)," to increase the use efficiency of raised funds and reasonably allocate the resources of the Company, according to the <i>Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange</i>, the <i>Guidelines for the Standard Operation of Listed Companies for the ChiNext Board</i> and other applicable regulations, the Company has adjusted the deployment of funds for non-public projects of 2016, including the "Phase II of CTI East China Testing Base (Suzhou)." Based on the project's actual progress and capital requirements, the project funds of RMB 90,000,000 are adjusted to be used for the construction of the Qingdao Testing Base.</p> <p>5. The <i>Proposal on Changing the Purpose of Raised Funds</i> was deliberated and adopted at the 6<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors and the 6<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Supervisors held on August 17, 2020.</p> <p>According to the construction progress of investment projects funded by raised funds of the Company, to further increase efficiency in using raised funds and ensure that the raised funds are effectively used, the Company plans to transfer RMB 18,000,000 from the funds raised for the "construction of information-based system and data center" to fund the construction of the Northern Testing Base.</p>
<p>Upfront input in investment projects funded by raised funds and replacement</p>	<p>Applicable</p> <p>On December 6, 2016, the <i>Proposal on Replacing Self-financed Funds Already Available to Investment Project with Raised Funds</i> was deliberated and adopted at the 6<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Directors, where the Company was agreed to replace its own funds (RMB 45,366,400) previously invested in the project with raised funds. The above investment and replacement were audited by Pan-China Certified Public Accountants LLP, which issued the <i>Verification Report on Self-financed Funds of Centre Testing International Group Co., Ltd. Already Available to Investment Project</i> (TJS [2016] No. 3-624).</p>
<p>Temporary supplementation of working capital with idle raised funds</p>	<p>Not applicable</p>
<p>Balance of raised funds</p>	<p>Applicable</p> <p>As of March 31, 2020, the implementation of "Phase I of CTI East China Comprehensive Testing Base (Shanghai)" had been completed. The total committed investment of the project was RMB 302,767,600 and the total investment</p>

during project implementation and reason	<p>was RMB 324,836,700 (including the investment income and interest generated from cash management while the raised funds were deposited). In the account of raised funds, net of the last payment (RMB 149,900) for the project made on April 1, 2020, the remaining amount was RMB 5,630,600 (including interest income), representing 1.86% of the total committed investment to the project from raised funds. On April 17, 2020, the Company closed the investment project "Phase I of CTI East China Comprehensive Testing Base (Shanghai)," and applied in full the remaining amount of raised funds RMB 5,630,600 (including interest income, subject to the bank interest settlement on the date of transfer) to the project "Northern Testing Base" under construction, so as to meet future capital needs of the investment project.</p> <p>As of March 31, 2020, the "construction of information-based system and data center" had been completed. The total committed investment of the project was RMB 13,848,600 and the total investment was RMB 15,463,200 (including the investment income and interest generated from cash management while the raised funds were deposited). In the account of raised funds, the remaining amount was RMB 2,743,600 (including interest income), representing 19.81 % of the total committed investment to the project from raised funds. On April 17, 2020, the Company closed the investment project "construction of information-based system and data center," and applied in full the remaining amount of raised funds RMB 2,743.600 (including interest income, subject to the bank interest settlement on the date of transfer) to the project "Northern Testing Base" under construction, so as to meet future capital needs of the investment project.</p>
Purpose of raised funds yet to be used and their allocation	<p>The <i>Proposal on Continuing to Use Idle Raised Funds for Cash Management</i> was deliberated and approved at the 10<sup>th</sup> meeting of the 5<sup>th</sup> Board of Directors held on November 13, 2020, agreeing the Company to use an amount of no more than RMB 250,000,000 in temporarily idle raised funds for cash management without affecting the construction and normal production &amp; operation of the projects invested by the raised funds, to purchase wealth management products with high security, good liquidity and principal protection agreement. The amount eligible for cash management may be used in a rolling way within 12 months from the date of deliberation and approval by the General Shareholders' Meeting. The proposal above was deliberated and adopted at the 2<sup>nd</sup> Extraordinary General Shareholders' Meeting of 2020 held on December 1, 2020. As of November 30, 2021, the balance of temporarily idle raised funds upon the Company's use to purchase principal-guaranteed wealth management products was zero.</p> <p>As of December 31, 2021, the unused raised funds were deposited by the Company in a bank current account.</p>
Problems or other circumstances in the utilization and disclosure of raised funds	N/A.

### (3) Changes in projects funded by raised funds

Applicable  Not Applicable

Unit: RMB 10,000

Project	Original	Total	Actual	Total	Investme	Date	Benefits	Whether	Whether
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changed	project committe d	amount of raised funds to be invested in the changed project (1)	amount invested in the current reporting period	actual investmen t amount at the end of the period (2)	nt progress at the end of the period (3) = (2)/ (1)	when the project reaches expected serviceabl e condition	generated in the current reporting period	expected benefits are generated	there are significan t changes in the feasibility of the project changed
Establish ment of Southern Testing Base	Construct ion of informati on-based system and data center	11,574.06	8,614.83	14,502.16	125.30%	December 31, 2021	-	Not applicable	No
Establish ment of Northern Testing Base	East China Compreh ensive Testing Base (Shanghai )/Constru ction of informati on-based system and data center	15,800	4,457.59	12,071.27	76.40%	December 31, 2022	-	Not applicable	No
Establish ment of Central China Testing Base	Product authentici ty and traceabilit y testing platform based on stable isotope/hi gh through-p ut gene testing	9,795.76	4,037.09	9,478.2	96.76%	December 31, 2022	-	Not applicable	No

	platform								
Establishment of Qingdao Testing Base	Phase II of CTI East China Testing Base (Suzhou)	9,000	4,040.02	6,267.27	69.64%	December 31, 2025	-	Not applicable	No
Total	--	46,169.82	21,149.53	42,318.9	--	--	0	--	--

Notes on reasons, decision-making procedures and information disclosure (by specific project)	<p>I. The <i>Proposal on Changing the Purpose of Raised Funds</i> was deliberated and adopted at the 11<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Directors and the 8<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Supervisors held on August 23, 2017.</p> <p>Considering the Company's business expansion and industrial developments, and for the purpose of developing regional markets, the Company has planned to build regional testing centers in major cities across the country. Land use rights have been obtained in some regions, and the approval procedures with competent authorities are expected to be completed in the near future. Therefore, the Company is in high demand for capital. The funds raised in private placements of 2016 were available in September 2016. Some projects go well, while some are making slow progress, which leads to a great deal of idle raised funds. To increase the use efficiency of raised funds and reasonably allocate the resources of the Company, according to the <i>Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange</i>, the <i>Guidelines for the Standard Operation of Listed Companies for the ChiNext Board</i> and other applicable regulations, the Company has adjusted the deployment of funds for non-public projects of 2016, namely:</p> <ol style="list-style-type: none"> <li>1. Adjust the funds for "Phase I of CTI East China Comprehensive Testing Base (Shanghai)." Given the project's actual progress and capital requirements, the project fund of RMB 140,000,000 is adjusted to be used for the construction of the Northern Testing Base.</li> <li>2. Adjust the funds for "construction of information-based system and data center." Due to the long construction cycle of information projects, the project's capital demand is not large in the short term, resulting in a large amount of idle funds. To improve use efficiency, the Company has adjusted the use of some funds for the purpose of base construction according to the project's progress and schedule of capital use. The Company will continue the project stage by stage and meet subsequent capital demands with its own funds. RMB 115,740,600 is transferred from the project funds and invested in the construction of the Southern Testing Base.</li> <li>3. The projects "product authenticity and traceability testing platform based on stable isotope" and "high through-put gene testing platform" are terminated. The projects above are in the preliminary stage in the whole market, resulting in low market demand and small short-term capital demand. In order to improve use efficiency, the Company has used the remaining funds of RMB 97,964,800 to invest in the construction of the Central China Testing Base. (Due to the fact that two decimals are not retained in the announced data concerning the change of purpose during the reporting period, there is a difference of</li> </ol>
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	<p>RMB 7,200 in the amount of change). The Company will use self-raised funds for subsequent capital demands according to project progress.</p> <p>II. The <i>Proposal on Adjusting Details of Investment Projects</i> was deliberated and adopted at the 13<sup>th</sup> meeting of the 4<sup>th</sup> Board of Directors and the 10<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Supervisors held on November 30, 2017.</p> <p>To further improve the efficiency of fundraising and reduce the Company's cost of funding, in combination with the current equipment purchase needs of the Company's three testing bases, the Company increased an equipment purchase item, and set aside equipment purchase funds of RMB 36,000,000, RMB 34,000,000 and RMB 23,100,000 for the three bases, totaling RMB 93,100,000. The total amount of investment in the three testing bases remained unchanged. See details in the <i>Notice on Adjusting Details of Investment Projects</i>. The adjustment was deliberated and approved at the 3<sup>rd</sup> Extraordinary General Shareholders' Meeting of 2017.</p> <p>III. The <i>Proposal on Changing the Purpose of Raised Funds</i> was deliberated and adopted at the 14<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Directors and the 11<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Supervisors held on April 26, 2018.</p> <p>Considering the requirement of base construction and the fund use arrangement for "Phase II of CTI East China Testing Base (Suzhou)," to increase the use efficiency of raised funds and reasonably allocate the resources of the Company, according to the <i>Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange</i>, the <i>Guidelines for the Standard Operation of Listed Companies for the ChiNext Board</i> and other applicable regulations, the Company has adjusted the deployment of funds for non-public projects of 2016, including the "Phase II of CTI East China Testing Base (Suzhou)." Based on the project's actual progress and capital requirements, the project funds of RMB 90,000,000 are adjusted to be used for the construction of the Qingdao Testing Base. The adjustment was deliberated and approved at the Annual General Shareholders' Meeting of 2017.</p> <p>IV. The <i>Proposal on Changing the Purpose of Raised Funds</i> was deliberated and adopted at the 6<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors and the 6<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Supervisors held on August 17, 2020.</p> <p>According to the construction progress of investment projects funded by raised funds of the Company, to further increase efficiency in using raised funds and ensure that the raised funds are effectively used, the Company plans to transfer RMB 18,000,000 from the funds raised for the "construction of information-based system and data center" to fund the construction of the Northern Testing Base.</p> <p>The content above has been disclosed on <a href="http://cninfo.com.cn">cninfo.com.cn</a>, the information disclosure website designated by China Securities Regulatory Commission.</p>
<p>Failure to achieve planned progress or expected benefits (by specific project) and its reason</p>	<p>N/A</p>
<p>Notes on significant changes in the feasibility of the project changed</p>	<p>N/A</p>

## VIII. Sale of major assets and equity

### 1. Sale of major assets

Applicable  Not Applicable

The Company did not sell major assets in the reporting period.

### 2. Sale of major equity

Applicable  Not Applicable

## IX. Analysis of major holding and participating companies

Applicable  Not Applicable

Information on major subsidiaries and participating companies with an impact of more than 10% on net profits of the Company

Unit: RMB

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profits	Net profits
Shanghai CTI Pinbiao Testing Technology Co., Ltd.	Subsidiary	Provision of testing services	30,868,981.00	301,691,020.84	185,356,793.64	389,900,989.35	80,242,520.98	71,865,561.75
Shanghai CTI Pinchuang Medical Testing Co., Ltd.	Subsidiary	Provision of pharma and clinical services	319,546,000.00	430,977,938.02	220,781,595.30	367,999,371.08	81,206,050.23	75,366,428.63

Acquisition and disposal of subsidiaries in the reporting period

Applicable  Not Applicable

Company name	Method for acquisition and disposal of subsidiaries in the reporting period	Impact on overall production, operation and performance
CTI-CEM INTERNATIONAL LIMITED	Merger with business not under the same control	Its net profit in the current period recorded RMB - 156,300.
CTI Germany Management GmbH	Establishment	The new subsidiary is in the early stage of investment, with no expected significant impact on the Company's production, operation and performance.
CTI Germany Holding GmbH & Co. KG	Establishment	The new subsidiary is in the early stage of investment, with no expected

		significant impact on the Company's production, operation and performance.
imat-uve gmbh	Merger with business not under the same control	Its net profit in the current period recorded RMB 839,500.
IMAT-UVE AUTOMOTIVE TESTING CENTRE (PTY) LTD	Merger with business not under the same control	See the financial results of imat-uve gmbh for the year.
IMAT AUTOMOTIVE TECHNOLOGY SERVICES INC.	Merger with business not under the same control	See the financial results of imat-uve gmbh for the year.
IMAT AUTOMOTIVE TECHNOLOGY SERVICES MEXICO. S. DE R.L. DE C.V.	Merger with business not under the same control	See the financial results of imat-uve gmbh for the year.
imat (Shenyang) automotive technology Co., Ltd.	Merger with business not under the same control	See the financial results of imat-uve gmbh for the year.
Shanghai imat automotive technology service Co., Ltd.	Merger with business not under the same control	See the financial results of imat-uve gmbh for the year.
Maritec (Shanghai) Co., Ltd.	Establishment	The new subsidiary is in the early stage of investment, with no expected significant impact on the Company's production, operation and performance.
Zhengzhou CTIMedlab Medical Testing Institute Co., Ltd.	Establishment	The new subsidiary is in the early stage of investment, with no expected significant impact on the Company's production, operation and performance.
Qingdao CTI Medical Laboratory Co., Ltd.	Establishment	The new subsidiary is in the early stage of investment, with no expected significant impact on the Company's production, operation and performance.
Tianjin CTI Medical Laboratory Co., Ltd.	Establishment	The new subsidiary is in the early stage of investment, with no expected significant impact on the Company's production, operation and performance.
Suzhou CTI Medical Laboratory Co., Ltd.	Establishment	The new subsidiary is in the early stage of investment, with no expected significant impact on the Company's production, operation and performance.
Kunming CTI Medical Laboratory Co., Ltd.	Establishment	The new subsidiary is in the early stage of investment, with no expected significant impact on the Company's production, operation and performance.
Beijing CTI Medical Laboratory Co.,	Establishment	The new subsidiary is in the early stage

Ltd.		of investment, with no expected significant impact on the Company's production, operation and performance.
Shanghai CTI Aiyuan Medical Laboratory Co., Ltd.	Establishment	The new subsidiary is in the early stage of investment, with no expected significant impact on the Company's production, operation and performance.
How-To Consulting (Shanghai) Co., Ltd.	Merger with business not under the same control	Its net profit in the current period recorded RMB 7,209,400.
How-To Technology (Shanghai) Co., Ltd.	Merger with business not under the same control	See the financial results of How-To Consulting (Shanghai) Co., Ltd. for the year.
Jiangxi Application CTI Testing Co., Ltd.	Establishment	The new subsidiary is in the early stage of investment, with no expected significant impact on the Company's production, operation and performance.
Centre Testing International (Tibet) Co., Ltd.	Establishment	The new subsidiary is in the early stage of investment, with no expected significant impact on the Company's production, operation and performance.
CTI Guoruan Technical Service (Nanjing) Co., Ltd.	Establishment	The new subsidiary is in the early stage of investment, with no expected significant impact on the Company's production, operation and performance.
Southern Pinbiao Centre Testing International (Shenzhen) Co., Ltd.	Establishment	The new subsidiary is in the early stage of investment, with no expected significant impact on the Company's production, operation and performance.
CTI Pindong Testing (Shanghai) Co., Ltd.	Establishment	The new subsidiary is in the early stage of investment, with no expected significant impact on the Company's production, operation and performance.
Northern Pinbiao Centre Testing International (Beijing) Co., Ltd.	Establishment	The new subsidiary is in the early stage of investment, with no expected significant impact on the Company's production, operation and performance.
Shenzhen CTI Occupational Health Outpatient Department	Cancellation	Its net profit in the current period recorded RMB -500.
CTI Biotechnology (Suzhou) Co., Ltd.	Cancellation	Its net profit in the current period recorded RMB -600.
Huayi Testing and Certification	Cancellation	Its net profit in the current period

(Shenzhen) Co., Ltd.		recorded RMB -54,800.
Tianjin Jinbin CTI Product Testing Center Co., Ltd.	Cancellation	Its net profit in the current period recorded RMB 2,621,700.

#### Description of major holding and participating companies

Shanghai CTI Pinbiao Testing Technology Co., Ltd. is a wholly-owned subsidiary of CTI. Its business scope is: licensing items: inspection and testing services; foreign trade of goods; foreign trade of technologies; inspection and verification of import and export commodities; and certification services. (Other items subject to the approval by law should not be operated until authorities give such approval. Specific business items are subject to the approval documents or licenses from competent authorities.) General items: technical services, technical development, technical consultation, technical exchange, technology transfer, and technology promotion; laboratory testing technology and information consulting services; special-purpose electronic materials R&D; environmental protection testing; environmental consulting services; development of electromagnetic radiation control technology for power grid and information system; measurement services. (Except for the items subject to approval according to law, business activities shall be carried out independently according to the law and business licenses).

Shanghai CTI Pinchuang Medical Testing Co., Ltd. is a wholly-owned subsidiary of CTI. Its business scope is: general items: inspection and testing services, including testing technology and technical development, technical services, technology transfer, technical consulting in the field of biotechnology, and information technology consulting services. (Except for the items subject to approval according to law, business activities shall be carried out independently according to the law and business licenses).

## X. Structured entities controlled by the Company

Applicable  Not Applicable

## XI. Prospects for the future development of the Company

### (I) Development strategy for the future

In the new "dual circulation" development paradigm where domestic and foreign markets reinforce each other, with the domestic market as the mainstay, Chinese Speed, Made in China and Chinese Products will gradually transform and upgrade to Chinese Quality, Created in China, and Chinese Brands. This poses unprecedented development opportunities and challenges to the inspection and testing industry. Active in embracing changes, the Company adheres to sustainable development as its strategic direction, and has identified lean management, strategic investment, talent empowerment, and digital transformation and upgrading as development strategies. It aims to accelerate its internationalization course and improve ESG performance, committed to growing into a China-based, competitive international testing and certification body.

#### 1. Advance lean management for high-quality development

Along with the rapid development of China's inspection and testing industry, clustering has become inevitable. The main competitiveness in the industry lies in operational efficiency. Lean management is an important means of high-quality development for the Company, as a pioneer and leader in domestic third-party testing and certification services. It is determined to promote lean culture, in a bid to continuously improve its operational efficiency and profit margin.

2. Persist in strategic investment for expanded international influence

Considering the constant innovation of new technologies and industries such as new energy, new materials, high-end equipment, AI, and life health, emerging testing fields are expected to expand at a faster speed than conventional ones. The Company has increased investment in the fields of pharma and clinical services, new material testing, semiconductor chips, rail transit, new energy vehicles and Internet of Vehicles, and identified them as key growth pillars in the medium and long run. To seek international development and broader international influence, it continues to promote the strategic investment in overseas M&A, train and introduce international talent, build an international sales network, and engage in international standards.

3. Adhere to talent empowerment for higher sustainability

Talent and teams are the driving engine for the Company's development, as well as the key to victory in competitions. CTI endeavors to explore innovative talent management mechanisms. By introducing external industrial elites and investing in internal talent training, it intends to optimize performance appraisal and incentive mechanisms, and inspire employees' motivation and creativity, thus powering its own rapid growth.

4. Promote digital transformation for better service performance

As new technologies bring about new ways of living and working and unprecedented experience, the Company actively explores the possibilities of creating more value for customers through the comprehensive application of digital technology. Its digital strategy, on the one hand, is centered on continuously improving internal business processes using digital technology, and on the other hand, aims to provide digital services to improve customer experience. Besides the launch of CTI MALL, it has also increased investment in automated and digital testing, and included chemical, material, and food testing in its automation plan. Keeping abreast of the specific and latest needs of customers, CTI will adjust its pace in time and continue advancing towards its own development goals.

5. Improve ESG performance for enhanced brand awareness

Consistent efforts are spared to improve the Company's ESG management structure and ESG management system, and enhance its ESG management capabilities. It fulfills social responsibilities and acts as an industry benchmark, so as to raise its brand awareness. On the other hand, it has been planning low-carbon and sustainable development business since it went public. By providing customers with services related to ESG, as well as carbon neutrality and peak carbon emissions, it hopes to help improve their ESG performance and sustainable development capacity.

(II) Work plan for 2022

For 2022, the Company will focus on the established development strategies, and ensure steady growth in economic indicators from 2021 through the following priorities.

1. Reinforce lean management and improve operational efficiency

In 2022, the Company will continue to focus on improving operational efficiency and promote the penetration of lean culture throughout the Group. Harnessing the synergies between product lines, it will continue the effective improvement measures that have been taken. Key indicators such as revenue, profit, profit margin, headcount increase, and per capita output will be closely monitored; automated and digital technologies will be explored to continuously optimize laboratory processes, reduce waste, and improve laboratory efficiency.

#### 2. Increase investment in strategic tracks and boost international development

The Company continues its proportional control over capital expenditures. On the one hand, it keeps tapping into its potential in advantageous fields such as environment, food, and trade assurance. On the other hand, honoring the enterprising spirit, it encourages greater investment in strategic tracks such as pharma and clinical services, semiconductor chips, transport and services for carbon neutrality and peak carbon emissions. A combination of development modes such as independent construction, mergers and acquisitions, and joint ventures will be used to boost development in strategic fields. CTI strives to improve its strategic M&A and integration capabilities, aspiring to become a platform that empowers the companies it has merged with. In China, it will seek opportunities for mergers and acquisitions on strategic tracks and state-owned enterprise restructuring; overseas it will focus on the extensive consumer goods industry that comes in synergy with the Company to accelerate internationalization.

#### 3. Strength risk control and consolidate foundation for high-quality development

Well aware that quality is the lifeline of a business, the Company stays committed to its own corporate value. It has established a Quality Management Committee to bring quality awareness up to the Group level. Inspections by randomly selected inspectors of randomly selected entities, as well as HSE inspections are launched to identify and eliminate risks. It has also applied to join the TIC Council, aiming to operate under higher standards, and improve service quality and performance by continuously optimizing QHSE management.

#### 4. Improve talent training and incentive and establish an industry-leading team

The Company's incentive mechanism is under constant optimization. Employee stock ownership plan, stock option incentive plan, partnership and other approaches are used to motivate senior executives. The Company aims to establish a sound incentive mechanism, attract more outstanding professionals, and enhance its sustainable competitiveness. At the end of 2021, its subsidiary CTI Medical rolled out an employee stock ownership plan through capital increase and share expansion, which greatly inspired the passion and creativity of its staff. The management of CTI joined in the scheme as well, enhancing employees' confidence in holding the shares. In January 2022, the Company released a share buy-back plan, planning to repurchase 3-5 million shares, as part of its employee stock ownership plans or equity incentive plans.

The Company continues optimizing talent training and introduction, and promoting HAP, LAP and other talent training programs. It actively trains and reserves managers and technicians overseas to prepare for its international development, and

constantly introduces industrial elites from outside. Through internal training and external absorption, it hopes to build a complete talent matrix, reserving remarkable employees for the Company's long-term development, superb services and industry-leading position.

#### 5. Enhance ESG performance and support sustainable development

In 2022 the tasks of management enhancement and improvement will be refined in order to make greater progress in the Group's ESG work, and raise the Company's ESG rating. It will continuously improve the management by the Board of Directors and control internal management risks for the purpose of stable operations, creating value for shareholders and giving back to investors. By improving its expertise in green, low-carbon and energy-saving services, ESG and other related fields, CTI intends to provide customers with methods, technologies and support for sustainable development, and assist them in improving their safety and quality performance.

#### (III) Potential risks

##### 1. Risk of credibility and brand being affected by adverse events

Credibility and brand are the motive force for the sustainable development of a testing and certification body, as well as the foundation of its business survival. It is only possible for the Company to gradually expand its market share and gain a favorable position in market competition when customers recognize its technology and impartiality. Once credibility and brand are impaired by quality problems, the Company will lose customers, along with impact on business development and profitability. Under severe circumstances, the Company might be disqualified for certification & testing, impeding its continued operations.

The Company attaches great importance to the maintenance of credibility and brand, actively advocates integrity-based values, and has established a sound internal quality management system to ensure the truthfulness and accuracy of test reports and continuously improve the quality of test services. The Company has established the *Measures for Group Quality Supervision and Management*, the *Measures for Laboratory Quality Supervision and Management*, and the *Measures for Quality Professionals Management* according to ISO/IEC 17025, ISO/IEC 17020, the *Criteria for Accreditation of Laboratory Qualification* and other requirements with a view to regulate the quality supervision of the Group, to ensure that the testing/calibration activities carried out by laboratories comply with laws and regulations, the standards and rules of China National Accreditation Service for Conformity Assessment (CNAS) and China Metrology Accreditation (CMA) and to reduce quality risks. The QHSE Department of the Group is responsible for quality management and control as a whole, and the Group has vertical control over quality, health, safety and environment. The business divisions, subsidiaries and operation outlets additionally establish relevant regulations and strengthen quality control, depending on their business characteristics. Ensuring the continuous improvement in quality professionals' capabilities is an important approach for quality management and control. In 2021, the Company organized, under an online + offline combined training model, 6 online and 11 offline training sessions, delivering courses including the New Recruits – Quality, the

publicity of Measures for Laboratory Quality Supervision and Management, the CTI Quality Technology Training Course, and the training on internal auditors for laboratory accreditation/qualification to improve employees' expertise.

"Integrity" is at the top of the Company's values, and "independence," "fairness" and "honesty" are the essential requirements for business. The Company has established the *Procedures for Guaranteeing Independence, Fairness and Honesty* and the *Administrative Procedures for the Fairness of Certification Activities* to ensure the independence and impartiality of all the Company's inspection and testing efforts, and insist on independent, objective, and truthful reporting of testing and calibration free from external influence. The Company has established an Impartiality Maintenance Committee to regulate and supervise the fairness of certification services. The Impartiality Maintenance Committee supervises and reviews certification work in accordance with the *Operational Procedures of the Impartiality Maintenance Committee*. Through regular training, we keep certification professionals abreast of certification regulations and educate them on professional ethics and code of conduct. The *Employee Handbook* has also specified the disciplinary rules for soliciting or accepting bribes, kickbacks or illegal benefits.

The Company has established the *Clean Governance Handbook*, and added and strengthened provisions on anti-corruption and anti-commercial bribery in the *Code of Business Conduct* in line with the *United Nations Convention against Corruption* and other international treaties and practices, Transparency International's technical guides for clean governance, national laws and regulations and customers' clean governance requirements. By operating and developing under high-standard morality, the Company aims to defend the brand philosophy and credibility value treasured by the Company from beginning to end by means of regulation and technology.

## 2. Market and policy risks

The testing industry is guided by policies. With the development of the testing industry worldwide, the testing mechanisms in different countries are increasingly consistent, i.e., the government or industry association manages testing bodies through market access rules such as assessment and approval, to marketize testing and conformity assessment services, improve service quality and promote the industrial development. Independent testing bodies are engaged in market-oriented operations based on the services they provide and as required by clients. Service charges are determined by both sides through negotiation. The testing industry in China has long been influenced by the planned economic system, and is urged by the international community to speed up the opening of the service market after accession to the WTO. Therefore, the domestic testing industry is in urgent need of industry standards that are aligned with international rules to regulate and restrict industrial behaviors. Although open market-oriented development has been acknowledged by national policies, there may still be some policies and regulations that are not conducive to the market-oriented development of the industry. Uncertainties still exist concerning the degree of openness granted by the government to testing, posing a certain degree of risk to the Company.

In view of such risk, the Company has set up a special department to be responsible for keeping close track of the policies of

competent administrations, regularly reporting to the management, and proactively dealing with potential policy risks.

### 3. Decision-making risk in M&A and integration risk after M&A

The testing and certification industry is segmented, stretching over multiple sectors. Each segment is relatively independent, which makes fast replication difficult. It is a common practice for international testing and certification giants to quickly establish presence in new fields through M&A, which is also one of the long-term development strategies of the Company. There are substantial risks in both the selection of M&A targets and the integration after M&A.

Adhering to the principle of prudence, the Company will make a sufficient demonstration through detailed due diligence in the early stage of M&A, strategically select appropriate industries and desirable targets at home and abroad, and make an adequate analysis of return on investment (ROI). To enhance post-investment management, the Company continuously follows up on whether or not the investment is in line with the plan and expectation by introducing professional talent with integration capabilities for collaborative management and operation. In view of the decision-making risk concerning M&A, during the reporting period, the Company further improved the investment decision-making procedures to adapt to its strategic development. In the *Articles of Association*, the *Work Rules of the Strategy and M&A Committee of the Board of Directors*, and other regulations, material investment matters are managed by the Operation and Management Committee of the Group, which shall prove the feasibility of projects; according to the decision-making authority, material investment matters are submitted to the Strategy and M&A Committee of the Board of Directors, the Board of Directors and the General Shareholders' Meeting for deliberation. This improves the scientificity and quality of major investment decisions of the Company.

### 4. Risk associated to an investment falling short of expectation

The testing industry has a first mover advantage. In order to establish presence across the national testing market at a faster pace, in recent years the Company has built a number of international or domestic leading laboratories or testing bases. As continuous technological innovation is seen in industries such as new energy, new materials, high-end equipment, artificial intelligence, and life health, it also brings more opportunities and challenges to the testing sector. The Company has hence increased investment in healthcare, new materials testing, semiconductor chips, rail transit, new energy vehicles and Internet of Vehicles and other fields, seeing them as major growth pillars in the medium and long term. A laboratory can be put into formal operation only after construction, decoration, personnel recruitment, equipment purchase and qualification review. And it also takes a certain period to achieve the profit and loss balance. The profits of the Company might be impacted by the failure of new laboratories to meet expectations. In the future, the Company will focus on new laboratories, promote their operational efficiency and gradually release their production capacity, so that they can scale up and contribute to a steady growth of revenue and profit.

The Company controls the total amount of investment through budget management, makes a detailed analysis of return on investment (ROI), evaluates the reasonableness and necessity of each investment, and properly controls the pace of investment.

## XII. Registration form for reception of investigation, communication, interview and other activities

√ Applicable □ Not Applicable

Time	Place	Method	Visitor type	Visitor	Topics discussed and materials provided	Index of brief description
April 21, 2021 and April 22, 2021	The Company	Telephone	Institution	Institutional investor	Performance Statement (2021 and Q1 of 2022)	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=9900008369&amp;stockCode=300012&amp;announcementId=1209791888&amp;announcementTime=2021-04-23%2022:11">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=9900008369&amp;stockCode=300012&amp;announcementId=1209791888&amp;announcementTime=2021-04-23%2022:11</a>
August 25, 2021 and August 26, 2021	The Company	Telephone	Institution	Institutional investor	Performance Statement (H1 of 2022)	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=9900008369&amp;stockCode=300012&amp;announcementId=1210923563&amp;announcementTime=2021-08-30%2017:46">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=9900008369&amp;stockCode=300012&amp;announcementId=1210923563&amp;announcementTime=2021-08-30%2017:46</a>
October 28, 2021 and October 29, 2021	The Company	Telephone	Institution	Institutional investor	Performance Statement (Q3 of 2022)	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=9900008369&amp;stockCode=300012&amp;announcementId=1211456209&amp;announcementTime=2021-11-01%2016:12">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=9900008369&amp;stockCode=300012&amp;announcementId=1211456209&amp;announcementTime=2021-11-01%2016:12</a>
December 17, 2021	The Company	Telephone	Institution	Institutional investor	CTI Medical's capital increase and share expansion and the Company's operations	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=9900008369&amp;stockCode=300012&amp;announcementId=1211971360&amp;announcementTime=2021-12-20">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=9900008369&amp;stockCode=300012&amp;announcementId=1211971360&amp;announcementTime=2021-12-20</a>

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## Section IV Corporate Governance

### I. Overview of corporate governance

#### (I) About shareholders and the General Shareholders' Meeting

The Company, in strict accordance with the *Rules for the General Meetings of Shareholders of Listed Companies*, the *Articles of Association*, the *Rules of Procedures of General Shareholders' Meeting* as well as regulations and requirements of the SZSE ChiNext Market, convenes the General Shareholders' Meeting as required, treats all the shareholders equally and tries its best to offer shareholders facilities to help them exercise their rights. During the reporting period, the General Shareholders' Meetings held by the Company were all convened by the Board of Directors of the Company, with witnessing lawyers invited to witness the opening and the voting procedure of the General Shareholder's Meeting and present legal opinions accordingly. The Company ensures that all shareholders have a full voice at the General Shareholders' Meeting and all shareholders, especially the minority shareholders, enjoy equal status and exercise their powers in full. During the reporting period, there was no violation of the *Rules of the General Shareholders' Meeting of Listed Companies* concerning the Company's General Shareholders' Meeting. The Company did not have any shareholders who individually or collectively held more than 10% of the total voting shares of the Company to request the convening of an Extraordinary General Shareholders' Meeting, and there was also no General Shareholders' Meeting proposed by the Board of Supervisors.

#### (II) About the Company and its controlling shareholders

Controlling shareholders of the Company had strict control over their behaviors and were not engaged in any direct or indirect interference with the decision-making and business activities of the Company in circumvention of the General Shareholders' Meeting. The Company has independent and complete operation and management capabilities, and is independent of the controlling shareholders in terms of business, assets, personnel, organization and finance. The Board of Directors, the Board of Supervisors and internal branches of the Company operate independently. During the reporting period, controlling shareholders of the Company followed the *Guidelines for the Governance of Listed Companies*, the *Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange*, the *Guidelines for the Standard Operation of Listed Companies for the ChiNext Board*, the *Articles of Association* and other requirements to regulate their behaviors. There was no behavior bypassing the Company's General Shareholders' Meeting to directly or indirectly interfere with the Company's decision-making and business activities, damage to interest of the Company and other shareholders, occupation of funds of the Company by controlling shareholders, or guarantee tendered by the Company for its controlling shareholders.

#### (III) About directors and the Board of Directors

The Board of Directors of the Company has 7 directors, including 4 non-independent directors. The number of directors and the composition of the Board of Directors comply with laws, regulations and the *Articles of Association*. All directors work, attend meetings of the Board of Directors, the Special Committees and General Shareholders' Meetings, and perform their duties and obligations diligently and conscientiously in accordance with the *Rules of Procedures of the Board of Directors*, the *Working Regulations of Independent Directors*, and the *Guidelines for the Standard Operation of Listed Companies for the ChiNext Board*. In the meantime, they actively participate in exchanges and learning sessions to be familiar with relevant laws and regulations.

Subject to the *Guidelines for the Standard Operation of Listed Companies for the ChiNext Board*, three Special Committees – the Remuneration Examination and Nomination Committee, the Audit Committee and the Strategy and M&A Committee are set up under the 5<sup>th</sup> Board of Directors. All the three Committees are composed of directors. Independent directors in each Committee account for two-thirds of the total number of members and all the Committees are chaired by independent directors. This guarantees scientific and professional opinions and references for the decision-making of the Board of Directors. The Committees perform their duties in accordance with the *Articles of Association* and the rules of procedures of the Committees' meetings, without the

intervention of any other department or individual of the Company. During the reporting period, directors of the Company improved their capabilities of fulfilling their due duties by learning applicable laws and regulations.

(IV) About supervisors and the Board of Supervisors

The 4<sup>th</sup> Board of Supervisors of the Company consists of 3 supervisors, including one employees' representative. The number of members and the composition of the Board of Supervisors are in compliance with applicable laws and regulations. Supervisors earnestly perform their duties and supervise the Company's major issues, financial status, and the legality and compliance of directors and senior executives in performing their duties as required by the *Articles of Association* and the *Rules of Procedures of the Board of Supervisors*.

(V) About performance assessment and incentive and accountability mechanism

The Company has established its own enterprise performance assessment and incentive and accountability mechanism to connect operators' income to the enterprise's operational performance. The Company's senior executives are recruited and appointed in a public and transparent manner and in compliance with applicable laws and regulations.

(VI) About information disclosure and transparency

The Company abides by laws and regulations, as well as the requirements of the *Information Disclosure Regulations* and the *Investor Relations Management Regulations* to disclose information in a truthful, accurate, timely, fair and complete manner. Secretary of the Board of Directors is designated to be responsible for information disclosure and coordination of the relationship between the Company and investors, receiving shareholders' visits, answering investors' inquiries, and providing investors with information disclosed by the Company. *Securities Times*, *Shanghai Securities News* and the ChiNext Market information disclosure website specified by China Securities Regulatory Commission are the information disclosure newspaper and website of the Company, ensuring that all shareholders of the Company have equal access to information. During the reporting period, the Company did not give any undisclosed information to any substantial shareholder or actual controller. During the reporting period, the Company updated a series of regulations such as the *Management Regulations on Raised Funds*, the *Working Regulations of Independent Directors* and the *Management Measures for External Guarantees* in accordance with the actual situation of the Company, as well as the *Regulatory Guidelines on the Listed Companies No. 2 – Regulatory Requirements for the Management and Utilization of Funds Raised by Listed Companies*, the *Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange*, the *Guidelines for the Standard Operation of Listed Companies for the ChiNext Board* and other applicable laws and regulations.

(VII) About stakeholders

The Company fully respects and safeguards the legitimate rights and interests of stakeholders, and seeks the coordination and balance of interests of shareholders, employees, society and other parties, so that they could work together to promote the Company's sustainable and healthy development.

(VIII) Establishment and operation of the internal control system relating to financial reports of the Company

The Board of Directors has established a sound internal control system according to the *Basic Standard for Enterprise Internal Control*. During the reporting period, the *Management Regulations on Internal Audit* and the *Management Regulations on Anti-fraud Whistleblowing* were revised and improved to meet the Company's management needs. Internal control is in place for the purpose of controlling and preventing operational and management risks, protecting investors' legitimate rights and interests of investors, and promoting the Company's healthy and stable development. No major defects in internal control were found during the reporting period.

There are significant differences between the actual state of corporate governance and the regulations released by China Securities Regulatory Commission regarding the governance of listed companies

Yes  No

There are no significant differences between the actual state of corporate governance and the regulations released by China Securities Regulatory Commission regarding the governance of listed companies.

## II. Independence of the Company from its controlling shareholders and actually controllers in terms of assets, personnel, finance, institution, business and other aspects

### (I) Business independency

The Company has set up an independent and complete R&D, supply, production and marketing system and is capable of directly dealing with the market through independent operations. During the reporting period, the Company did not produce or operate relying on its controlling shareholders, actual controllers or other enterprises under its control.

### (II) Assets completeness

The Company has independent and complete support facilities and fixed assets for procurement, production and marketing. The Company has the total right to control and allocate the assets on its own, without any damage to the benefits of the Company arising from controlling shareholders' occupation of assets and capital.

### (III) Personnel independency

The Company has its own HR Department. The Company's management of human resources and compensation is completely independent and separated from its shareholders. Directors, supervisors and senior executives of the Company are elected in strict accordance with the *Company Law* and the *Articles of Association*. None of such personnel were working part time in violation of relevant laws and regulations during the reporting period.

### (IV) Institutional independency

The Company has independent production and operation premises and offices and is completely independent from its controlling shareholders and actual controllers. During the reporting period, the Company did not engage in any mixed operation or work together with other institutions. None of the controlling shareholders or other organizations or individuals intervened with the institutional setup and production and operation activities of the Company.

### (V) Financial independency

The Company has set up an independent Financial Department to handle financial accounting and financial management of the Company. The person in charge of finance and financial staff of the Company work at and get paid from the Company. None of such personnel were found serving any other enterprises operating the same or similar businesses or having other interest conflicts with the Company.

## III. Horizontal competition

Applicable  Not Applicable

## IV. Information about annual General Shareholders' Meeting and Extraordinary General Shareholders' Meeting held in the reporting period

### 1. General Shareholders' Meeting in the current reporting period

Edition	Meeting type	Proportion of investor participants	Date of meeting	Date of disclosure	Resolution
1 <sup>st</sup> Meeting of 2021	Extraordinary General Shareholders' Meeting	38.16%	January 27, 2021	January 28, 2021	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=9900008369&amp;stockCode">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=9900008369&amp;stockCode</a>

					=300012&announcementId=1209203287&announcementTime=2021-01-28
General Shareholders' Meeting of 2020	Annual General Shareholders' Meeting	45.92%	May 11, 2021	May 12, 2021	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=zse&amp;orgId=9900008369&amp;stockCode=300012&amp;announcementId=1209203287&amp;announcementTime=2021-01-28">http://www.cninfo.com.cn/new/disclosure/detail?plate=zse&amp;orgId=9900008369&amp;stockCode=300012&amp;announcementId=1209203287&amp;announcementTime=2021-01-28</a>
2 <sup>nd</sup> Meeting of 2021	Extraordinary General Shareholders' Meeting	44.50%	December 29, 2021	December 30, 2021	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=zse&amp;orgId=9900008369&amp;stockCode=300012&amp;announcementId=1212054846&amp;announcementTime=2021-12-30">http://www.cninfo.com.cn/new/disclosure/detail?plate=zse&amp;orgId=9900008369&amp;stockCode=300012&amp;announcementId=1212054846&amp;announcementTime=2021-12-30</a>

**2. Preferred shareholders whose voting rights have been resumed request for an Extraordinary General Shareholders' Meeting**

Applicable  Not Applicable

**V. Weighted voting rights at the Company**

Applicable  Not Applicable

**VI. Red-chip structure governance**

Applicable  Not Applicable

## VII. Directors, supervisors and senior executives

### 1. Overview

Name	Position	Status of service	Sex	Age	Start date of term	End date of term	Number of shares at the beginning of the period	Increase in number of shares in the current period	Decrease in number of shares in the current period	Other variance in number of shares	Number of shares at the end of the period	Reason for variance
Wan Feng	Chairman of the Board	Incumbent	Male	52	August 25, 2007		120,834,320	0	0	0	120,834,320	-
Richard Shentu	Director, CEO	Incumbent	Male	53	June 4, 2018		6,000,000	2,900,000	0	0	8,900,000	Exercise of incentive stock options, block trade to increase holdings
Chen Yan	Director, Secretary of the Board of Directors	Incumbent	Male	48	August 25, 2007		2,372,436	300,000	0	0	2,672,436	Exercise of incentive stock options
Liu Jidi	Director	Incumbent	Female	38	December 1, 2020		0	0	0	0	0	
Cheng	Indepe	Incum	Male	58	August		0	0	0	0	0	

Hong	ndent Direct or	bent			t 12, 2016							
Cheng Haijin	Indepe ndent Direct or	Incum bent	Male	50	Septe mber 7, 2020		0	0	0	0	0	
Qian Feng	Vice Presid ent	Incum bent	Male	48	Augus t 25, 2007		1,967, 128	210,00 0	0	0	2,177, 128	Exerci se of incenti ve stock option s
Zhou Lu	Vice Presid ent	Incum bent	Male	48	Augus t 27, 2013		598,00 0	150,00 0	0	0	748,00 0	Exerci se of incenti ve stock option s
Xu Jiang	Vice Presid ent	Incum bent	Male	47	May 28, 2010		210,00 0	210,00 0	0	0	420,00 0	Exerci se of incenti ve stock option s
Li Fengy ong	Vice Presid ent	Incum bent	Male	49	Augus t 22, 2016		233,20 0	300,00 0	0	0	533,20 0	Exerci se of incenti ve stock option s
Wang Hao	Vice Presid ent	Incum bent	Femal e	46	Augus t 22, 2016		150,00 0	150,00 0	0	0	300,00 0	Exerci se of incenti ve stock option s

Zeng Xiaohu	Vice President	Incumbent	Male	47	April 24, 2019		225,000	300,000	0	0	525,000	Exercise of incentive stock options
Chen Weiming	Chairman of the Board of Supervisors	Incumbent	Male	49	August 12, 2016		0	0	0	0	0	
Zhang Yuming	Supervisor	Incumbent	Male	47	August 12, 2016		0	0	0	0	0	
Ou Jin	Supervisor	Incumbent	Female	31	December 21, 2019		0	0	0	0	0	
Total	--	--	--	--	--	--	132,590,084	4,520,000	0	0	137,110,084	--

There is resignation of directors and supervisors, or dismissal of senior executives during their term of office in the reporting period

Yes  No

Turnover of directors, supervisors and senior executives at the Company

Applicable  Not Applicable

## 2. Service status

Professional background, working experience and main responsibilities of incumbent directors, supervisors and senior executives at the Company

### 1. Directors

(1) Mr. Wan Feng, Chinese nationality, without right of residence outside China, born in 1969, with a master's degree, is a senior management consultant, and also a UK IRCA registered lead auditor. He participated in the establishment of CTI in 2003 and became Vice President of the Company in July 2004; He became Chairman of the Company in August 2007 and was re-appointed in August 2010, August 2013, August 2016 and December 2019.

(2) Mr. Richard Shentu, Chinese nationality, without right of residence outside China, born in 1968, has a doctoral degree. Previously he served as Global Executive Vice President of SGS Group, responsible for global consumer goods testing services; he also worked as President of SGS China, and Vice President of SGS global consumer goods testing and industrial services. He served in a number of board of directors, including Director of SGS and Chairman of the Board of Directors of bluesign Technologies ag., a Swiss company. He joined the Company in June 2018 and served as the Company's Director and President.

(3) Mr. Chen Yan, Chinese nationality, without right of residence outside China, born in 1973, has a master's degree. He worked at

China Guangfa Bank as Head of the Credit Department of Shenzhen Branch and Integrated Manager of CMS migration team, CMS Project Promotion Department and Credit Department of Shenzhen Branch. He joined CTI in 2006 and served as Director and Secretary of the Board of Directors. He became Director of the Company in August 2014.

(4) Ms. Liu Jidi is a Chinese national with no right of abode abroad, born in 1983, with a double master's degree in economics and environmental studies of Duke University, USA. Ms. Liu has extensive experience in corporate finance and strategic M&A at home and abroad. From 2008 to 2018, she worked as Analyst, Manager and Vice President in the Investment Banking Department of Citibank. In 2015-2018, she managed over 30 Chinese financial institutions and their global subsidiaries in Hong Kong and Shanghai, responsible for client relationship maintenance and development, credit risk management and new business and product development. She is co-founder of Embrace K.I.D, established in 2018. Since December 2020, she has been Director of the Company.

(5) Mr. Cheng Hong, Chinese nationality, born in 1963, with a PhD in economics, is a professor and a doctoral supervisor. Now he serves as President of Wuhan University Institute of Quality Development Strategy (IQDS) and is also a visiting scholar of Stanford University. Prof. Cheng is a chief expert of major bidding projects under the National Social Science Fund of China and major key projects of the Ministry of Education, as well as a leader in more than 10 state-level scientific research projects. He specializes in the scientific research on the following topics: supply-side structural reform, the mechanism and path of improving the quality of micro products and services and the quality of macroeconomic growth under the background of economic transformation, entrepreneurship and enterprise quality innovation strategy. He became Independent Director of the Company in August 2016.

(6) Mr. Zeng Fanli, Chinese nationality, born in 1964, has a bachelor's degree in agronomy and a master's degree in world economics. From 1986 to 1999, he was employed by Shenzhen Commodity Inspection and Testing Bureau as an employee, Deputy Division Chief of Wenjindu Port, Deputy Director General, Director General and CPC Committee Secretary of Wenjindu Port, and Director and Secretary of Certification Department; from 1999 to 2001, he served as Director and CPC Committee Secretary of Food Inspection Department of Shenzhen Inspection and Quarantine Bureau; from 2001 to 2004, he served as Office Director and Secretary of Shenzhen Inspection and Quarantine Bureau; from 2004 to 2010, he served as Director and Secretary of Leading Party Group (Deputy Director-general) of Shekou Inspection Bureau; from 2010 to 2013, he served as Director (Deputy Director-general) and Secretary of Leading Party Group of Huanggang Inspection Bureau; from 2013 to 2015, he served as Deputy Director (Deputy Director-general) and Secretary of Leading Party Group of Shenzhen Inspection and Quarantine Bureau; from August 2015 to 2019, he served as Vice President, CPC Committee Secretary and President of Food Cold Chain Platform at Eternal Asia Supply Chain Co., Ltd.; meanwhile he also served as Vice President of Shenzhen Customs Brokers Association, Vice President of Shenzhen Financial Chamber of Commerce, and Founding President of Shenzhen Food Ingredients Industry Association, among other roles; since March 2019, he has served as President of Nanhai Shenghui New Energy (Guangdong) Co., Ltd. and Shenzhen Yuehai Shenghui International Trade Co., Ltd. He became Independent Director of the Company on December 2, 2019.

(7) Mr. Cheng Haijin, Chinese nationality, with no right of abode abroad, born in 1971, holds a master's degree and is a U.S. Certified Public Accountant. From 1994 to 2007, he served as Chief Accountant of McDonald & Page and Zhengda Avion Group, Global Audit Consultant of Pharmacia, Integrated Senior Director of Bank of China (Hong Kong), General Manager Assistant of DBS China Operations and Senior Manager of BNP Paribas Asia Investment Banking. From 2008 to 2011, he was Director of Business Development and M&A at Honeywell Asia Pacific. In 2011-2013, he was Director of Business Development and M&A at GE. Since 2012, he has been President of Shanghai Huanpu Consulting Management Firm. He became Independent Director of the Company in September 2020.

## 2. Supervisors

(1) Mr. Chen Weiming, Chinese nationality, without right of residence outside China, born in 1972, has a master's degree in business administration. He served as Deputy General Manager of Retail Banking Department of China Bohai Bank Shenzhen Branch, and General Manager of Shenzhen Jiarun Hengxin Industrial Co., Ltd. He is now Director of Shenzhen Aoweifu Technology Co., Ltd.

(2) Mr. Zhang Yuming, Chinese nationality, without right of permanent residence outside China, born in 1974, Han, has a college degree. He graduated from Ji'nan University majored in accounting. He joined the Company in 2006 and is now an accountant at the Company.

(3) Ms. Ou Jin, Chinese nationality, without right of permanent residence outside China, born in 1990, has a bachelor's degree. She previously worked at China Construction Bank and Shenzhen Infinova Limited, and is now a securities affairs representative of the Company.

### 3. Senior executives

(1) Mr. Richard Shentu now serves as Director and CEO of the Company. See the "Directors" part in this section for his resume.

(2) Mr. Chen Yan now serves as Director and Secretary of the Board of Directors of the Company. See the "Directors" part in this section for his resume.

(3) Mr. Qian Feng, Chinese nationality, without right of residence outside China, born in 1973, has a master's degree. He worked at Dalian Huaxing Container Transportation Co., Ltd. and Shenzhen Maritime Safety Administration as an employee, Deputy Director, Director and Deputy Director General. He joined the Company as Vice President in 2006 and remains in his post till now.

(4) Mr. Xu Jiang, Chinese nationality, without right of abode abroad, was born in 1974 and has a master's degree. From 1998 to 2001, he worked at Huawei Technologies Co., Ltd.; in 2001-2010, he worked for Emerson Network Power Co., Ltd.; he joined Centre Testing International (Shenzhen) Co., Ltd. on May 28, 2010 as Vice President of the Company.

(5) Mr. Zhou Lu, Chinese nationality, without right of residence outside China, born in 1973, has a master's degree. He worked for DNV GL and served as Manager of Energy Efficiency Product Development and CTI Operations in Greater China, Director of Energy Efficiency and Climate Change Services in Greater China, and Manager of Beijing Office. He joined Centre Testing International (Shenzhen) Co., Ltd. in November 2010 as Director of Certification Development Department. He became Vice President in August 2013 and remains in his post till now.

(6) Mr. Li Fengyong, Chinese nationality, without right of residence outside China, born in 1972, has a master's degree. He served as Business Manager of Binzhou Huimin County Foreign Trade Corporation, and Marketing Manager of Qingdao Ainuo Intelligent Instrument Co., Ltd.; he joined the Company in 2008, working as General Manager of Food and Drug Business Division and General Manager of Centre Testing International (Qingdao) Co., Ltd. He is now Vice President of the Company.

(7) Ms. Wang Hao, Chinese nationality, without right of residence outside China, born in 1975, has a master's degree. She is a U.S. Certified Public Accountant and also a senior financial executive with years of working experience in China and the US. From 2006 to 2015, she worked for Freeborders Software Development Co., Ltd. as Finance Manager, Finance Director and Vice President of Finance in the Asia Pacific region. She was also employed by Huarun Paints Co., Ltd. and an American accounting firm. She joined CTI in April 2016 and is now Vice President of the Company.

(8) Mr. Zeng Xiaohu, Chinese nationality, without right of residence outside China, born in 1974, has a master's degree. He served as General Manager of SGS China Industrial, Transportation and Fire Technology Business Group, Head of SGS Northeast Asia Transportation Services, General Manager of SGS China Consumer Goods Testing Business Group and Vice President of SGS Global Light Industrial Products Business. He joined the Company in January 2019 and is now Vice President of the Company.

### Posts held in shareholder organizations

Applicable  Not Applicable

### Posts held in other organizations

Applicable  Not Applicable

Name	Organization	Post	Start date of term	End date of term	Whether the person enjoys compensation or allowances from other organizations
Wan Feng	Shenzhen HK Poltechnic Investment Co., Ltd.	Executive Director			

Wan Feng	Beijing Tianrui Junfeng Investment Management Co., Ltd.	Supervisor			
Wan Feng	Shenzhen Qianhai Gangli No. 1 Investment Partnership (Limited Partnership)	Executive Partner			
Cheng Hong	Wuhan University Institute of Quality Development Strategy (IQDS)	President			
Zeng Fanli	Nanhai Shenghui New Energy (Guangdong) Co., Ltd.	Legal Representative and General Manager			
Zeng Fanli	Shenzhen Yuehai Shenghui International Trading Co., Ltd.	Legal Representative, General Manager and Executive Director			
Zeng Fanli	Shenzhen Dafusheng Trading Co., Ltd.	Legal Representative, General Manager and Executive Director			
Zeng Fanli	Baijiahui (Shenzhen) International Trading Co., Ltd.	Chairman of the Board			
Liu Jidi	Yiduo Education Technology (Shanghai) Co., Ltd.	Legal Representative and Executive Director			
Liu Jidi	Shanghai Yishi Training School Co., Ltd.	Supervisor			
Liu Jidi	Shanghai Yingyi Education Technology Co., Ltd.	Legal Representative and Executive			

		Director			
Cheng Haijin	Shanghai Huanpu Consulting Management Firm	President			
Chen Weiming	Shenzhen Aoweifu Technology Co., Ltd.	Director			
Xu Jiang	Zhongren Shidai Education Technology (Beijing) Co., Ltd.	Supervisor			
Notes on posts held in other companies	N/A				

Penalties imposed by securities regulators in the past three years on incumbent directors, supervisors and senior executives and those who left their posts in the Reporting Period

Applicable  Not Applicable

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

Decision-making procedure, determination basis and payment of remuneration of directors, supervisors and senior executives

#### 1. Decision-making procedure

The remuneration of directors and supervisors of the Company shall be determined by the General Shareholders' Meeting. The remuneration of senior executives shall be decided by the Board of Directors. The remuneration of directors, supervisors and senior executives of the Company shall be paid by the Company. The allowances for independent directors shall be paid according to the resolution of the General Shareholders' Meeting. Independent directors' expenditures on meeting and training are subject to cost-based reimbursement.

#### 2. Determination basis

Remuneration is determined based on profitability of the Company as well as the labor division and duty fulfillment of directors, supervisors and senior executives.

#### 3. Payment

By the end of the reporting period, there were 16 directors, supervisors and senior executives at the Company. In 2021, the Company paid the remuneration of directors, supervisors and senior executives in a total amount of RMB 14,964,000.

Remuneration of directors, supervisors and senior executives at the Company within the reporting period

Unit: RMB 10,000

Name	Position	Sex	Age	Status of service	Total amount of pre-tax compensation received from the Company	Whether the person receives compensation from the Company's affiliates
Wan Feng	Chairman of the Board	Male	52	Incumbent	180.3	No

Richard Shentu	Director, CEO	Male	53	Incumbent	349.09	No
Chen Yan	Director, Secretary of the Board of Directors	Male	48	Incumbent	155.44	No
Xu Jiang	Vice President	Male	47	Incumbent	112.3	No
Li Fengyong	Vice President	Male	49	Incumbent	109.08	No
Wang Hao	Vice President, Finance Chief	Female	46	Incumbent	101.85	No
Qian Feng	Vice President	Male	48	Incumbent	183.4	No
Zhou Lu	Vice President	Male	48	Incumbent	101.22	No
Zeng Xiaohu	Vice President	Male	47	Incumbent	107.97	No
Liu Jidi	Director	Female	38	Incumbent	12	No
Cheng Haijin	Independent Director	Male	50	Incumbent	13	No
Cheng Hong	Independent Director	Male	58	Incumbent	14	No
Zeng Fanli	Independent Director	Male	57	Incumbent	13	No
Chen Weiming	Chairman of the Board of Supervisors	Male	49	Incumbent	0	No
Ou Jin	Supervisor	Female	31	Incumbent	28.35	No
Zhang Yuming	Supervisor	Male	47	Incumbent	15.4	No
Total	--	--	--	--	1,496.4	--

## VIII. Performance of duties by directors in the reporting period

### 1. Meetings of the Board of Directors in the current reporting period

Edition	Date of meeting	Date of disclosure	Resolution
12 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors	January 11, 2021	January 12, 2021	Cninfo.com.cn: Announcement of Resolution of the 12 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors (Announcement No. 2021-004)
13 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors	February 25, 2021	February 26, 2021	Cninfo.com.cn: Announcement of Resolution

			of the 13 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors (Announcement No. 2021-014)
14 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors	April 19, 2021	April 21, 2021	Cninfo.com.cn: Announcement of Resolution of the Board of Directors (Announcement No. 2021-023)
15 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors	May 20, 2021	May 21, 2021	Cninfo.com.cn: Announcement of Resolution of the 15 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors (Announcement No. 2021-037)
16 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors	June 18, 2021	June 21, 2021	Cninfo.com.cn: Announcement of Resolution of the 16 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors (Announcement No. 2021-045)
17 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors	August 23, 2021	August 25, 2021	Cninfo.com.cn: Announcement of Resolution of the Board of Directors (Announcement No. 2021-051)
18 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors	October 18, 2021	October 19, 2021	Cninfo.com.cn: Announcement of Resolution of the 18 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors (Announcement No. 2021-061)
19 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors	October 27, 2021		Review of the report for 2021 Q3, which does not need to be disclosed according to regulations
20 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors	December 13, 2021	December 14, 2021	Cninfo.com.cn: Announcement of Resolution of the 20 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors (Announcement No. 2021-067)

21 <sup>st</sup> Meeting of the 5 <sup>th</sup> Board of Directors	December 30, 2021	December 31, 2021	Cninfo.com.cn: Announcement of Resolution of the 21 <sup>st</sup> Meeting of the 5 <sup>th</sup> Board of Directors (Announcement No. 2021-081)
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## 2. Directors' participation in meetings of the Board of Directors and General Shareholders' Meetings

Directors' participation in meetings of the Board of Directors and General Shareholders' Meetings							
Name	Number of meetings of the Board of Directors to be attended in the current reporting period	Number of meetings of the Board of Directors attended in person	Number of meetings of the Board of Directors attended by means of communication	Number of meetings of the Board of Directors attended by proxies	Number of absences from meetings of the Board of Directors	Whether the person fails to attend the meetings of the Board of Directors in person for two times in succession	Number of General Shareholders' Meeting attended
Wan Feng	10	1	9	0	0	No	3
Richard Shentu	10	1	9	0	0	No	3
Chen Yan	10	1	9	0	0	No	3
Liu Jidi	10	1	9	0	0	No	3
Cheng Hong	10	1	9	0	0	No	3
Cheng Haijin	10	1	9	0	0	No	3
Zeng Fanli	10	1	9	0	0	No	3

Explanation for failure to attend the meetings of the Board of Directors in person for two times in succession

N/A

## 3. Objections raised by directors to matters relating to the Company

Objections are raised by directors to matters relating to the Company

Yes  No

No objections were raised by directors to matters relating to the Company in the reporting period.

## 4. Other notes on duty performance by directors

Directors' suggestions in respect of the Company have been accepted

Yes  No

Notes on acceptance or rejection of suggestions proposed by directors to the Company

All directors of the Company abided by the *Company Law*, the *Securities Law*, the *Guiding Opinions of China Securities*

*Regulatory Commission on Establishing the Independent Director System in Listed Companies*, the *Guidelines for the Standard Operation of Listed Companies for the ChiNext Board of Shenzhen Stock Exchange* and other applicable laws, regulations and requirements. They fulfilled their duties in an honest, diligent and independent way in 2020 by attending meetings convened by the Company and deliberating motions of the Board of Directors. Independent directors provided independent opinions on major issues of the Company, giving full play to the role of independent directors and Special Committees. On the one hand, directors rigorously reviewed matters submitted by the Company to the Board of Directors for deliberation, maintained the legal rights of the Company and its shareholders and promoted the Company's operations under regulation; on the other hand, they leveraged their own advantages and closely monitored and studied the development of the Company, and provided opinions and suggestions for auditing, internal control and strategic planning of the Company. During the reporting period, directors' suggestions regarding the Company were all accepted.

## IX. Special committees under the Board of Directors in the reporting period

Committee	Members	Number of meetings convened	Date of meeting	Agenda	Important opinions and suggestions submitted	Other duties performed	Objection details (if any)
Strategy and M&A Committee of the 5 <sup>th</sup> Board of Directors	Cheng Hong, Wan Feng, Richard Shentu, Cheng Haijin, Zeng Fanli, Liu Jidi	13	March 5, 2021	Review of the <i>Proposal on the Investment in and Establishment of Maritec (Shanghai) Co., Ltd.</i> , the <i>Proposal on the Establishment of Wholly-owned Sub-subsidiaries</i> , the <i>Proposal on the 2021 Annual Operating Budget</i> , and the <i>Proposal on Investing in and Establishment of Jiangxi Application CTI Testing Co., Ltd.</i>	1. CTI's wholly-owned subsidiary Shanghai CTI Pinbiao Testing Technology Co., Ltd. plans to invest RMB 5,000,000 of its own funds to set up a wholly-owned subsidiary, Maritec (Shanghai) Co., Ltd., and establish a high-end marine fuel testing laboratory. This is expected to reduce the costs for domestic samples to be shipped to Singapore and shorten the reporting cycle,	N/A	N/A

					<p>thus powering the development of international and domestic markets, as well as the synergy with the petrochemical laboratory in Shanghai. 2. CTI's wholly-owned subsidiary Shanghai CTI Pinchuang Medical Testing Co., Ltd. plans to use its own funds to invest and set up wholly-owned subsidiaries in Tianjin, Qingdao and Beijing. This is expected to improve the Company's service capabilities surrounding special-purpose inspection and functional medical testing, and enhance its nucleic acid testing service capabilities. 3. The Company plans to establish a wholly-owned subsidiary with its own funds of RMB 10,000,000 and found the "CTI Production Training Base" with a college. This is expected to</p>		
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					<p>promote industry-university integration, school-enterprise cooperation, and education-training combination, train potential talent for the Company, attract more customers and expand the business volume of Jiangxi Application.</p>		
			April 6, 2021	<p><i>The Proposal on Investment in and Establishment of Joint Stock Companies, the Proposal on the Acquisition of the Equity of MGA (Nantong) Company, the Proposal on Adding Capital to Wholly-owned Subsidiaries</i></p>	<p>1. CTI's sub-subsidiary CTI Biotechnology (Suzhou) Co., Ltd. (Suzhou Biotechnology) plans to invest RMB 5,000,000 of its own funds to establish a joint venture company with a shareholding ratio of 5%. This is expected to help gain a stable access to experimental animals and support the sustainable development of CRO business. 2. The Company plans to acquire 100% equity of MGA (Nantong) Automobile Safety</p>	N/A	N/A

					<p>Testing Service Co., Ltd. with its own capital of RMB 35,000,000. This is expected to strengthen the Company's technology and hardware in interior testing. On the other hand, the Company may provide MGA (Nantong) with well-established business channels and marketing personnel, leading to stronger synergy after integration. 3. The capital increase is mainly used for the daily operation and equity repurchase of Shanghai CTI Pinchuang and its subsidiaries. This is expected to support the Company's business integration and centralized management in the medical sector.</p>		
			April 13, 2021	<p><i>The Proposal on Investing in Beijing Guoxin Tianyuan Quality Evaluation and Certification Center</i></p>	<p>The Company acquired 20% equity of Beijing Guoxin Tianyuan Quality Evaluation and Certification Center (GQC)</p>	N/A	N/A

					with its own funds of RMB 13,000,000. The acquisition allows CTI to quickly enter the field of data center testing, which is in line with the Company's long-term strategic development.		
			April 19, 2021	<i>The 2020 Work Report of the Strategy and M&amp;A Committee, the Proposal on Amending the Working Rules of the Strategy and M&amp;A Committee of the Board of Directors, and the Proposal on Cancelling Huayi Testing and Certification (Shenzhen) Co., Ltd.</i>	<p>1. All members unanimously passed the 2020 Work Report of the Strategy and M&amp;A Committee.</p> <p>2. All members unanimously agreed to revise the <i>Working Rules of the Strategy and M&amp;A Committee of the Board of Directors</i>.</p> <p>3. The shareholders of Huayi Testing and Certification (Shenzhen) Co., Ltd., a subsidiary of the Company, failed to reach an agreement on the actual operations of Huayi. After careful consideration, they decided to terminate the cooperation and cancel Huayi. Since Huayi has not officially</p>	N/A	N/A

					started operations, the cancellation will not have a significant impact on the Company.		
			May 12, 2021	<i>The Proposal on the Acquisition of Minority Shares of CTI Biotechnology (Suzhou) Co., Ltd.</i>	CTI's subsidiary Shanghai CTI Pinchuang plans to acquire the minority equity of Suzhou Biotechnology for RMB 79,784,000. After completion, Suzhou Biotechnology will become a wholly-owned subsidiary of Shanghai CTI Pinchuang. This is expected to reinforce the control and management of Suzhou Biotechnology, realize the effective allocation of resources and the combination of the Company's interests, and integrate the pharma and clinical services sector as a whole.	N/A	N/A
			July 15, 2021	<i>The Proposal on Investment in and Establishment of Tianjin CTI Occupational Health Outpatient Department Co.,</i>	CTI's wholly-owned subsidiary Shanghai CTI Pinchuang plans to work with partners to establish a joint	N/A	N/A

				<i>Ltd.</i>	venture Tianjin CTI Occupational Health Outpatient Department Co., Ltd. with a registered capital of RMB 6,400,000, of which Shanghai CTI Pinchuang contributes RMB 4,800,000, accounting for 75% of the total share capital. This investment is expected to help develop the occupational health examination market in Tianjin.		
			August 6, 2021	<i>The Proposal on Investment in and Establishment of A Software Evaluation Joint Venture in Nanjing</i>	The Company will work with partners to set up a joint venture with a registered capital of RMB 10,000,000, among which the Company invests RMB 5,100,000, accounting for 51% of the total share capital. This is expected to help develop the supervision and evaluation market for the information engineering of government affairs, expand the Company's business scope and	N/A	N/A

					nurture new profit growth pillars to enhance the Company's market competitiveness and future profitability.		
			August 30, 2021	<i>The Proposal on the Investment in and Establishment of Centre Testing International (Tibet) Co., Ltd.</i>	The Company's plan to set up a wholly-owned subsidiary and environmental laboratories in Tibet is believed to have prospects and in line with the Company's development needs.	N/A	N/A
			October 22, 2021	<i>The Proposal on Investment in and Establishment of A Medical Testing Joint Venture in Henan</i>	CTI's subsidiary Shanghai CTI-Medlab Medical Testing Institute Co., Ltd. (CTI-Medlab) plans to work with partners to establish a joint venture with a registered capital of RMB 15,000,000, of which CTI-Medlab contributes RMB 10,500,000, accounting for 70% of the total share capital. This is expected to improve the development strategy for CTI's nationwide	N/A	N/A

					medical testing business and meet the Company's development needs.		
			November 25, 2021	<p><i>The Proposal on Adding Capital to Wholly-owned Subsidiaries, the Proposal on Increasing Capital in Centre Testing International Pinzheng (Shanghai) Co., Ltd., the Proposal on the Establishment of CTI Pinbiao Northern Co., Ltd., the Proposal on the Establishment of CTI Pinbiao Southern Co., Ltd., and the Proposal on the Establishment of CTI Pinbiao Eastern Co., Ltd.</i></p>	<p>1. To meet the capital needs of acquisition, the Company intends to use no more than EUR 18,849,000 (equivalent to approximately RMB 136,000,000) in cash to increase capital in CTI Hong Kong. Upon such capital increase, CTI Hong Kong will increase capital to CTI Germany. This capital increase is expected to benefit the Company's internationalization process and is in line with the Company's development strategy and long-term planning. 2. The Company plans to increase capital in Shanghai CTI Pinzheng through debt-to-equity swap. This capital increase is an internal resource</p>	N/A	N/A

					<p>allocation between the Company and its subsidiary, which is intended to alleviate the debt pressure on Shanghai CTI Pinzheng and support its rapid development. 3. The Company plans to establish wholly-owned subsidiaries in the southern, northern and eastern regions, which is expected to promote the Company's standard and centralized management, and meet its requirements on business development and market layout. It aligns with the Company's strategic plan for long-term development.</p>		
			December 8, 2021	<p><i>The Proposal on Participating in the Bidding for Equity in Jilin Anxin Food Technology Services Co., Ltd.</i></p>	<p>The Company plans to purchase 70% of stake in Jilin Anxin Food Technology Services Co., Ltd. (Anxin Food) with its own funds of RMB 7,134,260. This acquisition is expected to meet</p>	N/A	N/A

					<p>the requirements of local services and bring growth to the Company's business. Meanwhile, it can expand space for the future development of the Company's projects for dairy products, agricultural inputs, grain and oil in Northeast China, which is in line with the Company's development needs.</p>		
			December 20, 2021	<p><i>The Proposal on Repurchasing Part of Equity in Shanghai CTI Zhike Materials Technology Co., Ltd. and the Proposal on the Transfer of Equity in Subsidiaries and the Adjustment of Internal Equity Structure</i></p>	<p>1. The repurchase of part of the equity in Shanghai CTI Zhike Materials Technology Co., Ltd. at the original price is expected to help reduce the association between the subsidiary and the listed company. 2. This internal shareholding structure adjustment is expected to support the Company to achieve standard and centralized management, optimize resource</p>	N/A	N/A

					allocation, and improve the overall efficiency of operation management and decision-making. All members unanimously passed the above proposals.		
			December 27, 2021	<i>The Proposal on Adjusting the Company's Internal Equity Structure and the Proposal on the Internal Transfer of Equity in Subsidiaries and Capital Increase in Subsidiaries</i>	The internal transfer of equity in subsidiaries is an adjustment of subsidiaries' equity structure within the scope of the Company's consolidated statements, which helps optimize resource allocation and straighten out the management relationship. All members unanimously passed the proposal.	N/A	N/A
Audit Committee of the 5 <sup>th</sup> Board of Directors	Cheng Hong, Cheng Haijin, Zeng Fanli	5	February 25, 2021	<i>The Work Summary of the Internal Audit Department in Q4 2020, the Work Plan of the Internal Audit Department in Q1 2021, the Proposal on Change of Signing Accountants, the Internal Audit Report of Jiangyin CTI Occupational</i>	The Audit Committee unanimously passed the above motions, and agreed with the problems found by the Internal Audit Department of the Company in the audits of Jiangyin CTI Occupational Health Outpatient Department Co., Ltd., CTI	N/A	N/A

				<p><i>Health Outpatient Department Co., Ltd., the Internal Audit Report of CTI Biotechnology (Suzhou) Co., Ltd., the Internal Audit Report of Suzhou Wuzhong Economic Development Zone Jiakang Outpatient Department Co., Ltd., and the Audit Opinions on the Use of Raised Funds in Q4 2020</i></p>	<p>Biotechnology (Suzhou) Co., Ltd. and Suzhou Wuzhong Economic Development Zone Jiakang Outpatient Department Co., Ltd., as well as remediation suggestions from the Department. The subsidiaries have completed rectification accordingly.</p>		
			<p>April 19, 2021</p>	<p><i>The Work Report of the Audit Committee in 2020, the 2020 Annual Report – Full Text and Abstract, the Quarterly Report for Q1 2021 – Full Text, the Proposal on Continuing Contract with the Company's Audit Institution for 2021, the Investigation Report on Violations of Xi'an Subsidiary, the Work Summary of the Internal Audit Department in Q1 2021, the Work Plan of the</i></p>	<p>The Audit Committee unanimously passed the above motions, and agreed with the problems found by the Internal Audit Department of the Company in the audits of subsidiaries, as well as remediation suggestions from the Department. The subsidiaries have completed rectification accordingly.</p>	N/A	N/A

				<i>Internal Audit Department in Q2 2021, and the Internal Audit Department's Audit Opinions on the Use of Raised Funds in Q1 2021</i>			
			August 23, 2021	The 2021 Semi-annual Report – Full Text and Abstract, the Work Summary of the Internal Audit Department in Q2 2021, the Work Plan of the Internal Audit Department in Q3 2021, and the Internal Audit Department's Audit Opinions on the Use of Raised Funds in Q2 2021	The Audit Committee unanimously passed the above motions.	N/A	N/A
			October 27, 2021	The 2021 Q3 Report, the Work Summary of the Internal Audit Department in Q3 2021, the Work Plan of the Internal Audit Department in Q4 2021, the Internal Audit Department's Audit Opinions on the Use of Raised Funds in Q3 2021, and the Internal Audit Report of Shenzhen CTI	The Audit Committee unanimously passed the above motions, and agreed with the problems found by the Internal Audit Department of the Company in the audits of subsidiaries, as well as remediation suggestions from the Department. The subsidiaries have completed rectification	N/A	N/A

				<i>Laboratory Technology Service Co., Ltd.</i>	accordingly.		
			December 10, 2021	<i>The Proposal on Amendment of CTI Group's Anti-Fraud and Whistleblowing Management Regulations, the Proposal on Amendment of CTI Group's Internal Audit Management Regulations, and the Inspection Report on the Company's Material Issues in H1 2021</i>	The Audit Committee unanimously passed the above motions.	N/A	N/A
Remuneration Examination and Nomination Committee of the 5 <sup>th</sup> Board of Directors	Zeng Fanli, Wan Feng, Cheng Hong	6	January 11, 2021	<i>The Proposal on the Amendment of Assessment Regulations on Senior Executive Incentive Bonus, the Proposal on Internal Audit Report on Senior Executive Compensation in 2019, and the Proposal on Leasing and Selling Public Rental Housing to Related Parties</i>	1. The amendment to assessment regulations on senior executive incentive bonus was agreed, so as to establish a sound compensation assessment and management system, increase the passion and productivity of the Company's senior executives, and improve the Company's operation and management performance. 2. The audit results of the Internal	N/A	N/A

					Audit Department on senior executive compensation in 2019 were agreed. 3. It was agreed to lease and sell public rental housing to related parties, and the proposal was submitted to the Board of Directors and the General Shareholders' Meeting for deliberation.		
			February 25, 2021	<i>The Proposal on the Amendment of Management Regulations on Senior Executive Benefits</i>	The amendment to the <i>Management Regulations on Senior Executive Benefits</i> was agreed, which is expected to help scientifically motivate the senior management team and regulate the management over senior executives' benefits.	N/A	N/A
			April 19, 2021	<i>The Work Report of the Remuneration Examination and Nomination Committee, the Proposal on the Base Profit under the 2020 Senior Executive Bonus Assessment, the Proposal on the Results of the</i>	The base profit under 2020 senior executive assessment, the results of 2020 senior executive bonus distribution, and the 2021 executive remuneration plan in accordance with the <i>Assessment Regulations on</i>	N/A	N/A

				<p><i>2020 Senior Executive Bonus Distribution, and the Proposal on the 2021 Senior Executive Remuneration Plan</i></p>	<p><i>Senior Executive Incentive Bonus</i> were agreed. Senior executives' compensation in 2021 has been disclosed in the 2021 annual report.</p>		
			<p>May 17, 2021</p>	<p><i>The Proposal on Adjusting the Exercise Price of the Stock Option Incentive Plan, the Proposal on the Evaluation Results of the Second Vesting Schedule of the Stock Option Incentive Plan for 2019, and the Proposal on the Fulfillment of Exercise Conditions for the Second Vesting Schedule of the Stock Option Incentive Plan for 2019</i></p>	<p>1. It was agreed to adjust the exercise price due to the implementation of equity distribution. 2. The exercise conditions for the second vesting schedule of the stock option incentive plan for 2019 have been fulfilled, which was agreed to be submitted to the Board of Directors for deliberation. 2. All the members reviewed the personal assessment and evaluation of all personnel entitled to the second period of stock option incentive plan for 2019, and all the review results were good or above.</p>	N/A	N/A
			<p>October 27, 2021</p>	<p><i>The Proposal on the Amendment of Assessment Regulations on Senior Executive</i></p>	<p>1. The amendment to assessment regulations on senior executive incentive bonus</p>	N/A	N/A

				<p><i>Incentive Bonus, the Proposal on Internal Audit Report on Senior Executive Compensation in 2020, and the Proposal on Internal Audit Report on Senior Executive Benefits in 2020</i></p>	<p>was agreed, so as to establish a sound compensation assessment and management system, increase the passion and productivity of the Company's senior executives, and improve the Company's operation and management performance. 2. The audit results from the Internal Audit Department concerning senior executives' compensation and benefits in 2020 were agreed.</p>		
			<p>December 10, 2021</p>	<p><i>The Proposal on the Fulfillment of Exercise Conditions for the Third Vesting Schedule of the Stock Option Incentive Plan for 2018, and the Proposal on the Evaluation Results of the Third Vesting Schedule of the Stock Option Incentive Plan for 2018</i></p>	<p>1. The exercise conditions for the third vesting schedule of the stock option incentive plan for 2018 have been fulfilled, which was agreed to be submitted to the Board of Directors for deliberation. 2. All the members reviewed the personal assessment and evaluation of all personnel entitled to the third period of stock option</p>	<p>N/A</p>	<p>N/A</p>

					incentive plan for 2018, and all the review results were good or above.		
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## X. Work of the Board of Supervisors

The Board of Supervisors has found through its supervision activities during the reporting period that the Company is at risk

Yes  No

The Board of Supervisors has no objection to the matters being supervised during the reporting period.

## XI. Employees of the Company

### 1. Number, specialty and educational background of employees

Number of employees on active duty in the parent company	1,788
Number of employees on active duty in major subsidiaries	9,303
Total number of employees on active duty at the end of the reporting period	11,091
Total number of paid employees in the current period	11,091
Number of retired employees for which the parent company and major subsidiaries bear the cost	50
Specialty composition	
Category	Number of employees
Production	3,351
Sales	2,724
Technology	4,256
Finance	171
Administration	589
Total	11,091
Education background	
Category	Number of employees
Doctoral degree	28
Master's degree	877
Bachelor's degree	5,449
Junior college's degree	4,023
Below junior college's degree	714

Total	11,091
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## 2. Remuneration policy

The Company adopts a remuneration policy that is based on the matching between payment and post value and is also differentiated based on technical capabilities, with payment rates determined depending on employees' job levels and comprehensive evaluations. Besides, the Company determines the overall income of its employees from three aspects: employees' job levels, performance of employees' departments and performance of employees. Internally, the Company adjusts employees' positions on an annual basis; externally, it also recruits new employees. To align the overall remuneration level at the Company with that in the talent market, the HR Department of the Company irregularly collects data on industrial and regional remuneration as a basis for remuneration adjustment.

## 3. Training plan

Departments of the Company, based on demand investigations, training results in previous years and actual demands of their own, prepare their annual training plans and submit the plans to the HR Department for record. Specialized and competency-related training involving different departments and subsidiaries is designed and delivered by the HR Department in a uniform manner. The HR Department of the Company drafts annual training plans for salesmen, managers and personnel engaged in special operations on an annual basis depending on actual demands and organize the training with the approval from the Company.

## 4. Labor outsourcing

Applicable  Not Applicable

Total working hours outsourced	486,255
Total remuneration paid for labor outsourcing (RMB)	14,587,655.00

## XII. Profit distribution and conversion of capital reserve into capital stock at the Company

Preparation, implementation, or adjustment of profit distribution policies, especially the policy of cash bonus, within the reporting period

Applicable  Not Applicable

In the spirits of the *Notice of China Securities Regulatory Commission on Reinforcing Matters Related to Cash Dividends of Listed Companies* (ZJF [2012] No.37), the *Regulatory Guidance No. 3 for Listed Companies – Cash Dividends Distribution of Listed Companies* (CSRC Announcement [2013] No. 43) and other documents, since its listing, the Company has adhered to an active, sustained and stable profit distribution policy. It aspires to share operating outcomes with all shareholders, give back to investors, and guide investors to raise awareness of long-term investment and rational investment. Hence the *Plan of Dividends and Returns to Shareholders for Next Three Years* has been prepared. While guaranteeing normal operation and long-term development, the Company will continue with a stable dividend policy in the future.

Special notes on cash dividend policy	
Whether it complies with the Articles of Association or resolutions of General Shareholders' Meeting:	Yes

Whether the standard and proportion are specific and explicit:	Yes
Whether there are complete decision-making procedures and mechanisms:	Yes
Whether independent directors have performed their responsibilities:	Yes
Whether minority shareholders are given the opportunity to express their opinions and demands, and whether their lawful rights and interests are protected in full:	Yes
Whether the conditions and procedures for adjusting or changing the cash bonus policy are compliant and transparent (if any):	Yes

The Company's plans for profit distribution and conversion of capital reserve into capital stock during the reporting period are consistent with its Articles of Association and bonus management rules:

Yes  No  Not Applicable

The Company's plans for profit distribution and conversion of capital reserve into capital stock during the reporting period are compliant with its Articles of Association and other regulations.

Profit distribution and conversion of capital reserve into capital stock for the current year

Number of bonus stocks per 10 shares	0
Number of distributed dividends per 10 shares (RMB) (tax inclusive)	0.60
Number of stocks converted per 10 shares	0
Equity base in distribution plan	1,673,088,214
Amount of cash dividends (RMB) (tax inclusive)	100,385,292.84
Amount of cash dividends paid by other means (such as share repurchase) (RMB)	0.00
Total amount of cash dividends (including other means) (RMB)	100,385,292.84
Distributable profit (RMB)	1,411,297,724.78
Total amount of cash dividends (including other means) as percentage in the total amount of profit distribution	100.00%

The current cash dividend

Where the Company is in a developing stage and has an arrangement for significant capital expenditure, the dividends distributed in the form of cash shall not be less than 20% of the total amount of profit distribution.

Details of plans for profit distribution and conversion of capital reserve

As audited by Da Hua Certified Public Accountants (Special General Partnership), the parent company achieved a net profit of RMB 409,464,794.62 in 2021. A statutory surplus reserve of RMB 40,946,479.46 was set aside at 10% of the net profit achieved

by the parent company in 2021, plus the undistributed profit at the beginning of the year of RMB 1,101,270,330.76, less the actual cash dividends distributed in 2020 totaling RMB 58,490,921.14 (tax included). As of December 31, 2021, the parent company's profit available for distribution was RMB 1,411,297,724.78. The Profit Distribution Plan for 2021 of the Company is to distribute RMB 100,385,292.84 in total on the base of 1,673,088,214 of total capital stock as of December 31, 2021, where 0 capital share is converted from every 10 capital reserve shares and RMB 0.6 (tax included) is paid as cash dividends for every 10 shares.

Within the reporting period, the Company profited and the parent company's profit available for distribution to common shareholders was positive, but no distribution plan for cash bonus was prepared

Applicable  Not Applicable

### **XIII. Implementation of the Company's equity incentive plan, employee stock ownership plan or other employee incentives**

Applicable  Not Applicable

#### **1. Equity incentive**

##### **(I) 2018 Stock Option Incentive Plan**

1. On November 27, 2018, the Company held the 21<sup>st</sup> Meeting of the 4<sup>th</sup> Board of Directors, which deliberated and approved the *Proposal on the Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2018 and Its Abstract*, the *Proposal on the Administrative Measures for the Assessment of the Implementation of the Stock Option Incentive Plan of Centre Testing International Group Co., Ltd. for 2018* and the *Proposal on General Shareholders' Meeting Authorizing Board of Directors to Manage Stock Option Incentive Plan of the Company for 2018*. On the same day, the Company held the 17<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Supervisors, which deliberated and approved the *Proposal on Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2018 and Its Abstract*, the *Proposal on Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2018 and Its Abstract* and the *Proposal on Verifying List of Recipients Entitled to the Stock Option Incentive Plan of the Company for 2018*. Independent directors of the Company gave their independent opinions, and lawyers and other intermediaries presented corresponding reports.

2. On December 8, 2018, the Company disclosed the *Review Opinions and Publication Notes of the Board of Supervisors on the List of Recipients Entitled to the Stock Option Incentive Plan for 2018*.

3. On December 13, 2018, the Company held the Second Extraordinary General Shareholders' Meeting 2018, which deliberated and approved the *Proposal on the Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2018 and Its Abstract*, the *Proposal on the Administrative Measures for the Assessment of the Implementation of the Stock Option Incentive Plan of Centre Testing International Group Co., Ltd. for 2018* and the *Proposal on General Shareholders' Meeting Authorizing Board of Directors to Manage Stock Option Incentive Plan of the Company for 2018*.

4. On December 17, 2018, the Company held the 22<sup>nd</sup> Meeting of the 4<sup>th</sup> Board of Directors and the 18<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Supervisors, which deliberated and approved the *Proposal on Awarding Stock Options to Entitled Recipients*. The affiliated directors abstained from voting. Independent directors of the Company gave their independent opinions, and the Board of Supervisors verified the list of recipients to be awarded with stock options.

5. On December 26, 2018, the Company completed the registration of granting 20.65 million stock options to 38 recipients. Option name for short: CTI JLC3, option code: 036325, and the exercise price of stock options was RMB 6.13/share.

6. On December 22, 2019, at the 1<sup>st</sup> Meeting of the Remuneration Evaluation and Nomination Committee of the 5<sup>th</sup> Board of Directors of the Company, the *Proposal on Adjusting the Exercise Price of the Stock Option Incentive Plan for 2018*, the *Proposal on the Evaluation Results of the First Vesting Schedule of the Stock Option Incentive Plan for 2018*, and the *Proposal on the Fulfillment*

*of Exercise Conditions for the First Vesting Schedule of the Stock Option Incentive Plan for 2018* were deliberated and approved.

7. On December 25, 2019, the Company held the 2<sup>nd</sup> Meeting of the 5<sup>th</sup> Board of Directors and the 2<sup>nd</sup> Meeting of the 5<sup>th</sup> Board of Supervisors, which deliberated and approved the *Proposal on Adjusting the Exercise Price of the Stock Option Incentive Plan for 2018*, and the *Proposal on Fulfillment of Exercise Conditions for the First Vesting Schedule of the Stock Option Incentive Plan for 2018*. According to the *2018 Stock Option Incentive Plan (Draft)*, due to the implementation of the 2018 equity distribution plan on May 28, 2019, the Board of Directors agreed to adjust the exercise price under the Company's stock option incentive plan for 2018 from RMB 6.13/share to RMB 6.095/share. At the same time, the exercise conditions for the first vesting schedule of the Company's stock option incentive plan for 2018 had been fulfilled. There were 6.195 million stock options to be exercised, accounting for 0.37% of the Company's total share capital. Independent directors of the Company gave their independent opinions on the above matters, and Guangdong Shu Jin Law Firm provided a legal opinion.

8. On May 12, 2020, at the 3<sup>rd</sup> Meeting of the Remuneration Evaluation and Nomination Committee of the 5<sup>th</sup> Board of Directors of the Company, the *Proposal on Adjusting the Exercise Price of the Stock Option Incentive Plan* was deliberated and approved. It was agreed to adjust the exercise price under the Company's stock option incentive plan for 2018 from RMB 6.095/share to RMB 6.06/share.

9. On May 15, 2020, the Company held the 2<sup>nd</sup> Meeting of the 5<sup>th</sup> Board of Directors and the 2<sup>nd</sup> Meeting of the 5<sup>th</sup> Board of Supervisors, which deliberated and approved the *Proposal on Adjusting the Exercise Price of the Stock Option Incentive Plan*. Due to the equity distribution in 2019, the exercise price under the Company's stock option incentive plan for 2018 was adjusted from RMB 6.095/share to RMB 6.06/share.

10. On December 22, 2020, at the 6<sup>th</sup> Meeting of the Remuneration Evaluation and Nomination Committee of the 5<sup>th</sup> Board of Directors of the Company, the *Proposal on the Assessment and Evaluation of the Second Vesting Schedule of the Stock Option Incentive Plan for 2018* and the *Proposal on the Fulfillment of Exercise Conditions for the Second Vesting Schedule of the Stock Option Incentive Plan for 2018* were deliberated and approved.

11. On December 22, 2020, the Company held the 11<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors and the 10<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Supervisors, which deliberated and approved the *Proposal of the Fulfillment of Exercise Conditions for the Second Vesting Schedule of the Stock Option Incentive Plan for 2018* and the *Cancellation of Partial Stock Options*. The exercise conditions for the second vesting schedule of the Company's stock option incentive plan for 2018 had been fulfilled, and there were 6.1425 million stock options to be exercised. Independent directors of the Company gave their independent opinions on the above matters, and Guangdong Shu Jin Law Firm provided a legal opinion.

12. On May 17, 2021, at the 10<sup>th</sup> Meeting of the Remuneration Evaluation and Nomination Committee of the 5<sup>th</sup> Board of Directors of the Company, the *Proposal on Adjusting the Exercise Price of the Stock Option Incentive Plan* was deliberated and approved. It was agreed to adjust the exercise price under the Company's stock option incentive plan for 2018 from RMB 6.06/share to RMB 6.025/share.

13. On May 20, 2021, the Company held the 15<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors and the 14<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Supervisors, which deliberated and approved the *Proposal on Adjusting the Exercise Price of the Stock Option Incentive Plan*. Due to the equity distribution in 2020, the exercise price under the Company's stock option incentive plan for 2018 was adjusted from RMB 6.06/share to RMB 6.025/share.

14. On December 10, 2021, at the 12<sup>th</sup> Meeting of the Remuneration Evaluation and Nomination Committee of the 5<sup>th</sup> Board of Directors of the Company, the *Proposal on the Assessment and Evaluation of the Third Vesting Schedule of the Stock Option Incentive Plan for 2018* and the *Proposal on the Fulfillment of Exercise Conditions for the Third Vesting Schedule of the Stock Option Incentive Plan for 2018* were deliberated and approved.

15. On December 13, 2021, the Company held the 20<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors and the 18<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Supervisors, which deliberated and approved the *Proposal of the Fulfillment of Exercise Conditions for the Third Vesting Schedule of the Stock Option Incentive Plan for 2018*. The exercise conditions for the third vesting schedule of the Company's stock option incentive plan for 2018 had been fulfilled, and there were 8.26 million stock options to be exercised. Independent directors of the

Company gave their independent opinions on the above matters, and Guangdong Shu Jin Law Firm provided a legal opinion.

(II) 2019 Stock Option Incentive Plan

1. On April 24, 2019, the Company held the 24<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Directors, which deliberated and approved the *Proposal on the Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2019 and Its Abstract*, the *Proposal on the Administrative Measures for the Assessment of the Implementation of the Stock Option Incentive Plan of Centre Testing International Group Co., Ltd. for 2019* and the *Proposal on General Shareholders' Meeting Authorizing Board of Directors to Manage Stock Option Incentive Plan of the Company for 2019*. The 20<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Supervisors was held, which deliberated and approved the *Proposal on Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2019 and Its Abstract*, the *Proposal on Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2019 and Its Abstract* and the *Proposal on Verifying List of Recipients Entitled to the Stock Option Incentive Plan of the Company for 2019*. Independent directors of the Company gave their independent opinions, and lawyers and other intermediaries presented corresponding reports.
2. On May 10, 2019, the Company disclosed the *Review Opinions and Publication Notes of the Board of Supervisors on the List of Recipients Entitled to the Stock Option Incentive Plan for 2019*.
3. On May 16, 2019, the Company held the General Shareholders' Meeting of 2018, which deliberated and approved the *Proposal on the Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2019 and Its Abstract*, the *Proposal on the Administrative Measures for the Assessment of the Implementation of the Stock Option Incentive Plan of Centre Testing International Group Co., Ltd. for 2019* and the *Proposal on General Shareholders' Meeting Authorizing Board of Directors to Manage Stock Option Incentive Plan of the Company for 2019*.
4. On May 20, 2019, the Company held the 27<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Directors and the 23<sup>rd</sup> Meeting of the 4<sup>th</sup> Board of Supervisors, which deliberated and approved the *Proposal on Awarding Stock Options to Entitled Recipients*. It was decided to award a total of 4.7 million stock options to 9 recipients on May 20, 2019. Independent directors of the Company gave their independent opinions, and the Board of Supervisors verified the list of recipients to be awarded with stock options.
5. On June 3, 2019, the Company completed the awarding registration under the stock option incentive plan for 2019. Option name for short: CTI JLC4, option code: 036358.
6. On May 12, 2020, at the 3<sup>rd</sup> Meeting of the Remuneration Evaluation and Nomination Committee of the 5<sup>th</sup> Board of Directors of the Company, the *Proposal on Adjusting the Exercise Price of the Stock Option Incentive Plan*, the *Proposal on the Evaluation Results of the First Vesting Schedule of the Stock Option Incentive Plan for 2019*, and the *Proposal on the Fulfillment of Exercise Conditions for the First Vesting Schedule of the Stock Option Incentive Plan for 2019* were deliberated and approved.
7. On May 15, 2020, the Company held the 5<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors and the 5<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Supervisors, which deliberated and approved the *Proposal on Adjusting the Exercise Price of the Stock Option Incentive Plan*, and the *Proposal on Fulfillment of Exercise Conditions for the First Vesting Schedule of the Stock Option Incentive Plan for 2019*. It was agreed to adjust the exercise price under the Company's stock option incentive plan for 2018 from RMB 6.095/share to RMB 6.06/share, and that under the Company's stock option incentive plan for 2019 from RMB 6.23/share to RMB 6.16/share. At the same time, the exercise conditions for the first vesting schedule of the Company's stock option incentive plan for 2019 had been fulfilled. There were 1.41 million stock options to be exercised. Independent directors of the Company gave their independent opinions on the above matters, and Guangdong Shu Jin Law Firm provided a legal opinion.
8. On May 17, 2021, at the 10<sup>th</sup> Meeting of the Remuneration Evaluation and Nomination Committee of the 5<sup>th</sup> Board of Directors of the Company, the *Proposal on Adjusting the Exercise Price of the Stock Option Incentive Plan*, the *Proposal on the Evaluation Results of the Second Vesting Schedule of the Stock Option Incentive Plan for 2019*, and the *Proposal on the Fulfillment of Exercise Conditions for the Second Vesting Schedule of the Stock Option Incentive Plan for 2019* were deliberated and approved.
9. On May 20, 2021, the Company held the 15<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors and the 14<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Supervisors, which deliberated and approved the *Proposal on Adjusting the Exercise Price of the Stock Option Incentive Plan* and the *Proposal of the Fulfillment of Exercise Conditions for the Second Vesting Schedule of the Stock Option Incentive Plan for 2019*. It

was agreed to adjust the exercise price under the Company's stock option incentive plan for 2019 from RMB 9.16/share to RMB 9.125/share. At the same time, the exercise conditions for the second vesting schedule of the Company's stock option incentive plan for 2019 had been fulfilled, and there were 1.41 million stock options to be exercised. Independent directors of the Company gave their independent opinions on the above matters, and Guangdong Shu Jin Law Firm provided a legal opinion.

Equity incentive granted to directors and senior executives

√ Applicable □ Not Applicable

Unit: share

Name	Position	Number of stock options held at the beginning of the year	Number of new stock options awarded during the reporting period	Number of exercisable shares in the reporting period	Number of shares exercised in the reporting period	Exercise price of the number of shares exercised in the reporting period (RMB /share )	Number of stock options held at the end of the reporting period	Market price at the end of the reporting period (RMB /share )	Number of restricted shares held at the beginning of the reporting period	Number of new restricted shares awarded during the reporting period	Granting price of restricted shares (RMB /share )	Number of unlocked shares in the current period	Number of restricted shares held at the end of the reporting period
Richard Shentu	Director, CEO	2,100,000	0	900,000	900,000	6.06	1,200,000	26.87	0	0	0	0	0
Chen Yan	Director, Vice President, Secretary of the Board of Directors	700,000	0	300,000	300,000	6.06	400,000	26.87	0	0	0	0	0
Xu Jiang	Vice President	490,000	0	210,000	210,000	6.06	280,000	26.87	0	0	0	0	0

Li Fengyong	Vice President	700,000	0	300,000	300,000	6.06	400,000	26.87	0	0	0	0	0
Wang Hao	Vice President	350,000	0	150,000	150,000	6.06	200,000	26.87	0	0	0	0	0
Zhou Lu	Vice President	350,000	0	150,000	150,000	6.06	200,000	26.87	0	0	0	0	0
Qian Feng	Vice President	490,000	0	210,000	210,000	6.06	280,000	26.87	0	0	0	0	0
Zeng Xiaohu	Vice President	700,000	0	300,000	300,000	9.125	400,000	26.87	0	0	0	0	0
Total	--	5,880,000	0	2,520,000	2,520,000	--	3,360,000	--	0	0	--	0	0

Note (if any)	<p>1. In 2018, the Company implemented the first Stock Option Incentive Plan and granted 20.65 million options to 38 recipients. The exercise price was RMB 6.13/share. Specifically, 3,000,000 options were granted to Mr. Richard Shentu, 1,000,000 options to Mr. Chen Yan, 1,000,000 options to Mr. Li Fengyong, 700,000 options to Mr. Qian Feng, 700,000 options to Mr. Xu Jiang, 500,000 options to Ms. Wang Hao and 500,000 options to Mr. Zhou Lu. Due to the equity distribution in 2018, 2019, and 2020, the exercise price was adjusted from RMB 6.13/share to RMB 6.095/share, RMB 6.06/share and RMB 6.025/share. Details on the number of exercisable shares of the directors and senior executives granted options of the Company during the first vesting schedule are described below: Mr. Richard Shentu - 900,000, Mr. Chen Yan - 300,000, Mr. Li Fengyong - 300,000, Mr. Qian Feng - 210,000, Mr. Xu Jiang - 210,000, Ms. Wang Hao - 150,000 and Mr. Zhou Lu - 150,000. The actual exercisable period of the first vesting schedule was December 31, 2020 to December 16, 2021.</p> <p>2. In 2019, the Company implemented the second Stock Option Incentive Plan and granted 4,700,000 options to 9 recipients at an exercising price of RMB 9.23/share, including 1,000,000 options granted to Mr. Zeng Xiaohu. Due to the equity distribution in 2018, 2019 and 2020, the exercise price was adjusted from RMB 9.23/share to RMB 9.125/share. The number of shares exercisable during the first vesting schedule for the directors and senior executives to whom options were granted was: 300,000 shares for Mr. Zeng Xiaohu, with an exercise price of RMB 9.125/share.</p>
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#### Evaluation mechanism and incentives for senior executives

The Company has established a sound performance appraisal system and remuneration regulations for senior executives, where their work performance has direct impact on their income. During the reporting period, the performance evaluation conditions at the Company level were met, and at the individual level, the performance appraisal results of the senior executives above were all good or above, indicating compliance with the exercise conditions in the *Stock Option Incentive Plan for 2018 (Draft)* and the *Stock Option Incentive Plan for 2019 (Draft)*. The Remuneration Evaluation and Nomination Committee, as a specialized agency under the Board of Directors, reviewed the above appraisal.

## 2. Implementation of employee stock ownership plans

√ Applicable □ Not Applicable

Information on all the valid employee stock ownership plans during the reporting period

Scope of employees	Number of employees	Total number of stocks held	Changes	Percentage in total share capital of the listed company	Source of funding
First Employee Stock Ownership Plan: Directors (excluding independent directors), senior executives, and key managers/ technicians of the Company and its subsidiaries	55	3670000	<p>1. On June 19, 2017, the Company held the First Extraordinary General Shareholders' Meeting in 2017, which deliberated and approved the <i>First Employee Stock Ownership Plan (Draft) of Centre Testing International Group Co., Ltd. and Its Abstract</i>. 2. On May 17, 2019, the Company's Board of Directors deliberated and approved the <i>Proposal on the Extension and Change of the Company's First Employee Stock Ownership Plan</i> and other proposals, deciding to adjust the number of holders, the list of employees and share allocation under the employee stock ownership plan. 3.</p>	0.22%	Funds raised by employees and loans with interest provided by major shareholders

			<p>On June 18, 2021, the Company held the Meeting of Holders of the First Employee Stock Ownership Plan and the 16<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors, which deliberated and approved the <i>Proposal on the Extension of the First Employee Stock Ownership Plan</i>, agreeing to extend the term of the Company's first employee stock ownership plan by 24 months, that is, until August 18, 2023. 4. On December 8, 2021, the Company held the Meeting of Holders of the First Employee Stock Ownership Plan, which deliberated and approved the <i>Proposal on Adjusting the First Employee Stock Ownership Plan</i>; on December 13, 2021, the Company held the 20<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors and the</p>		
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			18 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Supervisors, which deliberated and approved the <i>Proposal on Amending the Draft Employee Stock Ownership Plan and Administrative Measures</i> , deciding to adjust the number of holders, the list of employees and share allocation under the employee stock ownership plan.		
Second Employee Stock Ownership Plan: Directors (excluding independent directors), senior executives, and key managers/ technicians of the Company and its subsidiaries	20	1424500	1. On August 8, 2018, the Company held the First Extraordinary General Shareholders' Meeting in 2018, which deliberated and approved the <i>Second Employee Stock Ownership Plan (Draft) of Centre Testing International Group Co., Ltd. and Its Abstract</i> . 2. On October 9, 2018, the Company held the 19 <sup>th</sup> Meeting of the 4 <sup>th</sup> Board of Supervisors and the 15 <sup>th</sup> Meeting of the 4 <sup>th</sup> Board of	0.09%	Funds raised by employees and loans with interest provided by major shareholders

			<p>Supervisors, which deliberated and approved the <i>Proposal on Amending the Second Employee Stock Ownership Plan (Draft) of Centre Testing International Group Co., Ltd. and Its Abstract</i> and the <i>Proposal on Amending the Administrative Measures for Second Employee Stock Ownership Plan of Centre Testing International Group Co., Ltd.</i> 3. On November 9, 2020, the Company held the Meeting of Holders of the Second Employee Stock Ownership Plan and the 9<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors, which deliberated and approved the <i>Proposal on the Extension of the Second Employee Stock Ownership Plan</i>, agreeing to extend the term of the Company's second employee stock ownership</p>		
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			<p>plan by 24 months, that is, until December 10, 2022. 4. On December 8, 2021, at the Meeting of Holders of the Second Employee Stock Ownership Plan, the <i>Proposal on Adjusting the Second Employee Stock Ownership Plan</i> was deliberated and approved; on December 13, 2021, at the 20<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors, the <i>Proposal on Amending the Draft Second Employee Stock Ownership Plan and Administrative Measures</i> was deliberated and approved, where associated directors were subject to vote avoidance.</p>		
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Shareholdings of directors, supervisors and senior executives in employee stock ownership plans during the reporting period

Name	Position	Number of shares held at the beginning of the reporting period	Number of shares held at the end of the reporting period	Percentage in total share capital of the listed company
Chen Yan (First Employee Stock Ownership Plan)	Director, Secretary of the Board of Directors, Vice President	68,755	68,635	0.0041%
Xu Jiang (First Employee Stock Ownership Plan)	Vice President	68,755	68,635	0.0041%

Ownership Plan)				
Li Fengyong (First Employee Stock Ownership Plan)	Vice President	68,755	68,635	0.0041%
Wang Hao (First Employee Stock Ownership Plan)	Vice President	68,755	68,635	0.0041%
Zeng Xiaohu (First Employee Stock Ownership Plan)	Vice President	61,630	61,510	0.0037%
Chen Yan (Second Employee Stock Ownership Plan)	Director, Secretary of the Board of Directors, Vice President	71,225	71,225	0.0043%
Xu Jiang (Second Employee Stock Ownership Plan)	Vice President	71,225	71,225	0.0043%
Zhou Lu (Second Employee Stock Ownership Plan)	Vice President	71,225	71,225	0.0043%

Changes in asset management institutions during the reporting period

Applicable  Not Applicable

Changes in equity due to disposal of shares by holders during the reporting period

Applicable  Not Applicable

First Employee Stock Ownership Plan: During the reporting period, due to the resignation of the original holder Peng Yong, two new holders, Han Yu and Feng Zike, were added. Peng Yong held 443,008 shares under the employee stock ownership plan, equivalent to 68,755 tradable shares of the Company, which were transferred to Han Yu and Feng Zike, with each hold a half. In the meantime, the original 53 holders of the employee stock ownership plan transferred 40,980 shares under the employee stock ownership plan to Han Yu and Feng Zike, equivalent to 6,360 tradable shares of the Company, with each holding a half. Upon such transfer, there are 55 holders under the first employee stock ownership plan, holding 3,670,000 shares of the Company.

Exercise of shareholders' rights during the reporting period

During the reporting period, administrators authorized under employee stock ownership plans all voted for the resolutions at the First Extraordinary Shareholders' General Meeting in 2021, the annual Shareholders' General Meeting in 2020, and the Second Extraordinary Shareholders' General Meeting in 2021.

Other circumstances of and notes on employee stock ownership plans during the reporting period

Applicable  Not Applicable

Changes in the membership of the Employee Stock Ownership Plan Management Committee

Applicable  Not Applicable

Employee stock ownership plans' financial impact on the listed company and related accounting treatment during the reporting period

Applicable  Not Applicable

Termination of employee stock ownership plans during the reporting period

Applicable  Not Applicable

Other remarks

N/A

### 3. Other employee incentives

Applicable  Not Applicable

The *Proposal on Capital Increase and Share Expansion of Subsidiaries and Connected Transactions* was deliberated and approved at the 20<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors of the Company and the Second Extraordinary Shareholders' General Meeting in 2021. CTI Medical rolled out an employee stock ownership plan through capital increase and share expansion, with an aim to boost the subsidiary's capital strength and future growth, inspire the passion and creativity of employees, attract and retain talent, and tie the interests of shareholders, the Company and employees. Meanwhile, the management of the Company and CTI Chairman Mr. Wan Feng joined in the scheme as well, as part of the long-term and effective restraint mechanism for the management of CTI, and to enhance employees' confidence in holding the shares. The Company waives its right to subscribe for the capital contribution to CTI Medical. CTI Medical Employee Shareholding Platform, CTI Medical Management Shareholding Platform and Mr. Wan Feng respectively subscribe CTI Medical's newly added registered capital of no more than RMB 31,750,000, RMB 15,020,000 and RMB 17,684,000 at a price of RMB 4.50/registered capital (i.e., CTI Medical's pre-investment valuation of RMB 1,437,957,000). The capital contribution is no more than RMB 142,875,000, RMB 67,590,000 and RMB 79,578,000, respectively, totaling no more than RMB 290,043,000. After completion of the capital increase and share expansion, the registered capital of CTI Medical will increase from RMB 319,546,000 to no more than RMB 384,000,000. Assuming CTI Medical Employee Shareholding Platform's subscription amount equals its upper limit, upon completion of capital increase, CTI Medical Employee Shareholding Platform, CTI Medical Management Shareholding Platform and Mr. Wan Feng are expected to directly hold 8.27%, 3.91% and 4.61% stake in CTI Medical, respectively. Hence, the shareholding ratio of CTI in CTI Medical will be changed from 100% to no less than 83.21%. CTI Medical remains a holding subsidiary of the Company. The capital increase and share expansion will not lead to any change in the scope of the Company's consolidated statements. See also the *Announcement on Capital Increase and Share Expansion of Subsidiaries and Connected Transactions* (Announcement No. 2021-074)

## XIV. Establishment and enforcement of internal control regulations during the reporting period

### 1. Establishment and enforcement of internal control

To adapt to the changing external environment and internal management requirements, the Company is committed to the continued improvement and optimization of its internal control system on the basis of daily supervision and special-purpose supervision, in accordance with regulatory requirements on internal control, and in combination with the Company's internal control regulations and evaluation methods. As per the provisions in the enterprises' internal control system, the Board of Directors of the Company establishes, improves and puts internal control in place, while evaluating its effectiveness, and truthfully disclosing internal control evaluation reports. The Board of Supervisors supervises the establishment and enforcement of internal control. The management is responsible for organizing and leading daily internal control. The Audit Committee is set up under the Board of Directors of the Company to supervise and review material matters such as the Company's periodic reports and internal control reports, and to report to the Board of Directors. Through internal control risk modules, some defects were found in the internal control by individual organizations within the scope of assessment during professional inspections and internal audits. Effective measures have been taken to remedy the internal control problems in a timely manner. Meanwhile a comprehensive assessment has been performed on other organizations to prevent similar risks from recurring. Therefore, there are no major defects in the integrity, compliance and effectiveness of the internal control system that the Company has established.

**2. Details on major defects in internal control discovered during the reporting period**

Yes  No

**XV. Management and control over the Company's subsidiaries during the reporting period**

Company name	Integration plan	Integration progress	Challenges in integration	Solutions applied	Resolution progress	Follow-up resolution plan
How-To Consulting (Shanghai) Co., Ltd.	Finance, human resources, administrative management, procurement, IT, legal affairs, technical capabilities, and market alignment	The integration of corporate governance structure, finance, administrative management, procurement, IT, legal affairs, technical capabilities, and market alignment has been completed	How-To is engaged in consulting and technical services, which features distinct industrial features in operations and management. So it is necessary to tailor an integration plan according to How-To's current situation.	Policies have been adapted to the characteristics of How-To, and an integration plan that supports How-To's sustainable development has been prepared.	Except that human resources have not been fully integrated, all the rest tasks have been well completed.	To develop an integration plan for human resources, and to organically integrate the policies of the Company and How-To for mutual complementation.
imat-uve gmbh	For overseas business, CTI resources are introduced with the original operations retained; and the financial assets are integrated and connected. For business in China, front-end business assets and back-end	For overseas business, it is planned to hire senior executives with rich industry experience in the German headquarters to enhance management capabilities; the integration of financial assets is in steady progress. For	The progress is impeded by the COVID-19 pandemic; the integration of Chinese subsidiaries has slowed down, due to the severe epidemic in Shanghai and Shenyang.	-	In steady progress	To accelerate the integration of China's business after the epidemic

	functional assets are fully integrated to generate synergy.	business in China, the governance structure of the company after integration and the integration plan for business and functional assets are being improved.				
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## XVI. Self-evaluation report for internal control or audit report for internal control

### 1. Self-evaluation report for internal control

Date of disclosure of the full-text self-evaluation report for internal control	April 25, 2022	
Disclosure index of the full-text self-evaluation report for internal control	Cninfo.com.cn ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )	
Total assets of organizations included in the evaluation scope as percentage in the total assets specified in the consolidated financial statements of the Company	100.00%	
Operating revenue of organizations included in the evaluation scope as percentage in the total revenue specified in the consolidated financial statements of the Company	100.00%	
Identification criteria for defects		
Category	Financial report	Non-financial report
Qualitative criteria	Extensive damages; business interruption > 2 days/leading to processes	Continuous media exposure; damaged trust with business partners; damaged trust by shareholders
Quantitative criteria	>1,000,000	>1,000,000
Number of major defects in financial reports	0	
Number of major defects in non-financial reports	0	
Number of important defects in financial	0	

reports	
Number of important defects in non-financial reports	0

## 2. Audit report or authentication report for internal control

Authentication report for internal control

"Comments" section in the authentication report for internal control	
In our opinion, as of December 31, 2021, CTI had maintained effective internal control related to financial statements in all major aspects in accordance with the <i>Basic Standard for Enterprise Internal Control</i> and relevant provisions.	
Disclosure of authentication report for internal control	Disclosed
Date of disclosure of the full-text authentication report for internal control	April 25, 2022
Disclosure index of the full-text authentication report for internal control	Cninfo.com.cn ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )
Type of comments in the authentication report for internal control	Standard unqualified opinions
Whether there are major defects in non-financial reports	No

The accounting firm presents the authentication report for internal control with non-standard opinions

Yes  No

The authentication report for internal control from the accounting firm is consistent with the self-assessment report of the Board of Directors

Yes  No

## XVII. Rectification of problems found in self-examination under the listed company governance campaign

The Company has comprehensively examined ten key issues – corporate governance improvement, financial reporting quality, illegal guarantees and capital occupation, insider trading, major shareholders' stock pledge risks, M&A management, information disclosure on changes in share rights, commitments to the capital market, audit agency selection and recruitment, and investor relations management – as required by the State Council's *Opinions on Further Improving the Quality of Listed Companies* (GF [2020] No. 14), and the *Notice of Shenzhen Securities Regulatory Bureau on Promoting Listed Companies in the Jurisdiction to Enforce Accountability, Improve Governance and Achieve High-quality Development* (SZJGSZ [2020] No. 128). A *Self-examination Report on Improving the Quality of Listed Companies* was compiled and submitted to Shenzhen Securities Regulatory Bureau. Upon prudent comparison and inspection, no major violations or matters infringing on the interests of the listed company were found, and there were no violations that influenced corporate governance. The Company stays committed to improving its corporate governance

structure, establishing sound internal control regulations, enhancing corporate governance, and promoting its sustainable and steady development in strict compliance with the *Company Law*, the *Securities Law*, the *Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange* and other applicable laws and regulations, normative documents and the provisions in the *Articles of Association*.

## Section V Environmental and Social Responsibilities

### I. Material environmental issues

The listed company or any of its subsidiaries is a pollutant discharge organization under key supervision as announced by environmental protection authorities

√ Yes □ No

Organization name	Main pollutants and specific pollutants	Method of discharge	Number of discharge outlets	Distribution of discharge outlets	Concentration of charge	Executive pollutant discharge standards	Total discharge	Limit on total discharge	Excessive discharge
Huai'an CTI Testing Technology Co., Ltd.	Wastewater: pH value, suspended solids, total nitrogen, ammonia nitrogen, total phosphorus, chemical oxygen demand; exhaust gas: hydrogen chloride, sulfuric acid mist, methanol, methyl chloride, tetrachloroethylene, chloroform,	Wastewater: domestic sewage is treated by the septic tank in the factory area; experimental utensil cleaning wastewater and laboratory mopping water are neutralized; exhaust gas: it is treated by "secondary activated carbon adsorption," and	4	1 for wastewater, 3 for exhaust gas	Wastewater (mg/L): pH value (dimensionless): 7.22, suspended solids: 12, total nitrogen: 4.635, ammonia nitrogen: 0.109, total phosphorus: 0.075, chemical oxygen demand: 12.985; exhaust gas (mg/m <sup>3</sup> ): hydrogen chloride : 1.68, sulfuric	Wastewater (mg/L): pH value (dimensionless): 6-9, suspended solids: 250, total nitrogen: 45, ammonia nitrogen: 35, total phosphorus: 5, chemical oxygen demand: 400; exhaust gas (mg/m <sup>3</sup> ): hydrogen chloride: 10, sulfuric acid mist:	1. Water pollutants (volume piped): COD 0.0097 tons, SS 0.009 tons, ammonia nitrogen 0.00008 tons, TP 0.00006 tons, total nitrogen 0.0035 tons. 2. Exhaust gas (organized): hydrogen chloride 0.01062 tons, NOx 0 tons, sulfuric acid mist	1. Water pollutants (volume piped): COD ≤ 0.2643 tons, SS ≤ 0.1245 tons, ammonia nitrogen ≤ 0.02 tons, TP ≤ 0.0024 tons, total nitrogen ≤ 0.028 tons. 2. Exhaust gas (organized): hydrogen chloride < 0.013 tons, NOx < 0.0026 tons, sulfuric	N/A

	nitrogen oxides, VOCs	collected via negative pressure of closed fume hoods or the top hoods of testing instruments before emission.			acid mist: 0.332, nitrogen oxides: ND, VOCs: 0.0805	5, nitrogen oxides: 100, VOCs: 60	0.0021 tons, VOCs 0.00056 tons (0 tons of methanol, 0.00051 tons of methylene chloride, 0.00001 tons of chloroform, 0.000002 tons of tetrachloroethylene).	acid mist_0.0092 tons, VOCs <0.0192 tons (methanol <0.0019 tons, methylene chloride <0.0072 tons, chloroform <0.0006 tons, tetrachloroethylene <0.0027 tons, other substances <0.0068 tons).	
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Construction and operation of pollution prevention facilities

Huai'an CTI Testing Technology Co., Ltd.: The company builds pollution prevention and control facilities in strict accordance with environmental impact reports, designs, constructs, and puts them into use simultaneously with the main work, and performs environmental assessment and environmental acceptance inspection as per applicable laws and regulations. It continuously strengthens the O&M management of environmental protection facilities, and inspects their operations on a regular basis. The company's environmental protection facilities were under normal operations during the reporting period. The methanol, dichloromethane, trichloromethane, tetrachloroethylene, and VOCs generated in the organic experiment and analysis process are collected via negative pressure of closed fume hoods or the top hoods of testing instruments, treated by "secondary activated carbon adsorption," and discharged through the 1# exhaust pipe (15m) after showing conformity to standards. The exhaust gas from inorganic and biochemical analysis rooms is collected via negative pressure of closed fume hoods or the top hoods of testing instruments, and discharged through the 2-3# exhaust pipes (15m) after showing conformity to standards. Sewage neutralization facilities and septic tanks are built to greatly improve sewage treatment efficiency.

Environmental impact assessment of construction projects and other administrative licenses for environmental protection

Huai'an CTI Testing Technology Co., Ltd.: The company's construction projects are in compliance with national environmental protection laws and regulations, and have completed environmental impact assessment and other administrative licensing procedures for environmental protection. Environmental protection facilities are designed, constructed and put into use and operation at the same time with the main work, which ensures the smooth construction and operation of projects. The company's pollution discharge permit was issued on September 23, 2021, and numbered 91320802094112168Y001W, with a valid period of September 23,

2021-September 22, 2026.

Environmental emergency response plan

Huai'an CTI Testing Technology Co., Ltd.: The company has prepared an *Environmental Emergency Response Plan* (filing number: 320861-2022-003L) in compliance with the *Environmental Protection Law of the People's Republic of China*, the *Emergency Response Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Air Pollution*, and the *Law of the People's Republic of China on Work Safety*, the *National Environmental Emergency Response Plan*, and the *Interim Administrative Measures for Environmental Emergency Response Plans*, and according to the company's production processes, pollution production stages and environmental risks. Also, it has completed a comprehensive investigation of hazardous chemicals and substances that may cause environmental pollution on the production site, and a comprehensive analysis of the dangerous sections in the laboratory analysis process. The company has established a leading group for environmental emergency rescue, and set up an environmental emergency response organization; formulated emergency response procedures and graded emergency response procedures; and developed on-site handling measures, and detailed emergency response measures.

Autonomous environmental monitoring program

Huai'an CTI Testing Technology Co., Ltd.: The company monitors wastewater and exhaust gas on an annual basis in strict compliance with national and local environmental protection laws and regulations. With an autonomous monitoring plan compiled, the company regularly monitors wastewater, exhaust gas, noise, soil and other substances.

Administrative penalties for environmental issues during the reporting period

Organization name	Cause for sanction	Violation	Sanction	Impact on the listed company's production and operation	Remediation measures
Huai'an CTI Testing Technology Co., Ltd.	Spent reagent bottles were not recycled and disposed of as hazardous waste	Spent reagent bottles were not recycled as hazardous waste but sold as general solid waste	A fine of RMB one hundred and forty-five thousand	There was no impact on the environment, or the Company's production and operation. The organization involved will abide by relevant provisions and strengthen management in the future.	1. Educate employees on the <i>Measures for Hazardous Waste Management</i> (Q/CTI WI-HAP-0054) and the management requirements for hazardous waste, and regulate the disposal process of spent reagent bottles; 2. Clarify the responsibilities for hazardous waste management, and

					<p>the persons in charge of hazardous waste management in all experimental stages; 3. Regularly check the name, output, type, inventory, discharge and pollution prevention and control measures of each solid waste actually generated and consumed, with reference to environmental impact assessment and review and approval documents.</p>
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Other environmental information that should be disclosed

The pollutant discharge organization disclosed in the 2021 semi-annual report "Suzhou CTI Testing Technology Co., Ltd." had been changed to a pollutant discharge organization not under key supervision by the end of the reporting period.

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

Applicable  Not Applicable

In 2021, the Company's total carbon emissions at the operational level was 125.408 million tons of carbon dioxide equivalent, with purchased electricity, employee travel and purchased heat being the top three emission sources. The following measures are taken to reduce carbon emissions:

1. The Company reduces the energy consumption of business operations by strengthening management and raising awareness. Energy-saving knowledge is part of the Company's daily training; "low energy consumption" has been identified as a criterion for procuring laboratory and office equipment. Employees are encouraged to reduce the standby time of office computers and experimental equipment, and turn off unnecessary electrical appliances and lighting in time. The Company has also taken a combination of energy-saving measures to reduce energy consumption and carbon emissions, such as:

-Environmental protection and green buildings: The Company aims for a natural and ecological office environment when building and designing its own properties, according to the *Unified Standard for Energy Efficiency Design of Industrial Buildings* and other standards. Powered by cutting-edge technology, it applies advanced, mature and new materials, technologies, equipment and processes, and makes bold attempts and explorations in environmental protection, land saving, energy saving and use of renewable resources.

-The laboratory exhaust system is turned on every winter, which uses external cold air to reduce the temperature of high-power equipment, saving the use of air conditioning;

-Outside the new office building in the Suzhou base, metal louvers with high heat dissipation performance are mounted to block direct sunlight and diffuse radiation, prevent heat from entering, improve the indoor environment, reduce the energy

consumption of air conditioning, and reduce electricity used for artificial lighting;

-Given the large demand for lighting, large numbers of lighting devices, and high power consumption in large inspection areas, the lighting is designed in L, F and Z shapes, i.e., lamps are installed closely around the equipment to improve lighting efficiency;

-Without compromising security, the Group's data center is entrusted to an external data service agency for lower energy consumption, thanks to its efficient energy management capabilities.

## 2. Scientific arrangement of business trips

As required by business operations, employees who are closer to the project site are chosen as team members to reduce the distance of business travel. The Company also encourages the use of video conference rooms to appropriately reduce the number of business trips. At the same time, employees are advised to choose public transportation.

## Other environmental protection information

For more information on environmental protection, please refer to the *2021 Environmental, Social and Governance Report* disclosed by the Company.

## II. Social responsibilities

The *2021 Environmental, Social and Governance Report* in Chinese was disclosed on [www.cninfo.com.cn](http://www.cninfo.com.cn) on April 25, 2022, and its English version is scheduled to be published on the Company's website in May 2022.

## III. Building on and expanding the achievements of poverty alleviation and rural revitalization

As a pioneer and leader in third-party testing and certification services in China, CTI harnesses its expertise and introduces its professional teams to rural areas, helping rural industries "improve quality, build brands, and expand sales," and contributing to the connection between targeted poverty alleviation and rural revitalization. The Company is committed to aiding original poverty-stricken villages through collaboration, so as to build on the achievements of poverty alleviation and continue rural revitalization. Also, subsidies are provided for poor schoolchildren in original impoverished counties to support their healthy growth.

1. Since January 2021, the Company has been providing professional technical services for the 2021 Public Welfare Express 2.0, a program in collaboration with Alibaba Poverty Relief Fund and the Taobao Xinxuan team. CTI is engaged in food manufacturers' quality management - including plant, type and product inspections - regarding the 10 types of goods and their county-level merchants under the program. In view of the defects found in the food producers' quality management and inspection, the Company has delivered a series of training sessions, covering the interpretation of the amended implementation regulations of the food safety law, the interpretation of prepackaged food labeling standards, food traceability and recall management, and other topics on food laws and regulations, production management, inspection and testing technologies. This has assisted Alibaba Poverty Relief Fund and the Taobao Xinxuan team to improve the quality management capabilities of county-level producers and suppliers from the perspective of technical management, continuing to empower poverty alleviation.

2. In November 2021, as guided by the Bureau of Industry and Information Technology of Baoan District, Shenzhen, the Company traveled to Xia'ao Town, Du'an Yao Autonomous County, Guangxi, for collaborative poverty alleviation and assistance. Together with other businesses, CTI extended a helping hand to 106 original poverty-stricken villages in Du'an County, by investigating local assistance projects, and communicating with local cadres, village committees and residents. After learning local development conditions and the needs of villagers, it donated RMB 50,000 to help consolidate the achievements of poverty alleviation in Longguan Village, Xia'ao Town, continue the rural revitalization, and contribute to the full coverage of paired assistance in the key counties listed for national rural revitalization.

3. In January 2021, the Company donated RMB 250,000 worth of study supplies to the impoverished children in Jiahe and Jinmu

School Districts in Dangechang County, Longnan City, Gansu Province. Besides financial assistance, it also sent its love and care to the students and villagers in remote areas, giving hope for the advancement of targeted poverty alleviation. Since its establishment, CTI has consistently adhered to its mission of "building trust and ensuring quality of life for all," devoted to giving back to the society and helping those in need. After learning that the two school districts in Dangechang County were in short supply of cold-proof supplies this year, the Company took immediate action to raise supplies and delivered them to the schools during the New Year's Day festival, hoping that the children could have a warm winter. It takes ten years to grow a tree, but a hundred years to train a man. A good education program takes a long time to develop. Bearing that in mind, the Company is dedicated to education undertakings and public welfare activities, shouldering the crucial tasks given by the times.

## Section VI Material Matters

### I. Commitment performance

1. The commitment items that have been fulfilled within the reporting period and the commitment items have not been fulfilled by the end of the reporting period by related committing parties, including the Company's actual controllers, shareholders, related parties, acquirers, the Company, etc.

√ Applicable □ Not Applicable

Source of commitment	Committing party	Type of commitment	Commitment details	Time of commitment	Term of commitment	Fulfillment
Commitment stated in an acquisition report or a statement of changes in equity						
Commitment made at the time of asset reorganization						
Commitment made at the time of IPO or re-financing	Guo Bing; Guo Yong; Wan Feng; Wan Lipeng	Commitment on horizontal competition, connected transaction and occupation of funds	To avoid possible horizontal competition with the Company in the future, major shareholders of the Company, Wan Lipeng, Wan Feng, Guo Bing and Guo Yong, have signed a <i>Letter of Commitments to Avoid Horizontal Competition</i> , under	September 1, 2008	Long-term	Performance in progress

			<p>which each of them commits that: 1. they have not engaged in or participated in any competition with the Company. To avoid new or potential horizontal competition with the Company, they will not directly or indirectly engage in or participate in any business that competes with the business of the Company, or have any right or interest in any economic entity, institution or economic organization that competes with the</p>			
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			<p>Company in or outside China, or otherwise acquire the control over such economic entity, institution or economic organization ; or serve as senior executives or other core management in such economic entity, institution or economic organization ; and 2. the above commitment shall be valid as long as they hold shares or take office in the Company, and they shall pay for all economic losses incurred from the breach of the above commitment</p>			
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	Wan Feng; Wan Lipeng	Commitment on shareholders acting in concert	The actual controllers of the Company, Wan Lipeng and Wan Feng, who are in parent-child relationship, commit to act in concert and they are persons acting in concert.	September 1, 2008	Long-term	Performance in progress
Commitment on equity incentive						
Other commitments made for minority shareholders of the Company	Yu Cuiping	Commitment of restriction on share sales	I, Yu Cuiping, hereby commit to continue to fulfill Mr. Wan Feng's original commitment on share locking concerning my CTI shares acquired upon divorce: (1) I commit that during Mr. Wan Feng's tenure as a director, supervisor	June 28, 2017	Long-term	Performance in progress

			<p>or senior executive otherwise of the Company, I will not reduce more than 25% of the remaining shares held by me every year; (2) I commit to voluntarily and gratuitously delegate the voting power granted by CTI shares acquired by me to Mr. Wan Feng; (3) I will not transfer any of these CTI shares within 6 months, or more than 50% of these CTI shares within 18 months, after Mr. Wan Feng resigns or is dismissed; (4) I commit to comply with the</p>			
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			<p>regulations on restricted stock of China Securities Regulatory Commission and Shenzhen Stock Exchange;</p> <p>(5) I commit to follow the <i>Several Provisions on the Reduction of Shares Held in a Listed Company by the Shareholders, Directors, Supervisors, and Senior Executives of the Listed Company</i> issued by China Securities Regulatory Commission on May 26, 2017 and the <i>Implementing Rules of the Shenzhen Stock Exchange</i> for</p>			
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			<p><i>Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies issued by Shenzhen Stock Exchange on May 27, 2017; (6) I commit to abide by the following provisions with regard to the additional CTI shares I hold due to distribution of bonus shares, conversion of capital reserve to capital stock or any other reasons.</i></p>			
Whether commitments are performed on time	Yes					
Where any commitment has not been fulfilled on time, specific reasons for such failure and a future work plan should be provided	Not applicable					

**2. The Company's statement on assets or projects meeting original profit forecasts and reasons, where such profit forecasts have been made and the reporting period falls within the profit forecast period**

Applicable  Not Applicable

**II. Non-business capital of the listed company occupied by controlling shareholders and other related parties**

Applicable  Not Applicable

No non-business capital of the listed company was occupied by controlling shareholders and other related parties of the Company during the reporting period.

**III. Illegal external guarantee**

Applicable  Not Applicable

There was no illegal external guarantee at the Company during the reporting period.

**IV. Explanation of the Board of Directors on the latest "non-standard audit report"**

Applicable  Not Applicable

**V. Explanation of the Board of Directors, the Board of Supervisors and independent directors (if any) on the "non-standard audit reports" by the accounting firm for the reporting period**

Applicable  Not Applicable

**VI. Statement of the Board of Directors on the changes in accounting policies and accounting estimates or the correction of significant accounting errors during the reporting period**

Applicable  Not Applicable

On January 11, 2021, the Company held the 12<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors, which deliberated and approved the *Proposal on Changes in Accounting Policies*. On December 7, the Ministry of Finance released the *Notice on Amending and Issuing the Accounting Standards for Business Enterprises No. 21 - Leases* (CK [2018] No. 35) (the New Leasing Standards). For companies that are listed both at home and abroad, and companies that are listed overseas and prepare financial statements using the International Financial Reporting Standards (IFRS) or the Accounting Standards for Business Enterprises, the New Leasing Standards applies from January 1, 2019; and the rest businesses that follow the Accounting Standards for Business Enterprises are subject to the New Leasing Standards from January 1, 2021. Since the reporting for Q1 2021, the Company has disclosed financial statements as required by the New Leasing Standards, and will not retrospectively adjust the information of comparative periods, but only adjust the amounts of related items in the financial statements at the beginning of the first year in which the New Leasing Standards come into force.

## VII. Notes on the changes in the scope of the consolidated statements compared with the financial report for the previous year

Applicable  Not Applicable

Companies that the Company has obtained control over through M&A in the current reporting period: imat-uve gmbh, How-To Consulting (Shanghai) Co., Ltd.

New subsidiaries set up by the Company in the current reporting period: CTI Germany Management GmbH, CTI Germany Holding GmbH & Co. KG, Maritec (Shanghai) Co., Ltd., Zhengzhou CTI Medlab Co., Ltd., Qingdao CTI Medical Laboratory Co., Ltd., Tianjin CTI Medical Laboratory Co., Ltd., Suzhou CTI Medical Laboratory Co., Ltd., Kunming CTI Medical Laboratory Co., Ltd., Beijing CTI Medical Laboratory Co., Ltd., Shanghai CTI Aiyuan Medical Laboratory Co., Ltd., Jiangxi Application CTI Testing Co., Ltd., Centre Testing International (Tibet) Co., Ltd., CTI Guoruan Technical Service (Nanjing) Co., Ltd., Southern Pinbiao Centre Testing International (Shenzhen) Co., Ltd., CTI Pindong Testing (Shanghai) Co., Ltd., and Southern Pinbiao Centre Testing International (Beijing) Co., Ltd.

Subsidiaries canceled by the Company in the current reporting period: Shenzhen CTI Occupational Health Outpatient Department, CTI Biotechnology (Suzhou) Co., Ltd., Huayi Testing and Certification (Shenzhen) Co., Ltd. and Tianjin Jinbin CTI Product Testing Center Co., Ltd.

## VIII. Appointment and dismissal of accounting firms

Accounting firms in service

Name of domestic accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Compensation for domestic accounting firm (in RMB10,000)	201.41
Number of consecutive years for the domestic accounting firm to provide audit service	3
Name of CPA of the domestic accounting firm	Zhou Junxiang and Lv Hongtao
Number of consecutive years for CPA of domestic accounting firm to provide audit service	2 years for Zhou Junxiang and 4 years for Lv Hongtao
Name of foreign accounting firm (if any)	N/A
Compensation for foreign accounting firm (in RMB10,000) (if any)	0
Number of consecutive years for the foreign accounting firm to provide audit service (if any)	N/A
Name of CPA of the foreign accounting firm (if any)	N/A
Number of consecutive years for CPA of foreign accounting firm to provide audit service (if any)	N/A

The accounting firm is changed

Yes  No

Employment of accounting firms, financial advisors or sponsors for the audit of internal control

Applicable  Not Applicable

## IX. Delisting after the disclosure of the Annual Report

Applicable  Not Applicable

## X. Matters related to bankruptcy reorganization

Applicable  Not Applicable

The Company had no bankruptcy reorganization during the reporting period.

## XI. Significant lawsuits and arbitrations

Applicable  Not Applicable

Category of lawsuits (arbitrations)	Amount of money involved (in RMB 10,000)	Whether an estimated liability is formed	Progress	Results and implications	Execution of judgment	Date of disclosure	Index of disclosure
Outstanding	527.17	No	Pending	The case is about the Company suing another party for trademark infringement, unfair competition, contract disputes, etc., which will not have a significant impact on the Company	-	-	-
Closed	1703.70	No	Settled	The lawsuit has been adjudicated or withdrawn, which will not have a significant impact on the Company	-	-	-

## **XII. Punishment and rectification**

Applicable  Not Applicable

The Company had no penalty and rectification during the reporting period.

## **XIII. Integrity of the Company and its controlling shareholders and actual controllers**

Applicable  Not Applicable

## **XIV. Significant connected transactions**

### **1. Connected transactions relating to day-to-day business operations**

Applicable  Not Applicable

There were no connected transactions relating to day-to-day business operations at the Company during the reporting period.

### **2. Connected transactions arising from acquisition and sale of assets or equities**

Applicable  Not Applicable

There were no connected transactions arising from the acquisition and sale of assets or equities at the Company during the reporting period.

### **3. Connected transactions in foreign joint investment**

Applicable  Not Applicable

There were no connected transactions in foreign joint investment at the Company during the reporting period.

### **4. Transactions of related creditor's rights and debts**

Applicable  Not Applicable

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

### **5. Transactions with related financial companies**

Applicable  Not Applicable

There was no deposit, loan, credit or other financial transactions between the Company and related financial companies and related parties.

### **6. Transactions between the financial companies controlled by the Company and related parties**

Applicable  Not Applicable

There was no deposit, loan, credit or other financial transactions between the financial companies controlled by the Company and related parties.

## 7. Other material connected transactions

Applicable  Not Applicable

The *Proposal on Capital Increase and Share Expansion of Subsidiaries and Connected Transactions* was deliberated and approved at the 20<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors of the Company and the Second Extraordinary Shareholders' General Meeting in 2021. CTI Medical Employee Shareholding Platform, CTI Medical Management Shareholding Platform and Mr. Wan Feng respectively subscribe CTI Medical's newly added registered capital of no more than RMB 31,750,000, RMB 15,020,000 and RMB 17,684,000 at a price of RMB 4.50/registered capital (i.e., CTI Medical's pre-investment valuation of RMB 1,437,957,000). The capital contribution is no more than RMB 142,875,000, RMB 67,590,000 and RMB 79,578,000, respectively, totaling no more than RMB 290,043,000. After completion of the capital increase and share expansion, the registered capital of CTI Medical will increase from RMB 319,546,000 to no more than RMB 384,000,000. Assuming CTI Medical Employee Shareholding Platform's subscription amount equals its upper limit, upon completion of capital increase, CTI Medical Employee Shareholding Platform, CTI Medical Management Shareholding Platform and Mr. Wan Feng are expected to directly hold 8.27%, 3.91% and 4.61% stake in CTI Medical, respectively. Hence, the shareholding ratio of CTI in CTI Medical will be changed from 100% to no less than 83.21%. CTI Medical remains a holding subsidiary of the Company.

Search for provisional reports on material connected transactions on the disclosure website

Name of provisional announcement	Date of disclosure	Disclosure website
<i>Announcement on Capital Increase and Share Expansion of Subsidiaries and Connected Transactions</i>	December 14, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## XV. Significant contracts and their performance

### 1. Trusteeship, contracting and lease

#### (1) Trusteeship

Applicable  Not Applicable

No trusteeship occurred at the Company during the reporting period.

#### (2) Contracting

Applicable  Not Applicable

No contracting occurred at the Company during the reporting period.

#### (3) Lease

Applicable  Not Applicable

Notes on leases

During the reporting period, the Company's office lease for daily operations was made in Shenzhen, Qingdao, Beijing, Hangzhou and other places, and the rental for such lease had no significant impact on the profits of the Company in the reporting period.

Item that generated over 10% gains/losses in total profits for the Company in the reporting period

Applicable  Not Applicable

During the reporting period, there was no lease item that generated over 10% gains/losses in total profits for the Company in the reporting period.

## 2. Material guarantees

Applicable  Not Applicable

Unit: RMB 10,000

External guarantees provided by the Company and its subsidiaries (excluding the guarantees for subsidiaries)										
Name of guarantee d party	Disclosur e date of announce ment related to guarantee limit	Guarante e limit	Actual guarantee date	Actual guarantee amount	Guarante e type	Security (if any)	Count er guara ntee (if any)	Period of guarant ee	Comple ted or not	Guaran tee for related party or not
Guarantee provided by the Company to its subsidiaries										
Name of guarantee d party	Disclosur e date of announce ment related to guarantee limit	Guarante e limit	Actual guarantee date	Actual guarantee amount	Guarante e type	Security (if any)	Count er guara ntee (if any)	Period of guarant ee	Comple ted or not	Guaran tee for related party or not
Centre Testing International (Hong Kong) Co., Ltd.	April 21, 2021	12,600	April 19, 2021	11,744.82	Joint liability guaranty	N/A	N/A	April 19, 2021 – April 18, 2022	No	Yes
Centre Testing International (Hong Kong) Co., Ltd.	October 19, 2021	10,000		0	Joint liability guaranty	N/A	N/A	October 18, 2021 – October 17, 2024	No	Yes
CTI Engineering Testing	April 21, 2020 and April 21, 2021	1,000	January 15, 2021, February 8, 2021,	213.56	General guaranty	N/A	N/A	The actual expiration date	Yes	Yes

Co., Ltd.			April 30, 2021, October 27, 2021, November 10, 2021, and November 11, 2021						of the letter of guarantee is March 17, 2022		
Sichuan CTI Jianxin Testing Technology Co., Ltd.	April 21, 2021	1,000		0	General guaranty	N/A	N/A	April 19, 2021 – April 18, 2022	No	Yes	
Total limit of guarantee for subsidiaries approved within the reporting period (B1)			24,600	Total actual amount of guarantees for subsidiaries within the reporting period (B2)							11,958.38
Total limit of guarantee for subsidiaries approved as of the end of the reporting period (B3)			24,600	Total balance of guarantees actually provided to subsidiaries by the end of reporting period (B4)							8,501.98
Guarantees provided by subsidiaries to subsidiaries											
Name of guaranteed party	Disclosure date of announcement related to guarantee limit	Guarantee limit	Actual guarantee date	Actual guarantee amount	Guarantee type	Security (if any)	Counter guarantee (if any)	Period of guarantee	Completed or not	Guarantee for related party or not	
Total guarantee amount provided by the Company (i.e., total of the above three guarantees)											
Total limit of guarantee approved within the reporting period (A1+B1+C1)			24,600	Total actual amount of guarantees within the reporting period (A2+B2+C2)							11,958.38
Total amount of guarantee			24,600	Total balance of							8,501.98

approved as of the end of the reporting period (A3+B3+C3)		guarantees actually provided by the end of reporting period (A4+B4+C4)	
Total actual amount of guarantees (A4+B4+C4) as a percentage of net assets of the Company			1.91%
Including:			
Balance of guarantees provided to shareholders, actual controllers and their related parties (D)			0
Balance of debt guarantees directly or indirectly provided for guaranteed parties with an asset-liability ratio of more than 70% (E)			0
Amount of the portion of the total guarantee that exceeds 50% of the net assets (F)			0
Total amount of the above three guarantees (D+E+F)			0
Notes on the unexpired guarantee contract where the guarantee liability was incurred during the reporting period or there is evidence suggesting that it is likely to assume joint and several liability for satisfaction (if any)			N/A
Notes on external guarantee provided against regulations (if any)			N/A

Description of the use of composite guarantee

N/A

### 3. Entrustment of cash assets management

#### (1) Entrusted wealth management

Applicable  Not Applicable

Entrusted wealth management within the reporting period

Unit: RMB 10,000

Type	Fund source	Accrual amount	Undue balance	Overdue amount unrecovered	Overdue unrecovered amount under provision for impairment
Bank wealth management products	Own funds	42,000	42,000	0	0

Total	42,000	42,000	0	0
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Details on high-risk entrusted wealth management with large amount involved, or low security and poor liquidity

Applicable  Not Applicable

Circumstances where the capital of entrusted wealth management is estimated to be unrecoverable or the entrusted wealth management may be impaired

Applicable  Not Applicable

## (2) Entrusted loan

Applicable  Not Applicable

No entrusted loan occurred at the Company during the reporting period.

## 4. Other material contracts

Applicable  Not Applicable

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

## XVI. Statement of other material matters

Applicable  Not Applicable

Announcement No.	Announcement	Date of disclosure	Media of disclosure
2021-001	Indicative Announcement on the Increase of Shareholders Acting in Concert and the Plan for Internal Shareholding Transfer between Parties Acting in Concert	2021-01-05	Cninfo.com.cn
2021-002	Announcement on Changes in Accounting Policies	2021-01-12	Cninfo.com.cn
2021-003	Announcement on Leasing and Selling Public Rental Housing to Related Parties	2021-01-12	Cninfo.com.cn
2021-004	Announcement on the Resolution of the 12 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors	2021-01-12	Cninfo.com.cn
2021-005	Announcement on the Resolution of the 11 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Supervisors	2021-01-12	Cninfo.com.cn
2021-006	Notice on Convening the 1 <sup>st</sup> Extraordinary General Meeting of Shareholders in 2021	2021-01-12	Cninfo.com.cn
2021-007	Correction Notice	2021-01-13	Cninfo.com.cn
2021-008	Indicative Announcement on Convening the 1 <sup>st</sup> Extraordinary General Meeting of Shareholders in 2021	2021-01-22	Cninfo.com.cn
2021-009	Announcement on the Resolution of the 1 <sup>st</sup> Extraordinary General Meeting of Shareholders in 2021	2021-01-28	Cninfo.com.cn
2021-010	Performance Forecast for 2020	2021-01-29	Cninfo.com.cn
2021-011	Announcement on the Change in Shareholders' Equity Reaching 1% and the Progress in the Increase of Parties Acting in Concert and the	2021-02-04	Cninfo.com.cn

	Plan for Internal Shareholding Transfer between Parties Acting in Concert		
2021-012	Brief Performance Report for 2020	2021-02-26	Cninfo.com.cn
2021-013	Announcement on the Use of Idle Self-owned Funds for Entrusted Wealth Management and Securities Investment	2021-02-26	Cninfo.com.cn
2021-014	Announcement on the Resolution of the 13 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors	2021-02-26	Cninfo.com.cn
2021-015	Announcement on the Resolution of the 12 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Supervisors	2021-02-26	Cninfo.com.cn
2021-016	Announcement on Change of Signing Certified Public Accountants	2021-02-26	Cninfo.com.cn
2021-017	Announcement on the Completion of the Increase of Shareholders Acting in Concert and the Plan for Internal Shareholding Transfer between Parties Acting in Concert	2021-03-05	Cninfo.com.cn
2021-018	Performance Forecast for Q1 2021	2021-04-09	Cninfo.com.cn
2021-019	Announcement on the Progress in the Use of Idle Self-owned Funds for Cash Management	2021-04-14	Cninfo.com.cn
2021-020	Indicative Announcement on Annual Report Disclosure	2021-04-21	Cninfo.com.cn
2021-021	Annual Report 2020	2021-04-21	Cninfo.com.cn
2021-022	Annual Report Summary 2020	2021-04-21	Cninfo.com.cn
2021-023	Announcement of the Resolution of the Board of Directors	2021-04-21	Cninfo.com.cn
2021-024	Announcement of the Resolution of the Board of Supervisors	2021-04-21	Cninfo.com.cn
2021-025	Announcement on the Completion of Some Investment Projects and the Use of Remaining Funds for Other Investment Projects	2021-04-21	Cninfo.com.cn
2021-026	Announcement on Renewing Contract with the Auditor Institution for 2021	2021-04-21	Cninfo.com.cn
2021-027	Announcement on the Application to Commercial Banks for Comprehensive Credit Line	2021-04-21	Cninfo.com.cn
2021-028	Announcement on Granting Guarantee Limit to Subsidiaries	2021-04-21	Cninfo.com.cn
2021-029	Announcement on Amending the Articles of Association	2021-04-21	Cninfo.com.cn
2021-030	Indicative Announcement on the Disclosure of Q1 Report	2021-04-21	Cninfo.com.cn
2021-031	Full-text Report for Q1 2021	2021-04-21	Cninfo.com.cn
2021-032	Announcement on Amending the Working Rules of the Strategy and M&A Committee of the Board of Directors	2021-04-21	Cninfo.com.cn
2021-033	Notice on Convening the General Shareholders' Meeting 2020	2021-04-21	Cninfo.com.cn
2021-034	Announcement on Convening the Online Performance Briefing for 2020	2021-04-21	Cninfo.com.cn
2021-035	Announcement on the Resolution of the General Shareholders' Meeting 2020	2021-05-12	Cninfo.com.cn
2021-036	Announcement on the Equity Distribution in 2020	2021-05-14	Cninfo.com.cn
2021-037	Announcement on the Resolution of the 15 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors	2021-05-21	Cninfo.com.cn

2021-038	Announcement on the Resolution of the 14 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Supervisors	2021-05-21	Cninfo.com.cn
2021-039	Announcement on the Fulfillment of Exercise Conditions for the Second Vesting Schedule of the Stock Option Incentive Plan for 2019	2021-05-21	Cninfo.com.cn
2021-040	Announcement on Adjusting the Exercise Price of the Stock Option Incentive Plan	2021-05-21	Cninfo.com.cn
2021-041	Announcement on Adjusting the Credit Line of Commercial Banks	2021-05-21	Cninfo.com.cn
2021-042	Announcement on Signing the Letter of Intent for Acquisition	2021-05-21	Cninfo.com.cn
2021-043	Indicative Announcement on Applying the Independent Exercise Model for the Second Vesting Schedule of the Stock Option Incentive Plan for 2019	2021-05-28	Cninfo.com.cn
2021-044	Announcement on the Extension of the Company's First Employee Stock Ownership Plan	2021-06-21	Cninfo.com.cn
2021-045	2021 Semi-annual Performance Forecast	2021-07-10	Cninfo.com.cn
2021-046	Announcement on the Progress in the Use of Idle Self-owned Funds for Cash Management	2021-08-03	Cninfo.com.cn
2021-047	Indicative Announcement on the Increase of Shareholders Acting in Concert and the Internal Shareholding Transfer between Parties Acting in Concert	2021-08-24	Cninfo.com.cn
2021-048	Indicative Announcement on the Disclosure of Semi-annual Report for 2021	2021-08-25	Cninfo.com.cn
2021-049	Semi-annual Report Summary for 2021	2021-08-25	Cninfo.com.cn
2021-050	Semi-annual Report for 2021	2021-08-25	Cninfo.com.cn
2021-051	Announcement of the Resolution of the Board of Directors	2021-08-25	Cninfo.com.cn
2021-052	Announcement of the Resolution of the Board of Supervisors	2021-08-25	Cninfo.com.cn
2021-053	Announcement on the Progress in the Use of Idle Self-owned Funds for Cash Management	2021-09-25	Cninfo.com.cn
2021-054	Announcement on the Change in Shareholders' Equity Reaching 1% and the Progress in the Increase of Parties Acting in Concert and the Internal Shareholding Transfer between Parties Acting in Concert	2021-09-29	Cninfo.com.cn
2021-055	Supplementary Announcement on the Progress in the Increase of Shareholders Acting in Concert and the Internal Shareholding Transfer between Parties Acting in Concert	2021-09-30	Cninfo.com.cn
2021-056	Performance Forecast for the First Three Quarters of 2021	2021-10-13	Cninfo.com.cn
2021-057	Announcement on the Progress in the Acquisition of Stake in imat-uve gmbh	2021-10-15	Cninfo.com.cn
2021-058	Announcement on the Acquisition of Part of the Equity of Shanghai Fairyland Software Co., Ltd.	2021-10-19	Cninfo.com.cn
2021-059	Announcement on Providing Bank Credit Guarantee for Wholly-owned Subsidiaries	2021-10-19	Cninfo.com.cn
2021-060	Announcement on Adjusting the Credit Line of Commercial Banks	2021-10-19	Cninfo.com.cn

2021-061	Announcement on the Resolution of the 18 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors	2021-10-19	Cninfo.com.cn
2021-062	Announcement on the Resolution of the 16 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Supervisors	2021-10-19	Cninfo.com.cn
2021-063	Indicative Announcement on the Disclosure of Report for Q3 2021	2021-10-28	Cninfo.com.cn
2021-064	Report for Q3 2021	2021-10-28	Cninfo.com.cn
2021-065	Announcement on the Completion of the Increase of Shareholders Acting in Concert and the Plan for Internal Shareholding Transfer between Parties Acting in Concert	2021-11-27	Cninfo.com.cn
2021-066	Announcement on the Completion of the Acquisition of Stake in imat-uve gmbh	2021-12-08	Cninfo.com.cn
2021-067	Announcement on the Resolution of the 20 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors	2021-12-14	Cninfo.com.cn
2021-068	Announcement on the Resolution of the 18 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Supervisors	2021-12-14	Cninfo.com.cn
2021-069	Announcement on the Fulfillment of Exercise Conditions for the Third Vesting Schedule of the Stock Option Incentive Plan for 2018	2021-12-14	Cninfo.com.cn
2021-070	Announcement on Amending the Draft First Employee Stock Ownership Plan and Administrative Measures	2021-12-14	Cninfo.com.cn
2021-071	Announcement on Amending the Draft Second Employee Stock Ownership Plan and Administrative Measures	2021-12-14	Cninfo.com.cn
2021-072	Announcement on Amending the Working Rules of the Strategy and M&A Committee of the Board of Directors	2021-12-14	Cninfo.com.cn
2021-073	Announcement on Amending the Internal Audit Management Regulations	2021-12-14	Cninfo.com.cn
2021-074	Announcement on Capital Increase and Share Expansion of Subsidiaries and Connected Transactions	2021-12-14	Cninfo.com.cn
2021-075	Notice on Convening the 2 <sup>nd</sup> Extraordinary General Meeting of Shareholders in 2021	2021-12-14	Cninfo.com.cn
2021-076	Supplementary Announcement on Capital Increase and Share Expansion of Subsidiaries and Connected Transactions	2021-12-16	Cninfo.com.cn
2021-077	Indicative Announcement on Applying the Independent Exercise Model for the Third Vesting Schedule of the Stock Option Incentive Plan for 2018	2021-12-28	Cninfo.com.cn
2021-078	Announcement of the Resolution of the 2 <sup>nd</sup> Extraordinary General Meeting of Shareholders in 2021	2021-12-30	Cninfo.com.cn
2021-079	Announcement on Closing Some Investment Projects and Canceling Special Accounts	2021-12-31	Cninfo.com.cn
2021-080	Announcement on the Extension of Some Investment Projects	2021-12-31	Cninfo.com.cn
2021-081	Announcement on the Resolution of the 11 <sup>st</sup> Meeting of the 5 <sup>th</sup> Board of Directors	2021-12-31	Cninfo.com.cn
2021-082	Announcement on the Resolution of the 19 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board	2021-12-31	Cninfo.com.cn

	of Supervisors		
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## XVII. Material matters of the Company's subsidiaries

Applicable  Not Applicable

1. At the 14<sup>th</sup> Meeting of the Strategy and M&A Committee of the 5<sup>th</sup> Board of Directors March 5, 2021, the *Proposal on the Investment in and Establishment of Maritec (Shanghai) Co., Ltd.* was deliberated and approved. The wholly-owned subsidiary of the Company, Shanghai CTI Pinbiao Testing Technology Co., Ltd. (CTI Pinbiao), plans to invest RMB 5,000,000 to found Maritec (Shanghai) Co., Ltd. (Maritec), with a registered capital of RMB 5,000,000. Maritec is 100% held by CTI Pinbiao, a subsidiary of the Company, and thus becomes a sub-subsiary of the Company.

2. At the 14<sup>th</sup> Meeting of the Strategy and M&A Committee of the 5<sup>th</sup> Board of Directors on March 5, 2021, the *Proposal on the Investment in and Establishment of Wholly-owned Sub-subsidiaries* was deliberated and approved. The wholly-owned subsidiary of the Company, Shanghai CTI Pinchuang Medical Testing Co., Ltd., plans to set up PCR laboratories as invested wholly-owned subsidiaries with its own funds in Tianjin, Qingdao, Yunnan, Beijing and Suzhou, with a total paid-in registered capital of RMB 65,000,000.

3. At the 14<sup>th</sup> Meeting of the Strategy and M&A Committee of the 5<sup>th</sup> Board of Directors on March 5, 2021, the *Proposal on the Investment in and Establishment of Jiangxi Application CTI Testing Co., Ltd.* was deliberated and approved. The Company plans to work with Jiangxi College of Applied Technology to set up the CTI Production Training Base and to found Jiangxi Application CTI Testing Co., Ltd. (Jiangxi Application) with RMB 10,000,000 of self-owned funds, with a registered capital of RMB 10,000,000. After establishment, Jiangxi Application will become a wholly-owned subsidiary of the Company.

4. At the 15<sup>th</sup> Meeting of the Strategy and M&A Committee of the 5<sup>th</sup> Board of Directors on April 6, 2021, the *Proposal on the Acquisition of the Equity of MGA (Nantong) Company* was deliberated and approved. The Company plans to acquire 100.00% of the equity of MGA (Nantong) Automobile Safety Testing Service Co., Ltd. for RMB 35,000,000 with its self-owned fund.

5. At the 15<sup>th</sup> Meeting of the Strategy and M&A Committee of the 5<sup>th</sup> Board of Directors on April 6, 2021, the *Proposal on Adding Capital to Wholly-owned Subsidiaries* was deliberated and approved. The Company will increase the capital of its wholly-owned subsidiary, Shanghai CTI Pinchuang Medical Testing Co., Ltd. (Shanghai CTI Pinchuang), at a price of RMB 9,170,000 for its 100% equity in Guangzhou CTI Occupational Health Outpatient Department Co., Ltd. The Company will increase the capital of its wholly-owned subsidiary, Shanghai CTI Pinchuang, at a price of RMB 25,376,000 for its 80% equity in Jiangyin CTI Occupational Health Outpatient Department Co., Ltd. Meanwhile, the Company will increase the capital of Shanghai CTI Pinchuang by RMB 100,000,000 in cash. With the capital increase completed, Shanghai CTI Pinchuang's registered capital will be increased from the original RMB 185,000,000 to RMB 319,546,000. Shanghai CTI Pinchuang will hence hold 100% of the equity in Guangzhou CTI Occupational Health Outpatient Department Co., Ltd. and 80.00% of the equity in Jiangyin CTI Occupational Health Outpatient Department Co., Ltd.

6. At the 16<sup>th</sup> Meeting of the Strategy and M&A Committee of the 5<sup>th</sup> Board of Directors on April 13, 2021, the *Proposal on Investing in Beijing Guoxin Tianyuan Quality Evaluation and Certification Center* was deliberated and approved, according to which the Company will acquire 20% of the equity in Beijing Guoxin Tianyuan Quality Evaluation and Certification Center at a price of RMB 13,000,000 with its self-owned funds.

7. At the 18<sup>th</sup> Meeting of the Strategy and M&A Committee of the 5<sup>th</sup> Board of Directors on May 12, 2021, the *Proposal on the Acquisition of Minority Shares of CTI Biotechnology (Suzhou) Co., Ltd.* was deliberated and approved. CTI's subsidiary Shanghai CTI Pinchuang Medical Testing Co., Ltd. plans to acquire the minority equity of Suzhou Biotechnology for RMB 79,784,000. After completion, Suzhou Biotechnology will become a wholly-owned subsidiary of Shanghai CTI Pinchuang.

8. On May 20, 2021, the Company held the 15<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors, which deliberated and approved the *Proposal on Signing a Letter of Intent for Acquisition*. The Company signed a letter of intent with imat-uve to acquire 90% of equity of imat-uve GmbH in cash. The transaction price is around EUR 19,010,000, subject to appropriate adjustment depending on the

working capital, cash, and liabilities of the target company and net assets of the target company's Chinese subsidiary on the equity delivery date, which will be specified in the acquisition agreement signed by both parties. By the end of 2021, the delivery of imat-uve GmbH had been completed.

9. At the 19<sup>th</sup> Meeting of the Strategy and M&A Committee of the 5<sup>th</sup> Board of Directors on July 15, 2021, the *Proposal on Investment in and Establishment of Tianjin CTI Occupational Health Outpatient Department Co., Ltd.* was deliberated and approved. CTI's wholly-owned subsidiary Shanghai CTI Pinchuang Medical Testing Co., Ltd. (Shanghai CTI Pinchuang) plans to work with partners to establish a joint venture Tianjin CTI Occupational Health Outpatient Department Co., Ltd. with a registered capital of RMB 6,400,000, of which Shanghai CTI Pinchuang contributes RMB 4,800,000, accounting for 75% of the total share capital; the partners invest RMB 1,600,000, accounting for 25%. As of now, the joint venture has not yet been established.

10. At the 20<sup>th</sup> Meeting of the Strategy and M&A Committee of the 5<sup>th</sup> Board of Directors on August 6, 2021, the *Proposal on Investment in and Establishment of A Software Evaluation Joint Venture in Nanjing* was deliberated and approved. To develop the supervision and evaluation market for the information engineering of government affairs, the Company will work with partners to set up a joint venture with a registered capital of RMB 10,000,000, among which the Company invests RMB 5,100,000, accounting for 51% of the total share capital; the partners invest RMB 4,900,000, accounting for 49%.

11. According to the *Proposal on the Investment in and Establishment of Centre Testing International (Tibet) Co., Ltd.* deliberated and approved at the 21<sup>st</sup> Meeting of the Strategy and M&A Committee of the 5<sup>th</sup> Board of Directors on August 30, 2021, the Company plans to set up a wholly-owned subsidiary and environmental laboratories in Tibet using its own funds of RMB 21,000,000.

12. On October 18, 2021, the Company held the 18<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors, which deliberated and approved the *Proposal on the Acquisition of Part of the Equity of Shanghai Fairyland Software Co., Ltd.* The Company signed an *Equity Transfer Agreement* with Nanjing Yuangu Equity Investment Partnership Enterprise (Limited Partnership) (Nanjing Yuangu), under which the Company acquires 12.10% stake in Shanghai Fairyland Software Co., Ltd. (Fairyland) held by Nanjing Yuangu at a price of RMB 65,000,000.

13. At the 22<sup>nd</sup> Meeting of the Strategy and M&A Committee of the 5<sup>th</sup> Board of Directors on October 22, 2021, the *Proposal on Investment in and Establishment of A Medical Testing Joint Venture in Henan* was deliberated and approved. To gradually improve the development strategy for nationwide medical testing operations, CTI's subsidiary Shanghai CTI-Medlab Medical Testing Institute Co., Ltd. (CTI-Medlab) plans to work with partners to establish a joint venture with a registered capital of RMB 15,000,000, of which CTI-Medlab contributes RMB 10,500,000, accounting for 70% of the total share capital; partner Xie Xianghui contributes RMB 3,000,000, accounting for 20%; and partner Duan Songjie invests RMB 1,500,000, accounting for 10%.

14. At the 23<sup>rd</sup> Meeting of the Strategy and M&A Committee of the 5<sup>th</sup> Board of Directors on November 25, 2021, the *Proposal on Adding Capital to Wholly-owned Subsidiaries* was deliberated and approved. To meet the capital needs of the acquisition of imat-uve, the Company intends to use no more than EUR 18,849,000 (equivalent to approximately RMB 136,000,000) in cash to increase capital in CTI Hong Kong. Upon such capital increase, CTI Hong Kong will increase capital to CTI Germany with no more than EUR 18,859,000 (equivalent to approximately RMB 136,000,000) in cash.

15. At the 23<sup>rd</sup> Meeting of the Strategy and M&A Committee of the 5<sup>th</sup> Board of Directors on November 25, 2021, the *Proposal on Increasing Capital in Centre Testing International Pinzheng (Shanghai) Co., Ltd.* was deliberated and approved. The Company plans to increase capital of RMB 257,000,000 in its wholly-owned subsidiary Centre Testing International Pinzheng (Shanghai) Co., Ltd. through debt-to-equity swap.

16. At the 23<sup>rd</sup> Meeting of the Strategy and M&A Committee of the 5<sup>th</sup> Board of Directors on November 25, 2021, the *Proposal on the Establishment of CTI Pinbiao Northern Co., Ltd.*, the *Proposal on the Establishment of CTI Pinbiao Southern Co., Ltd.*, and the *Proposal on the Establishment of CTI Pinbiao Eastern Co., Ltd.* were deliberated and approved. The Company plans to establish wholly-owned subsidiaries in the southern, northern and eastern regions, with registered capitals of RMB 86,310,000, RMB 220,000,000, and RMB 132,000,000, respectively, which is expected to promote the Company's standard and centralized management.

17. At the 24<sup>th</sup> Meeting of the Strategy and M&A Committee of the 5<sup>th</sup> Board of Directors on December 8, 2021, the *Proposal on Participating in the Bidding for Equity in Jilin Anxin Food Technology Services Co., Ltd.* was deliberated and approved. The Company planned to purchase 70% of stake in Jilin Anxin Food Technology Services Co., Ltd., so as to meet the requirements of local services and serve the future development of the Company. Finally, the Company acquired 70% equity of Anxin Foods at the price of RMB 7,134,260.

18. At the 25<sup>th</sup> Meeting of the Strategy and M&A Committee of the 5<sup>th</sup> Board of Directors on December 20, 2021, the *Proposal on Repurchasing Part of Equity in Shanghai CTI Zhike Materials Technology Co., Ltd.* was deliberated and approved. The Company plans to repurchase 19% of the equity of Shanghai CTI Zhike Materials Technology Co., Ltd. (Shanghai Zhike) from Huacheng Junda at the original price of RMB 1,900,000. After the repurchase is completed, the Company will hold 70% stake in Shanghai Zhike.

19. The Company's shareholding company, Tianfangbiao Standardization Certification & Testing Co., Ltd. (Tianfangbiao), plans to publicly issue shares to unspecified qualified investors and go public. On April 12, 2022, the Company, as a shareholder of less than 5% of Tianfangbiao, voluntarily promises to refrain from transferring or entrusting others to manage the shares it hold in Tianfangbiao before its listing within 12 months from the date of Tianfangbiao's listing.

## Section VII Changes in Shares and Shareholders

### I. Changes in shares

#### 1. Changes in shares

Unit: share

	Before the change		Variance in the change (+, -)					After the change	
	Qty.	Percent age	Newly issued shares	Donated shares	Shares transferred from provident fund	Others	Subtotal	Qty.	Percent age
I. Shares subject to lock-up	154,586,688	9.28%				2,077,500	2,077,500	156,664,188	9.36%
1. State-owned shares	0	0.00%							
2. State-owned shares held by legal persons	0	0.00%							
3. Shares held by other domestic investors	154,586,688	9.28%				2,077,500	2,077,500	156,664,188	9.36%
Including: Shares held by domestic legal persons	0	0.00%							
Shares held by domestic natural persons	154,586,688	9.28%				2,077,500	2,077,500	156,664,188	9.36%
4. Shares held by foreign investors	0	0.00%							
Including: Shares held by foreign legal persons	0	0.00%							
Shares held by foreign natural persons	0	0.00%							
II. Shares without restriction for sales	1,510,549,026	90.72%				5,875,000	5,875,000	1,516,424,026	90.64%
1. RMB-denominated ordinary shares	1,510,549,026	90.72%				5,875,000	5,875,000	1,516,424,026	90.64%
2. Domestically listed foreign shares	0	0.00%							

3. Overseas-listed foreign shares	0	0.00%							
4. Others	0	0.00%							
III. Total shares	1,665,135,714	100.00%				7,952,500	7,952,500	1,673,088,214	100.00%

## Reasons for changes in shares

√ Applicable □ Not Applicable

1. According to the Stock Option Incentive Plan for 2018, the Company granted 20,650,000 stock options to 38 recipients, and the number of exercisable options in the second vesting schedule was 6,142,500, and that in the third vesting schedule was 8,260,000, of which 6,542,500 had been exercised as of December 31, 2021.

2. According to the Stock Option Incentive Plan for 2019, the Company granted 4,700,000 stock options to 9 recipients, with 1.41 million options exercisable in the second vesting schedule, and 1.41 million options had been exercised as of December 31, 2021.

## Approval of changes in shares

√ Applicable □ Not Applicable

## (I) Stock Option Incentive Plan for 2018:

1. On November 27, 2018, the Company held the 21<sup>st</sup> Meeting of the 4<sup>th</sup> Board of Directors, which deliberated and approved the *Proposal on the Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2018 and Its Abstract*. The Equity Incentive Plan has been deliberated and approved for implementation at the Second Extraordinary General Shareholders' Meeting in 2018 held on December 13, 2018.

2. On December 17, 2018, the Company held the 22<sup>nd</sup> Meeting of the 4<sup>th</sup> Board of Directors and the 18<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Supervisors, which deliberated and approved the *Proposal on Awarding Stock Options to Entitled Recipients*. Under the proposal, the Company granted 20,650,000 stock options to 38 recipients on the date of December 17, 2018.

3. On December 25, 2019, the Company held the 2<sup>nd</sup> Meeting of the 5<sup>th</sup> Board of Directors, which deliberated and approved the *Proposal on the Fulfillment of Exercise Conditions for the First Vesting Schedule of the Stock Option Incentive Plan for 2018*. 38 recipients were qualified for the exercise and a total of 6,195,000 stock options were exercisable.

4. On December 22, 2020, the Company held the 11<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors, which deliberated and approved the *Proposal on the Fulfillment of Exercise Conditions for the Second Vesting Schedule of the Stock Option Incentive Plan for 2018*. 38 recipients were qualified for the exercise and a total of 6,142,500 stock options were exercisable.

5. On December 13, 2021, the Company held the 20<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors, which deliberated and approved the *Proposal on the Fulfillment of Exercise Conditions for the Second Vesting Schedule of the Stock Option Incentive Plan for 2018*. 38 recipients were qualified for the exercise and a total of 8,260,000 stock options were exercisable.

## (II) Stock Option Incentive Plan for 2019:

1. On April 24, 2019, the Company held the 24<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Directors, which deliberated and approved the *Proposal on the Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2019 and Its Abstract*. The Equity Incentive Plan has been deliberated and approved for implementation on the General Shareholders' Meeting for 2019 held on May 16, 2019.

2. On May 20, 2019, the Company held the 27<sup>th</sup> Meeting of the 4<sup>th</sup> Board of Directors, which deliberated and approved the *Proposal on Awarding Stock Options to Entitled Recipients*. Under the proposal, the Company granted 4,700,000 stock options to 9 recipients on the date of May 20, 2019.

3. On May 15, 2020, the Company held the 5<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors, which deliberated and approved the *Proposal on the Fulfillment of Exercise Conditions for the First Vesting Schedule of the Stock Option Incentive Plan for 2019*. 9 recipients were qualified for the exercise and a total of 1,410,000 stock options were exercisable.

4. On May 20, 2021, the Company held the 15<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors, which deliberated and approved the *Proposal on the Fulfillment of Exercise Conditions for the Second Vesting Schedule of the Stock Option Incentive Plan for 2019*. 9 recipients were qualified for the exercise and a total of 1,410,000 stock options were exercisable.

Transfer of changes in shares

Applicable  Not Applicable

Influence of changes in shares on such financial indicators as the basic EPS and diluted EPS of the latest year and period, and the net asset value per share attributable to common shareholders of the Company

Applicable  Not Applicable

Within the reporting period, the stock options granted by the Company's Equity Incentive Plan had all fulfilled exercise conditions and become exercisable, and the Company additionally issued 7,952,500 shares specifically to the entitled recipients. Based on the capital stock of 1,673,088,214 shares at the end of the reporting period, basic earnings per share were RMB 0.3460/share, diluted earnings per share were RMB 0.3437/share, and net assets per share attributable to shareholders of the listed company was RMB 2.2865/ share in 2020. In 2021, basic earnings per share were RMB 0.4465/share, diluted earnings per share were RMB 0.4446/share and net assets per share attributable to shareholders of the listed company was RMB 2.6641/share.

Other content to be disclosed when the Company deems it as necessary or at the request of security regulatory organizations

Applicable  Not Applicable

## 2. Changes in restricted shares

Applicable  Not Applicable

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the reporting period	Number of restricted shares increased in the current period	Number of restricted shares relieved in the current period	Number of restricted shares at the end of the reporting period	Reason for restriction	Proposed date of unlocking
Wan Feng	90,625,740	0	0	90,625,740	Directors, supervisors and senior executives shareholding lock-up	The date when his/her shares tradable and outstanding in each year during his/her term of office reach 25% of the total shares held by him/her at the end of the previous year
Richard	5,250,000	1,425,000	0	6,675,000	Directors,	The date

Shentu					supervisors and senior executives shareholding lock-up, and equity incentive exercise lock-up	when his/her shares tradable and outstanding in each year during his/her term of office reach 25% of the total shares held by him/her at the end of the previous year
Chen Yan	2,004,327	0	0	2,004,327	Directors, supervisors and senior executives shareholding lock-up, and equity incentive exercise lock-up	The date when his/her shares tradable and outstanding in each year during his/her term of office reach 25% of the total shares held by him/her at the end of the previous year
Qian Feng	1,700,346	0	67,500	1,632,846	Directors, supervisors and senior executives shareholding lock-up, and equity incentive exercise lock-up	The date when his/her shares tradable and outstanding in each year during his/her term of office reach 25% of the total shares held by him/her at the end of the

						previous year
Zhou Lu	448,500	112,500	0	561,000	Directors, supervisors and senior executives shareholding lock-up, and equity incentive exercise lock-up	The date when his/her shares tradable and outstanding in each year during his/her term of office reach 25% of the total shares held by him/her at the end of the previous year
Zeng Xiaohu	225,000	168,750	0	393,750	Directors, supervisors and senior executives shareholding lock-up, and equity incentive exercise lock-up	The date when his/her shares tradable and outstanding in each year during his/her term of office reach 25% of the total shares held by him/her at the end of the previous year
Xu Jiang	157,500	157,500	0	315,000	Directors, supervisors and senior executives shareholding lock-up, and equity incentive exercise lock-up	The date when his/her shares tradable and outstanding in each year during his/her term of office reach 25% of the total shares held

						by him/her at the end of the previous year
Wang Hao	112,500	112,500	0	225,000	Directors, supervisors and senior executives shareholding lock-up, and equity incentive exercise lock-up	The date when his/her shares tradable and outstanding in each year during his/her term of office reach 25% of the total shares held by him/her at the end of the previous year
Li Fengyong	231,150	168,750	0	399,900	Directors, supervisors and senior executives shareholding lock-up, and equity incentive exercise lock-up	The date when his/her shares tradable and outstanding in each year during his/her term of office reach 25% of the total shares held by him/her at the end of the previous year
Yu Cuiping	53,831,625	0	0	53,831,625	Shares acquired through a divorce should continue the commitment to the locking up of shares held	The date when Mr. Wan Feng's shares tradable and outstanding in each year during his term of office reach 25% of

					by directors, supervisors and senior executives during the period when Mr. Wan Feng acts as director, supervisor or senior executive of the Company	the total shares held by him at the end of the previous year
Total	154,586,688	2,145,000	67,500	156,664,188	--	--

## II. Securities issuing and listing

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

Applicable  Not Applicable

### 2. Notes on changes in the Company's total shares, shareholding structure, asset-liability structure

Applicable  Not Applicable

### 3. Existing shares held by internal employees

Applicable  Not Applicable

## III. Shareholders and actual controllers

### 1. Number of shareholders of the Company and their shareholding

Unit: share

Total number of common shareholders at the end of the reporting period	41,561	Total number of common shareholders at the end of the last	49,382	Total number of preferred shareholders whose voting rights	0	Total number of preferred shareholders whose voting rights have been restored at the end of the last month before the date when the annual report is disclosed (if any)	0	Total number of holders of voting shares (if any)	0
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		month before the date when the annual report is disclosed		have been restored at the end of the reporting period (if any) (see Note 9)		(see Note 9)			
Shareholding by those holding more than 5% of the total shares or the top 10 shareholders									
Name of shareholder	Nature of shareholder	Shareholding ratio (%)	Number of shares at the end of the reporting period	Variance within the reporting period	Number of shares held with restrictions on sale	Number of shares held without restrictions on sale	Pledge, labeling or freezing		
							Status of shares	Qty.	
Hong Kong Securities Clearing Company Ltd.	Overseas legal person	17.83%	298,368,543		0	298,368,543	Pledged	0	
							Frozen	0	
Wan Yunxiang	Domestic legal person	7.80%	130,501,554		0	130,501,554	Pledged	0	
							Frozen	0	
Wan Feng	Domestic legal person	7.22%	120,834,320		90,625,740	30,208,580	Pledged	0	
							Frozen	0	
Yu Cuiping	Domestic legal person	4.29%	71,775,500		53,831,625	17,943,875	Pledged	0	
							Frozen	0	
Aberdeen Standard Investments (Asia) Co., Ltd. - Aberdeen	Overseas legal person	2.17%	36,262,940		0	36,262,940	Pledged	0	
							Frozen	0	

Standard - China A-share Equity Fund								
Postal Savings Bank of China Co., Ltd. - Zhong Ou Small & Mid Cap Equity Fund (LOF)	Others	1.90%	31,861,3 75		0	31,861, 375	Pledged	0
							Frozen	0
National Social Security Fund Portfolio 406	Others	1.86%	31,167,1 96		0	31,167, 196	Pledged	0
							Frozen	0
National Social Security Fund Portfolio 115	Others	1.67%	28,000,0 00		0	28,000, 000	Pledged	0
							Frozen	0
Agricul- tural Bank of China Ltd. – Jiashi Emerging Equity Security Investmen t Fund	Others	1.59%	26,662,7 34		0	26,662, 734	Pledged	0
							Frozen	0
JPMorgan Asset Managem ent Singapore	Overseas legal person	1.34%	22,479,6 80		0	22,479, 680	Pledged	0
							Frozen	0

Ltd - JPMorgan China A-Share Opportunities Fund								
Strategic investor or general legal person who becomes one of the top 10 shareholders due to rights issue (if any) (see Note 4)	Not applicable							
Notes on the associated relationship or acting-in-concert relationship of the above shareholders	Mr. Wan Yunxiang is the son of Mr. Wan Feng; Wan Feng and Wan Yunxiang are persons acting in concert; Mr. Wan Feng is the actual controller of the Company. During the reporting period, Mr. Wan Yunxiang transferred 44,272,520 shares through a block trade to asset management programs/private equity fund products in which Mr. Wan Yunxiang or Mr. Wan Feng, the person acting in concert, individually or jointly holds 100% of shares. Ms. Yu Cuiping is Mr. Wan Feng's ex-wife, and she voluntarily and gratuitously authorizes Mr. Wan Feng to exercise the voting rights attached to the shares obtained by her through divorce. The Company has no knowledge of whether other shareholders are related parties or parties acting in concert.							
Statements of the above shareholders on entrustment of voting rights and abstention from voting rights	Not applicable							
Special notes on the existence of a special repurchase account among the top 10 shareholders (if any) (see Note 10)	Not applicable							
Shareholding by the top 10 holders of shares without restrictions on sale								
Name of shareholder	Number of shares without restrictions on sale at the end of the reporting period	Classification						
		Type of shares	Qty.					
Hong Kong Securities Clearing Company Ltd.	298,368,543	RMB ordinary shares	298,368,543					
Wan Yunxiang	130,501,554	RMB ordinary shares	130,501,554					
Aberdeen Standard Investments (Asia) Co., Ltd. - Aberdeen	36,262,940	RMB ordinary shares	36,262,940					

Standard - China A-share Equity Fund			
Postal Savings Bank of China Co., Ltd. - Zhong Ou Small & Mid Cap Equity Fund (LOF)	31,861,375	RMB ordinary shares	31,861,375
National Social Security Fund Portfolio 406	31,167,196	RMB ordinary shares	31,167,196
Wan Feng	30,208,580	RMB ordinary shares	30,208,580
National Social Security Fund Portfolio 115	28,000,000	RMB ordinary shares	28,000,000
Agricultural Bank of China Ltd. – Jiashi Emerging Equity Security Investment Fund	26,662,734	RMB ordinary shares	26,662,734
JPMorgan Asset Management Singapore Ltd - JPMorgan China A-Share Opportunities Fund	22,479,680	RMB ordinary shares	22,479,680
Industrial and Commercial Bank of China Limited – Guangfa Steady Growth Securities Investment Fund	20,000,000	RMB ordinary shares	20,000,000
Notes on associated relationships or persons acting in concert among the top 10 shareholders of unrestricted outstanding shares and between the top 10 shareholders of unrestricted outstanding shares and the top 10 shareholders	Mr. Wan Yunxiang is the son of Mr. Wan Feng; Wan Feng and Wan Yunxiang are persons acting in concert; Mr. Wan Feng is the actual controller of the Company. The Company has no knowledge of whether other shareholders are related parties or parties acting in concert.		

Notes on shareholders participating in securities margin trading (if any) (see Note 5)	Not applicable
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There are weighted voting rights at the Company

Applicable  Not Applicable

Any of the top 10 common shareholders or the top 10 holders of shares without restrictions on sale of the Company was engaged in promissory repurchase transaction during the reporting period

Yes  No

None of the top 10 common shareholders or the top 10 holders of shares without restrictions on sale of the Company was engaged in promissory repurchase transaction during the reporting period.

## 2. Controlling shareholders of the Company

Nature of controlling shareholder: natural person holding

Type of controlling shareholder: natural person

Name of controlling shareholder	Nationality	Whether he/she has any right of residence in other countries or regions
Wan Feng	Chinese	No
Wan Yunfeng	Chinese	No
Primary occupation and title	Mr. Wan Feng participated in the establishment of CTI in 2003 and became Chairman of the Company in August 2007; he was re-appointed in August 2010, August 2013, August 2016 and December 2019. Mr. Wan Yunxiang is the son of Mr. Wan Feng; Mr. Wan Feng and Mr. Wan Yunxiang are persons acting in concert.	
Other domestic or foreign listed companies that he/she controls via shareholding and holds equity in during the reporting period	N/A	

Change of controlling shareholders in the reporting period

Applicable  Not Applicable

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

## 3. Actual controllers and persons acting in concert of the Company

Nature of actual controller: domestic natural person

Type of actual controller: natural person

Name of actual controller	Relationship with the actual controller	Nationality	Whether he/she has any right of residence in other countries or regions
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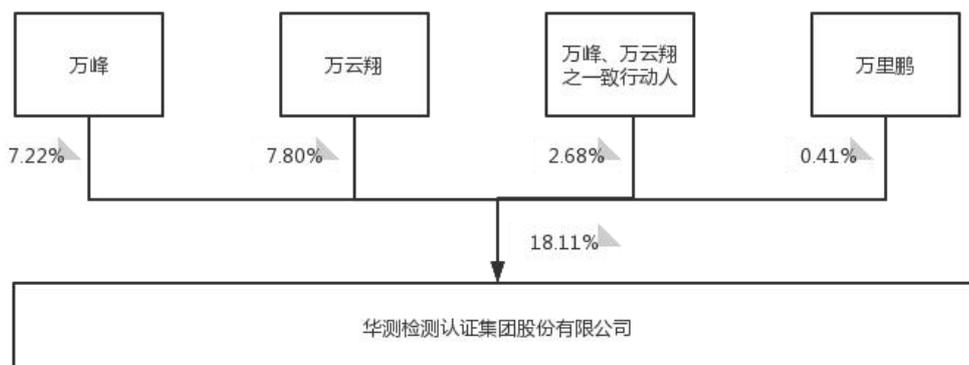
Wang Feng	Himself/herself	China	No
Primary occupation and title	Mr. Wan Feng participated in the establishment of CTI in 2003 and became Chairman of the Company in August 2007; he was re-appointed in August 2010, August 2013, August 2016 and December 2019.		
Domestic or foreign listed companies that he/she controls via shareholding in the past 10 years	N/A		

Change of actual controllers within the reporting period

Applicable  Not Applicable

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

Block Diagram of Property Right and Control Relationship between the Company and Actual Controllers



Notes: 1. During the reporting period, Mr. Wan Yunxiang transferred 44,272,520 shares through a block trade to asset management programs/private equity fund products in which Mr. Wan Yunxiang or Mr. Wan Feng, the person acting in concert, individually or jointly holds 100% of shares. Mr. Wan Yunxiang has signed an agreement on persons acting in concert with Mr. Wan Feng and the above asset management programs/private equity fund products. For details, please refer to the announcements disclosed by the Company on Cninfo.com.cn.

2. Ms. Yu Cuiping has voluntarily and gratuitously authorized Mr. Wan Feng to exercise the 4.29% voting rights attached to the 71,775,500 shares obtained by her through divorce, so the Company's controlling shareholders, actual controller and persons acting in concert have 22.40% voting rights in total.

Actual controllers control the Company by means of trust or other asset management methods

Applicable  Not Applicable

**4. The accumulative number of pledged shares held by the Company's controlling shareholder or largest shareholder and his/her person acting in concert accounts for 80% of the Company's shares held by him/her**

Applicable  Not Applicable

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

Applicable  Not Applicable

**6. Share restriction and reduction of controlling shareholders, actual controllers, reorganizers and other commitment entities**

Applicable  Not Applicable

**IV. Details on share repurchase in the reporting period**

Share repurchase and its progress

Applicable  Not Applicable

Reduction of repurchased shares by means of centralized competitive trading and its progress

Applicable  Not Applicable

## **Section VIII Preferred Shares**

Applicable  Not Applicable

The Company had no preferred shares in the reporting period.

## **Section IX Bonds**

Applicable  Not Applicable

## Section X Financial Report

### I. Audit Report

Type of audit opinions	Standard unqualified opinion
Date of signing the audit report	April 21, 2022
Name of audit authority	Da Hua Certified Public Accountants (Special General Partnership)
Reference number of audit report	DHSZ [2022] No. 00L00045
Name of Certified Public Accountant	Zhou Junxiang and Lv Hongtao

Text of Audit Report

#### Audit Report

DHSZ [2022] No. 00L00045

To all shareholders of Centre Testing International Group Co., Ltd.,

#### I. Audit opinions

We have audited the financial statements of Centre Testing International Group Co., Ltd. (hereinafter referred to as CTI), including the consolidated and parent company's Balance Sheet as of December 31, 2021, the consolidated and parent company's Income Statement, the consolidated and parent company's Cash Flow Statement, the consolidated and parent company's Statement of Changes in Shareholders' Equity and relevant Notes to Financial Statements for 2021.

In our opinion, the attached financial statements are prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects, and fairly reflect CTI's consolidated and the parent company's financial positions as of December 31, 2021, as well as the consolidated and the parent company's business results and cash flows in 2021.

#### II. Basis for audit opinions

We performed the audit in accordance with provisions of the Auditing Standards for Certified Public Accountants of China. The section "Responsibilities of certified public accountants for audit of financial statements" further provides for our responsibilities under these accounting standards. In accordance with the Code of Ethics for Certified Public Accountants of China, we are independent of CTI and have fulfilled other responsibilities in professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### III. Critical audit matters

Critical audit matters are matters we consider the most important to the audit of the current financial statement according to our professional judgment. These matters shall be dealt with based on the audit of the financial statements as a whole and formation of audit opinions. We will not comment on these matters alone.

We identified the following as critical audit matters that need to be communicated in the audit report.

Revenue recognition

Goodwill impairment

(I) Revenue recognition

1. Description of matters

As mentioned in Note IV Key Accounting Policies, Accounting Estimates (XXXV) "Income" and Note VI, Comment 40 "Operating income and operating cost". CTI's main business is under the category of testing. Features of this industry decide that the

testing industry is a fragmented market with highly distributed customers and high traffic of business. Considering the fact that the income of this period increases significantly from the previous period and there is the inherent risk of manipulating income recognition time points for the Management to achieve specific objectives or satisfy their expectations, we identified CTI's income as a key audit matter.

## 2. Audit responses

We implemented the following key auditing procedures for revenue recognition:

- (1) We understood, evaluated and tested internal controls related to main legal person marketing and fund collection inside CTI;
- (2) We determined whether there were significant changes in CTI's marketing business processes and revenue recognition rules from the past years and confirmed control right transfer marks of CTI's income;
- (3) Existence test: We obtained marketing details at the group level of CTI and selected samples from these details to check materials from contracts to orders, case-opening details, testing reports, invoices, collection orders, settlement orders, completion orders, etc.;
- (4) Completion test: We took samples from production line income accounts to examine materials from contracts to orders, case-opening details, testing reports, invoices, collection orders, settlement orders, completion orders, accounting records, etc.;
- (5) We verified (by letter) accounts receivable and income amounts of main customers for the reporting period and found out the cause of the nonconformance in replying letters. We also conducted substitution tests for customers not replying to our requests. Attention was paid to subsequent debt recovery;
- (6) We compared income amounts of production lines of the current period with those of the previous period and analyzed the rationality of significant increase in income for main production lines witnessing income increase during this period;
- (7) We conducted income cutoff tests to check if there was any cross-period income;
- (8) We conducted background investigations on main customers of the current period and checked if they were Related Parties;
- (9) We compared and analyzed marketing fluctuations in months to check whether there was any anomaly. We analyzed fluctuation in gross margin and compared the result with those of listed companies in the same industry.

## (II) Goodwill impairment

### 1. Description of matters

As mentioned in Note IV Key Accounting Policies, Accounting Estimates (XXVII) "Long-term asset impairment" and Note VI, Comment 17 "Goodwill". Considering that goodwill is important to consolidated financial statements and major judgments and estimates by the Management are usually involved when determining whether to make provisions for impairment, especially in terms of forecasting future cash flows, including the key assumptions made to predict incomes, long-term average growth rate and profit margin and to determine a proper discount rate which are inherently uncertain and may be biased by preferences of the Management. Therefore, we identified goodwill impairment in evaluating consolidated financial statements as a key audit matter.

## 2. Audit responses

We implemented the following key auditing procedures against the goodwill impairment:

- (1) We understood, evaluated and tested internal controls related to goodwill of CTI;
- (2) Based on our understanding of CTI's businesses and rules of Accounting Standards for Business Enterprises, we reviewed the identification of assets and asset groups by the Management and the way of allocating goodwill to each asset group;
- (3) We evaluated competence of valuation experts and, based on work achievements of valuation experts and according to requirements of Accounting Standards for Business Enterprises, discussed with the experts about the method and assumptions to be adopted to estimate the current value of future cash flows;
- (4) We compared key parameters, including estimated income, long-term average growth rate and profit rate with historical performance, financial budgets approved by Board of Directors, near-term business opportunity reports, industry study reports and industry statistics to review the assumptions adopted for and key judgments concluded by the Management in the present value of cash flow in the future;
- (5) We re-calculated the discount rate based on market data of comparable companies in the same industry and compared our

calculations with the discount rate adopted by the Management to calculate and estimate the present value of future cash flows, so as to review the discount rate adopted to estimate the present value of future cash flows;

(6) We conducted sensitivity analysis on key assumptions including estimated income and discount rate adopted to evaluate the impact of changes in key assumptions on results of impairment evaluation and to consider whether there are signs of preferences of the Management in selecting key assumptions.

#### **IV. Other information**

The Management of CTI is responsible for other information. Other information includes those covered by Annual Report 2021 but excludes financial statements and our audit report.

Our audit opinions on the financial statements do not cover other information, nor do we issue any form of authentication conclusion on other information.

In conjunction with our audit of financial statements, our responsibility is to read other information and, in the process, consider whether other information is materially inconsistent with the financial statements or what we have learned during the audit process or if there appears to be a material misstatement.

Based on the work that we have already done, if we determine that other information contains a material misstatement, we are obliged to report truthfully. We have nothing to report in this regard.

#### **V. Responsibility of the Management and the Governance for financial statements**

The Management of CTI is responsible for preparing the financial statements in accordance with the Accounting Standards for Business Enterprises to achieve a fair response and designing, implementing and maintaining the necessary internal controls so that the financial statements are free from material misstatement due to fraud or error.

In the preparation of the financial statements, the Management of CTI is responsible for evaluating CTI's continuous operation capacity on a going concern, disclosing matters related to operation on a going concern (if applicable), and applying the going-concern assumption, unless the Management intends to carry out the liquidation of CTI, termination of operations, or there are no other realistic options.

The Governance is responsible for supervising CTI's financial report process.

#### **VI. Responsibilities of certified public accountants for audit of financial statements**

Our goal is to obtain reasonable assurance as to whether there is no material misstatement in the Financial Statements as a whole due to fraud or error, and to issue an audit report containing audit opinions. Reasonable assurance is of a high level, but it is not a guarantee that an audit conducted in accordance with Auditing Standards is always able to detect a material misstatement when it exists. Misstatements may be caused by fraud or error, and are often considered significant if it is reasonably anticipated that the misstatements alone or in aggregate may affect the economic decisions made by users of the Financial Statements on the basis of the Financial Statements.

In the process of audit performed in accordance with Auditing Standards, we have applied the professional judgments and maintained the professional skepticism. Meanwhile, we also execute the following work:

Identify and assess risks of material misstatement of financial statements due to frauds or errors, design and implement audit procedures to address these risks, and obtain adequate and appropriate audit evidence as a basis for expressing audit opinion.

Since fraud may involve collusion, forgery, deliberate omission, misrepresentation or overstepping internal control, the risk of failing to find material misstatements due to fraud is higher than the risk of failing to find material misstatements due to error.

Understand audit-related internal controls to design appropriate audit procedures.

Assess the appropriateness of the accounting policies selected and the reasonableness of the accounting estimates and relevant disclosures made by the Management.

Draw conclusion on the appropriateness of going-concern assumption used by the Management. In addition, based on the audit evidence we obtained, we could draw conclusions on whether there is substantial uncertainty in the matters or conditions that probably result in the significant doubt toward the going-concern operating ability of CTI. If we conclude that a material uncertainty exists, we then are required by the auditing standards to remind the users of the Report in the Audit Report to pay

attention to relevant information disclosures in the Financial Statements; and if the disclosure is inadequate, we shall give non-qualified opinions. Our conclusion is made as per the information available as of the audit report date. However, future events or circumstances may cause CTI to cease to continue as a going concern.

Evaluate the overall presentation, structure and contents of the financial statements, and whether the financial statements fairly reflect relevant transactions and matters.

Obtain sufficient and appropriate audit evidence for the financial information in the entity or business activities of CTI to make an audit opinion on the financial statements. We are responsible for guiding, supervising and implementing the group audit, and taking full responsibility for the audit opinions.

We communicate with the Governance on the planned audit scope, timing and major audit findings, including the noteworthy deficiencies in internal control identified by us in audit.

We also provide a statement to the Governance that we have complied with the professional ethics requirements related to our independence, and communicate with the Governance all relationships and other matters that may reasonably be considered to affect our independence as well as relevant preventive measures (if applicable).

From the matters on which we communicate with the Governance, we determine which matters are the most important for the audit of the financial statements for the current period and thus constitute the Key Audit Events. We describe these matters in our Audit Report, and unless laws and regulations prohibit the public disclosure of these matters or in rare cases, if it is reasonably expected that the negative consequence of communicating certain matters in the Audit Report will outweigh the benefits in the public interest, we determine that such matters shall not be communicated in the Audit Report.

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Da Hua Certified Public Accountants (Special General Partnership)	Chinese CPA:
Beijing, China	(Project Partner) Zhou Junxiang
	Chinese CPA: Lv Hongtao

April 21, 2022

## II. Financial statements

The financial statement notes are represented in RMB.

### 1. Consolidated Balance Sheet

Prepared by: Centre Testing International Group Co., Ltd.

(As at December 31, 2021)

Unit: RMB

Item	(As at December 31, 2021)	As at December 31, 2020
Current assets:		
Monetary fund	1,163,194,111.62	560,617,641.58
Deposit reservation for balance		
Lendings to banks and other financial institutions		
Financial assets held for trading	420,840,936.13	1,001,604,472.72
Derivative financial assets		
Notes receivable	9,895,893.18	21,430,570.22
Accounts receivable	1,023,426,752.28	758,173,539.15
Accounts receivable financing		
Advance payment	28,128,409.28	52,716,741.75
Premium receivable		
Receivables from reinsurers		
Reinsurance contract reserves receivable		
Other receivables	68,365,728.59	52,170,517.89
Including: Interest receivable		
Dividends receivable	609,662.48	
Redemptory monetary capital for sale		
Inventory	55,375,076.19	32,339,457.78
Contract assets	137,821,410.86	103,297,161.09
Held-for-sale assets		
Non-current assets maturing within one year		
Other current assets	78,345,545.84	85,043,546.23
Total current assets	2,985,393,863.97	2,667,393,648.41
Non-current assets:		
Loans and advances		
Debt investment		
Other debt investments		
Long-term receivables		

Long-term equity investment	215,608,164.88	118,068,367.89
Investment in other equity instruments		
Other non-current financial assets	36,143,800.18	47,294,000.00
Investment real estate	33,059,123.19	33,930,353.64
Fixed assets	1,456,976,877.26	1,418,647,458.12
Construction in progress	360,955,910.73	212,138,027.61
Productive biological assets		
Oil and gas assets		
Right-of-use assets	292,243,323.44	
Intangible assets	145,770,224.97	144,703,073.87
Development expenditure		
Goodwill	589,129,815.32	442,112,482.14
Long-term deferred expenses	141,384,122.52	140,153,379.04
Deferred tax assets	56,945,878.11	58,836,340.25
Other non-current assets	162,544,019.22	171,399,308.20
Total non-current assets	3,490,761,259.82	2,787,282,790.76
Total assets	6,476,155,123.79	5,454,676,439.17
Current liabilities:		
Short-term borrowings	4,746,245.60	160,154,305.56
Borrowings from the Central Bank		
Borrowings from banks and other financial institutions		
Financial liabilities held for trading	9,138,508.21	
Derivative financial liabilities		
Notes payable	50,759.14	73,912.21
Accounts payable	553,613,454.02	548,860,093.93
Advance receipts		
Contract liabilities	118,246,096.02	75,179,931.49
Financial assets sold for repurchase		
Deposits from customers and interbank		

Receivings from vicariously traded securities		
Receivings from vicariously sold securities		
Payroll payable	431,552,961.25	364,571,417.09
Taxes payable	72,389,794.42	74,485,249.60
Other payables	166,640,692.41	99,400,072.98
Including: Interest payable		
Dividends payable	1,631,042.91	31,042.91
Handling charges and commissions payable		
Dividend payable for reinsurance		
Held-for-sale liabilities		
Non-current liabilities maturing within one year	135,344,400.68	32,717,177.86
Other current liabilities	1,659,984.93	2,170,093.66
Total current liabilities	1,493,382,896.68	1,357,612,254.38
Non-current liabilities:		
Reserves for insurance contracts		
Long-term borrowings	42,867,074.36	84,823,699.31
Bonds payable		
Including: Preferred shares		
Perpetual bond		
Lease liabilities	217,206,715.05	
Long-term payables		847,738.90
Long-term payroll payable		
Estimated liabilities	3,427,693.58	4,759,015.78
Deferred income	96,094,683.99	107,213,599.53
Deferred tax liabilities	65,580,877.68	65,962,432.60
Other non-current liabilities		
Total non-current liabilities	425,177,044.66	263,606,486.12
Total liabilities	1,918,559,941.34	1,621,218,740.50
Owner's equity:		
Capital stock	1,673,088,214.00	1,665,135,714.00

Other equity instruments		
Including: Preferred shares		
Perpetual bond		
Capital reserve	186,693,947.13	113,431,570.48
Less: Treasury shares		
Other comprehensive income	15,278,945.79	14,688,390.68
Special reserves		
Surplus reserve	220,139,991.86	179,193,512.40
General risk reserve		
Undistributed profits	2,362,107,773.22	1,771,832,899.47
Total owner's equity attributable to the parent company	4,457,308,872.00	3,744,282,087.03
Minority equity	100,286,310.45	89,175,611.64
Total owner's equity	4,557,595,182.45	3,833,457,698.67
Total liabilities and owner's equity	6,476,155,123.79	5,454,676,439.17

Legal representative: Wan Feng

Person in charge of accounting: Wang Hao

Person in charge of accounting

organization: Li Yanhong

## 2. Balance Sheet of the Parent Company

Unit: RMB

Item	(As at December 31, 2021)	As at December 31, 2020
Current assets:		
Monetary fund	622,817,496.86	183,670,255.48
Financial assets held for trading	420,840,936.13	751,087,543.28
Derivative financial assets		
Notes receivable	2,754,225.90	3,490,443.67
Accounts receivable	220,889,219.52	162,695,822.05
Accounts receivable financing		
Advance payment	3,498,077.68	6,779,568.99
Other receivables	234,162,083.14	670,376,247.11
Including: Interest receivable		
Dividends receivable	7,635,067.11	20,654,143.66
Inventory	2,274,741.54	1,522,773.13
Contract assets	17,572,971.62	23,021,617.59

Held-for-sale assets		
Non-current assets maturing within one year		
Other current assets	16,731,852.22	14,591,192.86
Total current assets	1,541,541,604.61	1,817,235,464.16
Non-current assets:		
Debt investment		
Other debt investments		
Long-term receivables		
Long-term equity investment	2,812,716,523.76	2,114,764,164.27
Investment in other equity instruments		
Other non-current financial assets	17,294,000.00	17,294,000.00
Investment real estate	52,051,362.49	54,390,354.55
Fixed assets	241,776,812.46	241,930,863.84
Construction in progress	2,406,269.10	5,735,059.62
Productive biological assets		
Oil and gas assets		
Right-of-use assets	61,141,204.38	
Intangible assets	23,183,518.26	21,090,182.18
Development expenditure		
Goodwill		
Long-term deferred expenses	10,285,343.16	13,161,944.05
Deferred tax assets	14,328,510.60	10,181,853.65
Other non-current assets	4,115,280.00	6,980,064.04
Total non-current assets	3,239,298,824.21	2,485,528,486.20
Total assets	4,780,840,428.82	4,302,763,950.36
Current liabilities:		
Short-term borrowings		150,142,083.34
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	119,568,075.00	142,958,619.07

Advance receipts		
Contract liabilities	18,163,058.85	14,839,232.70
Payroll payable	92,217,289.62	81,641,839.33
Taxes payable	3,605,972.29	4,501,067.96
Other payables	936,251,914.21	801,609,578.87
Including: Interest payable		
Dividends payable	31,042.91	31,042.91
Held-for-sale liabilities		
Non-current liabilities maturing within one year	14,081,961.32	
Other current liabilities	381,813.16	323,804.52
Total current liabilities	1,184,270,084.45	1,196,016,225.79
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bond		
Lease liabilities	49,473,165.41	
Long-term payables		
Long-term payroll payable		
Estimated liabilities	4,609.31	
Deferred income	25,275,125.65	30,142,644.44
Deferred tax liabilities	11,215,994.76	8,509,576.57
Other non-current liabilities		
Total non-current liabilities	85,968,895.13	38,652,221.01
Total liabilities	1,270,238,979.58	1,234,668,446.80
Owner's equity:		
Capital stock	1,673,088,214.00	1,665,135,714.00
Other equity instruments		
Including: Preferred shares		
Perpetual bond		
Capital reserve	207,453,710.09	123,874,137.89
Less: Treasury shares		
Other comprehensive income		

Special reserves		
Surplus reserve	218,761,800.37	177,815,320.91
Undistributed profits	1,411,297,724.78	1,101,270,330.76
Total owner's equity	3,510,601,449.24	3,068,095,503.56
Total liabilities and owner's equity	4,780,840,428.82	4,302,763,950.36

### 3. Consolidated Income Statement

Unit: RMB

Item	2021	2020
I. Total operating income	4,329,088,628.50	3,567,712,761.65
Including: Operating income	4,329,088,628.50	3,567,712,761.65
Interest income		
Earned premium		
Handling charges and commissions received		
II. Total operating cost	3,583,187,169.99	3,025,928,354.66
Including: Operating cost	2,128,450,515.88	1,785,116,400.94
Interest expense		
Handling charges and commissions paid		
Surrender value		
Net payments for insurance claims		
Net appropriation of reserves for insurance liability contracts		
Policy dividend payment		
Reinsurance costs		
Taxes and surcharges	22,521,015.48	18,261,380.62
Selling expenses	768,973,995.12	667,765,014.41
Administrative expenses	275,559,823.79	235,133,917.95
R&D expenses	375,974,472.79	308,228,794.04
Financial expenses	11,707,346.93	11,422,846.70
Including: Interest expense	13,617,262.15	7,014,416.56
Interest income	9,526,911.57	4,052,159.50
Add: Other incomes	85,252,973.49	86,875,074.01

Investment income (loss expressed with "-")	37,589,917.82	29,090,058.50
Including: Investment income from associates and joint ventures	25,468,714.26	13,802,874.46
Net gains from derecognition of financial assets measured at amortized cost		
Exchange gains (losses expressed with "-")		
Net exposure hedging gains (losses expressed with "-")		
Income from changes in fair value (loss expressed with "-")	19,608,183.48	9,369,010.39
Credit impairment loss (loss expressed with "-")	-35,996,620.78	-19,767,231.76
Assets impairment loss (losses expressed with "-")	-2,452,581.37	4,283,330.48
Asset disposal income (losses expressed with "-")	259,673.92	447,705.19
III. Operating profit (loss expressed with "-")	850,163,005.07	652,082,353.80
Add: Non-operating income	5,310,935.09	3,627,508.12
Less: Non-operating expenses	5,929,525.29	4,436,652.40
IV. Total profit (total loss expressed with "-")	849,544,414.87	651,273,209.52
Less: Income tax expenses	86,316,720.53	62,172,896.91
V. Net profit (net loss expressed with "-")	763,227,694.34	589,100,312.61
(I) Classification by operation continuity		
1. Net profit from continuing operation (net loss expressed with "-")	763,227,694.34	589,100,312.61
2. Net profit from discontinued operations (net loss expressed with "-")		
(II) Classification by ownership		
1. Net profit attributable to shareholders of the parent company	746,186,939.78	577,610,518.76
2. Minority profit and loss	17,040,754.56	11,489,793.85

VI. After-tax net of other comprehensive income	590,555.11	10,446,465.24
After-tax net of other comprehensive income attributable to the owners of parent company	590,555.11	10,446,465.24
(I) Other comprehensive income which will not be reclassified to profit or loss	0.00	0.00
1. Changes in remeasured and defined benefit plans		
2. Other comprehensive income untransferable to profit or loss under the equity method		
3. Changes in fair value of investment in other equity instruments		
4. Changes in fair value of the company's own credit risk		
5. Others		
(II) Other comprehensive income reclassified to profit or loss	590,555.11	10,446,465.24
1. Other comprehensive income transferable to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Credit impairment reserve for other debt investments		
5. Cash flow hedge reserve		
6. Converted difference in foreign currency statements	590,555.11	10,446,465.24
7. Others		
After-tax net amount of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	763,818,249.45	599,546,777.85
Total comprehensive income attributable to owners of the parent	746,777,494.89	588,056,984.00

company		
Total comprehensive income attributable to minority shareholders	17,040,754.56	11,489,793.85
VIII. Earnings per share:		
(I) Basic earnings per share	0.4465	0.3472
(II) Diluted earnings per share	0.4446	0.3449

As for business combination under the same control in the current period, the net profit realized by the combined party before the combination was RMB 0.00, while the net profit realized by the combined party in the previous period was RMB 0.00.

Legal representative: Wan Feng  
organization: Li Yanhong

Person in charge of accounting: Wang Hao

Person in charge of accounting

#### 4. Income Statement of the Parent Company

Unit: RMB

Item	2021	2020
I. Operating income	1,026,369,012.51	853,798,613.34
Less: Operating cost	500,026,838.29	446,301,143.69
Taxes and surcharges	5,295,948.33	4,078,093.10
Selling expenses	220,669,573.21	185,829,036.08
Administrative expenses	106,868,846.33	92,743,542.83
R&D expenses	57,178,021.40	53,666,183.07
Financial expenses	4,952,613.09	9,551,136.00
Including: Interest expenses	8,047,231.43	8,978,200.80
Interest income	5,464,377.64	2,521,154.90
Add: Other incomes	32,303,767.00	26,022,580.09
Investment income (loss expressed with "-")	259,151,332.15	326,359,751.50
Including: Investment income from associates and joint ventures	25,652,575.69	12,780,392.67
Gains from derecognition of financial assets measured at amortized cost (losses expressed with "-")		
Net exposure hedging gains (losses expressed with "-")		
Income from changes in fair value (loss expressed with "-")	13,908,165.25	8,852,080.95

Credit impairment loss (loss expressed with "-")	-5,492,301.01	890,335.92
Assets impairment loss (losses expressed with "-")	286,770.82	-3,659,464.01
Asset disposal income (losses expressed with "-")	17,266.87	3,255.69
II. Operating profit (loss expressed with "-")	431,552,172.94	420,098,018.71
Add: Non-operating income	458,780.87	1,119,837.19
Less: Non-operating expenses	419,959.13	826,341.88
III. Total profit (total loss expressed with "-")	431,590,994.68	420,391,514.02
Less: Income tax expenses	22,126,200.06	10,791,152.46
IV. Net income (net loss expressed with "-")	409,464,794.62	409,600,361.56
(I) Net profit from continuing operation (net loss expressed with "-")	409,464,794.62	409,600,361.56
(II) Net profit from discontinued operations (net loss expressed with "-")		
V. After-tax net amount of other comprehensive income		
(I) Other comprehensive income which will not be reclassified to profit or loss	0.00	0.00
1. Changes in remeasured and defined benefit plans		
2. Other comprehensive income untransferable to profit or loss under the equity method		
3. Changes in fair value of investment in other equity instruments		
4. Changes in fair value of the company's own credit risk		
5. Others		
(II) Other comprehensive income reclassified to profit or loss		

1. Other comprehensive income transferable to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Credit impairment reserve for other debt investments		
5. Cash flow hedge reserve		
6. Converted difference in foreign currency statements		
7. Others		
VI. Total comprehensive income	409,464,794.62	409,600,361.56
VII. Earnings per share (EPS):		
(I) Basic earnings per share		
(II) Diluted earnings per share		

## 5. Consolidated Cash Flow Statement

Unit: RMB

Item	2021	2020
I. Cash flow from operating activities:		
Cash received from sales of goods or rendering of services	4,287,217,488.07	3,625,063,952.59
Net increase in deposits from customers, banks and non-bank financial institutions		
Net increase in borrowings from the central bank		
Net increase in borrowings from other financial institutions		
Cash obtained in the received premium of the original insurance contract		
Net cash from reinsurance business		

Net increase in deposits and investment of the insured		
Cash received for interests, handling charges and commissions		
Net increase in borrowings from banks and other financial institutions		
Net increase in repurchase business capital		
Net cash received from acting trading securities		
Refunds of taxes and levies		
Cash received from other operating activities	228,389,729.53	349,046,307.72
Subtotal of cash inflows from operating activities	4,515,607,217.60	3,974,110,260.31
Cash paid for goods purchased and services received	996,925,996.18	903,179,751.31
Net increase of loan and advance of customers		
Net increase in deposits with the central bank, banks and non-bank financial institutions		
Cash paid for claims of direct insurance contracts		
Net increase in lendings to banks and other financial institutions		
Cash paid for interests, handling charges, and commissions		
Cash paid for policy dividends		
Cash paid to and on behalf of employees	1,720,228,804.18	1,387,465,432.01
Payments of all types of taxes	182,150,031.14	138,639,841.90
Other cashes paid relating to operating activities	543,689,643.93	613,872,268.20
Subtotal of cash outflows from operating activities	3,442,994,475.43	3,043,157,293.42
Net cash flow from operating	1,072,612,742.17	930,952,966.89

activities		
II. Cash flow from investment activities:		
Cash from realization of investment	13,843,034.10	469,883.95
Cash received from investment income	13,454,256.93	3,579,830.61
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets withdrawal	259,740.72	218,944.31
Net cash received from disposing subsidiaries and other business entities	1,914,560.00	713,102.38
Other cash received from investment activities	3,224,211,506.05	2,519,794,969.84
Subtotal of cash inflows from investment activities	3,253,683,097.80	2,524,776,731.09
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	560,875,063.62	545,580,162.28
Cash paid for investment	77,717,693.55	220,000.00
Net increase in pledge loans		
Net cash paid for acquisition of subsidiaries and other business units	156,326,703.60	263,856,222.28
Other cash paid relating to investment activities	2,580,000,000.00	2,652,000,000.00
Subtotal of cash outflows from investment activities	3,374,919,460.77	3,461,656,384.56
Net cash flow from investment activities	-121,236,362.97	-936,879,653.47
III. Cash flow from financing activities:		
Cash received from capital contribution	55,406,411.28	53,159,427.82
Including: Cash received by subsidiaries from investments of minority shareholders	5,320,000.00	2,507,211.36

Cash received from borrowings	4,770,893.12	333,802,087.62
Cash received from other financing activities		
Subtotal of cash inflows from financing activities	60,177,304.40	386,961,515.44
Cash paid for repayment of debts	195,519,129.82	241,777,579.87
Cash paid for distribution of dividends and profits or payment of interests	65,233,113.50	68,122,797.38
Including: Dividends or profit paid by subsidiaries to minority shareholders	3,200,000.00	1,466,600.00
Other cash paid relating to financing activities	147,294,653.38	9,571,003.27
Subtotal of cash outflows from financing activities	408,046,896.70	319,471,380.52
Net cash flow from financing activities	-347,869,592.30	67,490,134.92
IV. Effect of exchange rate fluctuation on cash and cash equivalents	-5,396,058.90	-8,482,426.17
V. Net increase in cash and cash equivalents	598,110,728.00	53,081,022.17
Add: Opening balance of cash and cash equivalents	542,921,176.89	489,840,154.72
VI. Balance of cash and cash equivalents at the end of the period	1,141,031,904.89	542,921,176.89

## 6. Cash Flow Statement of the Parent Company

Unit: RMB

Item	2021	2020
I. Cash flow from operating activities:		
Cash received from sales of goods or rendering of services	953,893,056.95	823,996,744.94
Refunds of taxes and levies		
Cash received from other operating activities	2,202,717,882.38	1,657,670,973.36

Subtotal of cash inflows from operating activities	3,156,610,939.33	2,481,667,718.30
Cash paid for goods purchased and services received	395,767,163.06	294,931,368.12
Cash paid to and on behalf of employees	324,264,335.94	272,458,087.10
Payments of all types of taxes	32,583,188.68	33,850,116.03
Other cashes paid relating to operating activities	1,726,225,573.20	1,277,610,535.10
Subtotal of cash outflows from operating activities	2,478,840,260.88	1,878,850,106.35
Net cash flow from operating activities	677,770,678.45	602,817,611.95
II. Cash flow from investment activities:		
Cash from realization of investment		
Cash received from investment income	26,191,443.66	33,090,293.24
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets withdrawal	2,552,166.51	2,817,702.16
Net cash received from disposing subsidiaries and other business entities	392,500.00	50,748,215.30
Other cash received from investment activities	2,695,118,990.66	1,746,172,101.07
Subtotal of cash inflows from investment activities	2,724,255,100.83	1,832,828,311.77
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	36,016,787.17	33,790,548.76
Cash paid for investment	440,624,750.71	362,838,877.26
Net cash paid for acquisition of subsidiaries and other business units	22,200,000.00	52,128,000.00
Other cash paid relating to investment activities	2,332,180,000.00	1,904,360,000.00

Subtotal of cash outflows from investment activities	2,831,021,537.88	2,353,117,426.02
Net cash flow from investment activities	-106,766,437.05	-520,289,114.25
III. Cash flow from financing activities:		
Cash received from capital contribution	50,085,649.49	50,652,216.46
Cash received from borrowings	54,200,000.00	165,500,000.00
Cash received from other financing activities		
Subtotal of cash inflows from financing activities	104,285,649.49	216,152,216.46
Cash paid for repayment of debts	165,230,000.00	187,900,000.00
Cash paid for distribution of dividends and profits or payment of interests	65,004,128.98	68,625,720.51
Other cash paid relating to financing activities	7,069,555.93	44,877.59
Subtotal of cash outflows from financing activities	237,303,684.91	256,570,598.10
Net cash flow from financing activities	-133,018,035.42	-40,418,381.64
IV. Effect of exchange rate fluctuation on cash and cash equivalents	-223,064.99	-650,062.83
V. Net increase in cash and cash equivalents	437,763,140.99	41,460,053.23
Add: Opening balance of cash and cash equivalents	175,653,191.85	134,193,138.62
VI. Balance of cash and cash equivalents at the end of the period	613,416,332.84	175,653,191.85

## 7. Consolidated Statement of Changes in Owner's Equity

Amount of current period

Unit: RMB

Item	2021														
	Owner's equity attributable to the parent company											Minority equity	Total owner's equity		
	Capital stock	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	General risk reserve	Undistributed profit			Others	Subtotal
		Preferred shares	Perpetual bond	Others											
I. Ending balance of the previous year	1,665,135,714.00				113,431,570.48		14,688,390.68		179,193,512.40		1,771,832,899.47	3,744,282,087.03	89,175,611.64	3,833,457,698.67	
Add: Changes in accounting policies															
Correction of errors in the previous period															
Business combination under the same control															
Others															
II. Beginning balance of the year	1,665,135,714.00				113,431,570.48		14,688,390.68		179,193,512.40		1,771,832,899.47	3,744,282,087.03	89,175,611.64	3,833,457,698.67	
III. Increases/decreases in the amount of the	7,952,500.0				73,262,376.65		590,555.11		40,946,479.46		590,274,873.75	713,026,784.97	11,110,698.81	724,137,483.78	

current period (decrease expressed with "-")	0													
(I) Total comprehensive income						590, 555. 11				746, 186, 939. 78		746, 777, 494. 89	17,0 40,7 54.5 6	763, 818, 249. 45
(II) Owner's contributions and decrease of capital	7,9 52, 50 0.0 0			65,02 1,185 .89						-65, 579, 942. 18		7,39 3,74 3.71	-5,9 30,0 55.7 5	1,46 3,68 7.96
1. Ordinary shares invested by the owners	7,9 52, 50 0.0 0			59,86 8,733 .08								67,8 21,2 33.0 8	3,85 0,00 0.00	71,6 71,2 33.0 8
2. Capital contributed by holders of other equity instruments														
3. Amount of share-based payment recognized in owner's equity				5,152 ,452. 81								5,15 2,45 2.81		5,15 2,45 2.81
4. Others										-65, 579, 942. 18		-65, 579, 942. 18	-9,7 80,0 55.7 5	-75, 359, 997. 93
(III) Profit distribution								40,9 46,4 79.4 6		-99, 437, 400. 60		-58, 490, 921. 14		-58, 490, 921. 14
1. Withdrawal of surplus reserve								40,9 46,4 79.4 6		-40, 946, 479. 46				
2. Withdrawal of general risk														





Business combination under the same control														
Others														
II. Beginning balance of the year	1,657,530,714.00			51,374,649.84		4,241,925.44		138,233,476.24		1,295,758,239.33		3,147,139,004.85	61,279,706.00	3,208,418,710.85
III. Increases/decreases in the amount of the current period (decrease expressed with "-")	7,605,000.00			62,056,920.64		10,446,465.24		40,960,036.16		476,074,660.14		597,143,082.18	27,895,905.64	625,038,987.82
(I) Total comprehensive income						10,446,465.24				577,610,518.76		588,056,984.00	11,489,793.85	599,546,777.85
(II) Owner's contributions and decrease of capital	7,605,000.00			52,349,472.87						-2,356,798.59		57,597,674.28	16,406,111.79	74,003,786.07
1. Ordinary shares invested by the owners	7,605,000.00			43,057,750.00								50,662,750.00	2,467,296.38	53,130,046.38
2. Capital contributed by holders of other equity instruments														

3. Amount of share-based payment recognized in owner's equity					9,664,000.00							9,664,000.00	9,664,000.00
4. Others					-372,277.13					-2,356,798.59		-2,729,075.72	13,938,815.41
(III) Profit distribution								40,960,036.16		-99,179,060.03		-58,219,023.87	-58,219,023.87
1. Withdrawal of surplus reserve								40,960,036.16		-40,960,036.16			
2. Withdrawal of general risk reserves													
3. Distribution to owners (or shareholders)										-58,219,023.87		-58,219,023.87	-58,219,023.87
4. Others													
(IV) Internal carry-forward of owner's equity													
1. Capital reserve transferred into capital (or capital stock)													
2. Surplus reserve transferred into capital (or capital stock)													
3. Surplus reserves for making up loss													

4. Retained earnings carried over by changes of defined benefit plan														
5. Retained earnings carried over by other comprehensive income														
6. Others														
(V) Special reserve														
1. Amount appropriated in the current period														
2. Use in current period														
(VI) Others				9,70 7,44 7.77							9,70 7,44 7.77		9,707 ,447. 77	
IV. Ending balance of the current period	1, 66 5, 13 5, 71 4. 00			113, 431, 570. 48	14,6 88,3 90.6 8	179, 193, 512. 40		1,77 1,83 2,89 9.47		3,74 4,28 2,08 7.03	89,17 5,611 .64		3,833 ,457, 698.6 7	

### 8. Statement of Changes in Owner's Equity of the Parent Company

Amount of current period

Unit: RMB

Item	2021										
	Capita l stock	Other equity instruments	I reserv	Treas ury	ehensi ve	al reserv	us reserv	tribute d	Other s	owner 's	

		Preferred shares	Perpetual bond	Others								
I. Ending balance of the previous year	1,665,135,714.00				123,874,137.89				177,815,320.91	1,101,270.330.76		3,068,095,503.56
Add: Changes in accounting policies												
Correction of errors in the previous period												
Others												
II. Beginning balance of the year	1,665,135,714.00				123,874,137.89				177,815,320.91	1,101,270.330.76		3,068,095,503.56
III. Increases/decreases in the amount of the current period (decrease expressed with "-")	7,952,500.00				83,579,572.20				40,946,479.46	310,027,394.02		442,505,945.68
(I) Total comprehensive income										409,464,794.62		409,464,794.62
(II) Owner's contributions and decrease of capital	7,952,500.00				75,338,381.46							83,290,881.46
1. Ordinary shares invested by the owners	7,952,500.00				59,868,733.08							67,821,233.08
2. Capital contributed by												

holders of other equity instruments												
3. Amount of share-based payment recognized in owner's equity					5,152,452.81							5,152,452.81
4. Others					10,317,195.57							10,317,195.57
(III) Profit distribution									40,946,479.46	-99,437.40		-58,490,921.14
1. Withdrawal of surplus reserve									40,946,479.46	-40,946.46		
2. Distribution to the owner (or shareholders)										-58,490.92		-58,490,921.14
3. Others												
(IV) Internal carry-forward of owner's equity					-15,325,248.08							-15,325,248.08
1. Capital reserve transferred into capital (or capital stock)												
2. Surplus reserve transferred into capital (or capital stock)												
3. Surplus reserves for making up loss												
4. Retained												

earnings carried over by changes of defined benefit plan												
5. Retained earnings carried over by other comprehensive income												
6. Others					-15,325,248.08							-15,325,248.08
(V) Special reserve												
1. Amount appropriated in the current period												
2. Use in current period												
(VI) Others					23,566,438.82							23,566,438.82
IV. Ending balance of the current period	1,673,088,214.00				207,453,710.09				218,761,800.37	1,411,297,724.78		3,510,601,449.24

Amount of prior period

Unit: RMB

Item	2020											
	Capital stock	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profit	Others	Total owner's equity
		Preferred shares	Perpetual bond	Others								

I. Ending balance of the previous year	1,65 7,53 0,71 4.00				60,17 8,276. 17				136,8 55,28 4.75	792,87 4,450.1 3		2,647,43 8,725.05
Add: Changes in accounting policies												
Correcti on of errors in the previous period												
Others												
II. Beginning balance of the year	1,65 7,53 0,71 4.00				60,17 8,276. 17				136,8 55,28 4.75	792,87 4,450.1 3		2,647,43 8,725.05
III. Increases/decreases in the amount of the current period (decrease expressed with "-")	7,60 5,00 0.00				63,69 5,861. 72				40,96 0,036 .16	308,39 5,880.6 3		420,656, 778.51
(I) Total comprehensive income										409,60 0,361.5 6		409,600, 361.56
(II) Owner's contributions and decrease of capital	7,60 5,00 0.00				53,98 8,413. 95					-2,025, 420.90		59,567,9 93.05
1. Ordinary shares invested by the owners	7,60 5,00 0.00				43,05 7,750. 00							50,662,7 50.00
2. Capital contributed by holders of other equity instruments												
3. Amount of					9,664,							9,664,00

share-based payment recognized in owner's equity					000.0 0							0.00
4. Others					1,266, 663.9 5					-2,025, 420.90		-758,756. 95
(III) Profit distribution									40,96 0,036 .16	-99,179 ,060.03		-58,219,0 23.87
1. Withdrawal of surplus reserve									40,96 0,036 .16	-40,960 ,036.16		
2. Distribution to the owner (or shareholders)										-58,219 ,023.87		-58,219,0 23.87
3. Others												
(IV) Internal carry-forward of owner's equity												
1. Capital reserve transferred into capital (or capital stock)												
2. Surplus reserve transferred into capital (or capital stock)												
3. Surplus reserves for making up loss												
4. Retained earnings carried over by changes of defined benefit plan												

5. Retained earnings carried over by other comprehensive income												
6. Others												
(V) Special reserve												
1. Amount appropriated in the current period												
2. Use in current period												
(VI) Others					9,707,447.7							9,707,447.77
IV. Ending balance of the current period	1,665,714.00				123,874,137.89			177,815,320.91	1,101,270,330.76			3,068,095,503.56

### III. Company profile

#### Registered address, organizational structure and headquarters address

Centre Testing International Group Co., Ltd. (formerly Shenzhen CTI Testing Technology Co., Ltd.) (hereinafter referred to as the Company) is formerly known as Shenzhen CTI Testing Technology Co., Ltd., which was jointly founded by natural persons Wan Lipeng and Zhang Li under the approval of Administration of Industry and Commerce of Shenzhen Municipality and registered with Administration of Industry and Commerce of Shenzhen Municipality (Guangdong Province) on December 23, 2003. The HQ of the Company is located in Shenzhen, Guangdong Province. The Company currently holds an enterprise legal person business license with the unified social credit code of 91440300757618160G. Shares of the Company were listed for trading at Shenzhen Stock Exchange on October 30, 2009.

After distribution of bonus shares, allocation of new shares, conversion to capital stock and issuance of additional new shares over the years, as of December 31, 2021, the Company had cumulatively issued 1,673,088,214 shares. The Company has a registered capital of RMB 1,673,088,214 and the registration address is Room 101, Building No. 1, CTI Building, Xingdong Community, Xin'an Sub-district, Bao'an District, Shenzhen; the HQ is located at Room 101, Building No. 1, CTI Building, Xingdong Community, Xin'an Sub-district, Bao'an District, Shenzhen. Final actual controller of the Group is Wan Feng.

#### Business nature and major activities of the Company

The Company is engaged in testing industry.

Major business activity is independent third-party testing business. Main services provided including testing services in such fields as trade safeguard, consumer goods, industrial products, life sciences, medicine and medical services.

#### Approval and release of financial statements

These financial statements are approved and issued by the Board of Directors of the Company on April 21, 2022.

#### 4. Scope of consolidated financial statements

Totally 116 subsidiaries were included into the consolidated financial statements of this period, with tier 1 subsidiaries mainly including:

Name of subsidiary	Type of subsidiary	Tier	Shareholding ratio (%)	Ratio of voting rights (%)
Shenzhen CTI Testing Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Centre Testing International (Beijing) Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Suzhou CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Centre Testing International (Hong Kong) Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Qingdao CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Shanghai CTI Pinbiao Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Xiamen CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Ningbo CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Shenzhen CTI Commodity Testing and Survey Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Guangdong CTI Judicial Authentication Center	Wholly-owned subsidiary	Tier 1	100	100
Shenzhen CTI Training Center	Wholly-owned subsidiary	Tier 1	100	100
Shenzhen CTI Institute of Reference Materials	Wholly-owned subsidiary	Tier 1	100	100
Shanghai CTI Biological Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
CTI Investment Management (Shenzhen) Limited	Wholly-owned subsidiary	Tier 1	100	100
Shenzhen CTI Information Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Anhui CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Centre Testing International Pinbiao (Guangzhou) Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100

Chongqing CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Wuhan CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Huai'an CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Dalian Huaxin Physical and Chemical Testing Center Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Heilongjiang CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Hangzhou CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Hunan Pinbiao CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Hangzhou Hua'an Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Shanghai CTI Pinzheng Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Guizhou CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Nanchang CTI Testing Certification Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Tianjin CTI Testing Certification Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Yunnan CTI Testing Certification Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
CTI Engineering Testing Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Ningbo Quality Assurance Co., Ltd. (NQA)	Wholly-owned subsidiary	Tier 1	100	100
Hebei CTI Testing Services Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Gansu CTI Testing Certification Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Jiangsu CTI Pinbiao Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Shenzhen CTI Pest Control Co., Ltd.	Holding subsidiaries	Tier 1	67	67
Shenzhen CTI Laboratory Technology Service Co., Ltd.	Holding subsidiaries	Tier 1	67	67
Centre Testing Electronic Certification Co., Ltd.	Holding	Tier 1	71.26	71.26

Ltd.	subsidiaries			
Fujian Science Way Testing Co., Ltd. (SW)	Holding subsidiaries	Tier 1	51	51
Guangxi CTI Testing Certification Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Ningguo CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Guangzhou CTI Testing Certification Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Inner Mongolia CTI QC Technology Service Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Suzhou CTI Engineering Testing Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Shenzhen CTI Reference Materials Research Center Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Centre Testing International Pinbiao (Fuzhou) Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Centre Testing International Pinbiao (Liaoning) Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Dongguan CTI Testing Certification Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Sichuan CTI Jianxin Testing Technology Co., Ltd.	Holding subsidiaries	Tier 1	68	68
Shenyang CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Shanghai CTI Zhike Materials Technology Co., Ltd.	Holding subsidiaries	Tier 1	51	51
Pinbiao Environmental Technology Co., Ltd	Wholly-owned subsidiary	Tier 1	100	100
Shanxi CTI Testing Certification Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Centre Testing International Group (Shandong) Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Hebei CTI Junrui Testing Technology Co., Ltd.	Holding subsidiaries	Tier 1	68	68
Henan CTI Quantong Engineering Testing Co., Ltd.	Holding subsidiaries	Tier 1	80	80
Zhejiang CTI Yuanjian Testing Co., Ltd.	Holding subsidiaries	Tier 1	51	51
Chengdu Xijiao CTI Rail Transit Technology Co., Ltd.	Holding subsidiaries	Tier 1	60	60

Shanghai CTI Pinchuang Medical Testing Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Tianjin Eco-City Environmental Technology Co., Ltd.	Holding subsidiaries	Tier 1	51	51
CTI Hubei Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
How-To NPD Consulting Co., Ltd.	Holding subsidiaries	Tier 1	60	60
Jiangxi Yingyong CTI Testing Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Tibet CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
CTI Guoruan Technical Services (Nanjing) Co., Ltd.	Holding subsidiaries	Tier 1	51	51
Nanfang Pinbiao CTI Testing (Shenzhen) Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Centre Testing International Pindong (Shanghai) Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100
Beifang Pinbiao CTI Testing (Beijing) Co., Ltd.	Wholly-owned subsidiary	Tier 1	100	100

5. In comparison with the previous period, 25 entities were included and 4 entities were excluded from the consolidated financial statements of this period, including:

(1) New subsidiaries, special subjects and operating entities forming control power through entrusted operation or lease that are included in the consolidation scope in this period

Name	Causes for change
CTI-CEM INTERNATIONAL LIMITED	Business combination not under the same control
CTI Germany Management GmbH	Newly established
CTI Germany Holding GmbH & Co. KG	Newly established
imat-uve gmbh	Business combination not under the same control
IMAT-UVE AUTOMOTIVE TESTING CENTRE (PTY) LTD	Business combination not under the same control
IMAT AUTOMOTIVE TECHNOLOGY SERVICES INC.	Business combination not under the same control
IMAT AUTOMOTIVE TECHNOLOGY SERVICES MEXICO.S. DE R.L. DE C.V.	Business combination not under the same control
Imat (Shenyang) Automotive Technology Co., Ltd.	Business combination not under the same control
Shanghai Imat Automotive Technology Service Co., Ltd.	Business combination not under the same control

Maritec (Shanghai) Co., Ltd.	Newly established
Zhengzhou CTI-Medlab Medical Testing Co., Ltd.	Newly established
Qingdao CTI Medical Laboratory	Newly established
Tianjin CTI Medical Laboratory	Newly established
Suzhou CTI Medical Laboratory	Newly established
Kunming CTI Medical Laboratory	Newly established
Beijing CTI Medical Laboratory	Newly established
Shanghai CTI Aiyuan Medical Testing Institute Co., Ltd.	Newly established
How-To NPD Consulting Co., Ltd.	Business combination not under the same control
How-To Technology (Shanghai) Co., Ltd.	Business combination not under the same control
Jiangxi Yingyong CTI Testing Co., Ltd.	Newly established
Tibet CTI Testing Technology Co., Ltd.	Newly established
CTI Guoruan Technical Services (Nanjing) Co., Ltd.	Newly established
Nanfeng Pinbiao CTI Testing (Shenzhen) Co., Ltd.	Newly established
Centre Testing International Pindong (Shanghai) Co., Ltd.	Newly established
Beifang Pinbiao CTI Testing (Beijing) Co., Ltd.	Newly established

(2) Subsidiaries, special purpose entities no longer included in the scope of consolidation in the current period, business entities which lost control right through entrusted operation or leasing in the current period

Name	Causes for change
Shenzhen CTI Occupational Health Outpatient Department	Cancellation
CTI Biotechnology (Suzhou) Co., Ltd.	Cancellation
Huayi Testing and Certification (Shenzhen) Co., Ltd.	Cancellation
Tianjin Jinbin CTI Product Testing Center Co., Ltd.	Cancellation

See "Note VIII Change of scope of consolidation" for detailed information about the entities of change within the scope of consolidation.

## IV. Basis for preparation of financial statements

### 1. Preparation basis

The Company prepared the financial statements according to actual transactions and events, in accordance with the *Accounting Standards for Business Enterprises - Basic Standards* and various specific accounting standards, the Guidelines for the Application of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as "Accounting Standards for Business Enterprises") for recognition and measurement, as well as the provisions of the China Securities Regulatory Commission's *Reporting Rule No.15 for Information Disclosure of Companies Offering Securities to the Public - General Provisions for Financial Reports* (as revised in 2014).

## **2. Going concern**

The Company assessed its capability of going concern within the 12 months since the end of the reporting period and no matters or conditions causing major doubt about the capability of going concern were found. Therefore, these financial statements are prepared on a going concern basis.

## **V. Significant accounting policies and estimates**

Tips for specific accounting policies and accounting estimates:

According to the actual production and operation characteristics, the Company formulated specific accounting policies and accounting estimates, mainly reflected in the inventory valuation method, withdrawal of expected credit loss for receivables, depreciation of fixed assets and amortization of intangible assets, the time point of confirming incomes, etc.

### **1. Statement of compliance with the Accounting Standards for Business Enterprises**

The financial statements prepared by the Company satisfy the requirements of the Accounting Standards for Business Enterprises and give a true and comprehensive view of the financial status, business results, cash flow, etc. of the Company in the reporting period.

### **2. Accounting period**

An accounting year starts from January 1 and ends on December 31 of the Gregorian calendar.

### **3. Operating cycle**

Operating cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. One business cycle of the Company is 12 months and is regarded as the determination standard for liquidity of assets and liabilities.

### **4. Recording currency**

RMB is used as the recording currency.

### **5. Accounting treatment methods for business combination under or not under the same control**

**1. If the terms, conditions and economic effects of transactions for the purpose of realizing business combination in phases, fall in the following one or more situations, regarding multiple transactions as a package transaction for accounting treatment**

- (1) Such transactions are concluded at the same time or under the situation of considering the impact on each other;
- (2) The overall business results of these transactions can be achieved;
- (3) The occurrence of a transaction is based on the occurrence of at least one of other transactions;
- (4) A transaction is regarded as uneconomic, while being economic when regarded along with other transactions.

#### **2. Business combination under the same control**

Assets and liabilities acquired in a business combination are measured by the book value of the combined party's assets and liabilities (including goodwill arising out of the acquisition by the ultimate controller to the combined party) reflected in the final controlling party's consolidated financial statements on the date of combination. Capital stock premium of the capital reserve should

be adjusted according to the difference between the book value of net assets obtained from the combination and the payment for the book value of combination consideration (or total par value of the issued shares). In case that the capital stock premium of the capital reserve is not sufficient for offset, retained earnings are adjusted.

If there is any contingent consideration required to be recognized as estimated liabilities or assets, capital reserve (capital premium or capital stock premium) is adjusted by the difference between the amount of such estimated liabilities or assets and the amount of settlement of subsequent contingent consideration; Where the capital reserve is insufficient, the retained earnings are adjusted.

For business combination finally realized through several transactions, in case of a package transaction, all the transactions are accounted as one transaction to acquire the control; in case of no package transaction, on the date of acquisition of the control, the capital reserve is adjusted by the difference between the initial investment cost of long-term equity investment and the sum of the book value before the combination and the book value of the new payment consideration for further acquisition of shares on the date of combination; If the capital reserve is not sufficient for offsetting, the adjustment is made to retained earnings. For the equity investment held before the date of combination, the other comprehensive income measured and recognized under the equity method or financial instrument recognition and measurement standards are not accounted until the accounting treatment for the disposal of relevant assets or liabilities of the investee is adopted the same for the disposal of such equity investment; Changes in the owner's equity other than the net profit or loss, other comprehensive income and profit distribution in the net assets of the investee that is recognized under the equity method, are not accounted, until disposal of such investment is transferred to current profit or loss.

### **3. Business combinations not under the same control**

Purchase date refers to the date when the Company actually obtains the control over the acquiree, i.e. the date when the control over the acquiree's net assets or the production and operation decision-making is transferred to the Company. The Company generally deems that control right is transferred if all of the following conditions are met:

- 1) The business combination contract or agreement has been approved and accepted by the internal authority of the Company.
- 2) The business combination matters that need to be approved by relevant national authorities have already gotten the approval.
- 3) Necessary procedures for the handover of property rights have been finished.
- 4) The Company has paid most of the combination consideration and is capable of paying the remaining balance as scheduled.
- 5) The Company has actually controlled financial and operating policies of the acquiree and shared corresponding benefits and bore related risks.

The assets and liabilities occurred or undertook by the Company as the business combination consideration are measured at fair value on the purchase date. Difference between fair value and book value is recorded in current profit or loss.

The Company recognizes as goodwill the difference between the combination cost and the fair value share of the identifiable net assets of the acquiree in the combination if the combination cost is higher. If the combination cost is less than the fair value of the acquiree's net identifiable assets, the balance is included in the current profit or loss after review.

In a business combination not under the same control that is realized in phases through multiple exchange transactions, in case of a package transaction, the accounting treatment should be conducted with all transactions as the one to obtain the power of control; In case of a non-package transaction where the equity investment held before the date of combination is accounted under equity method, the sum of the book value of the equity investment held by the acquiree before the purchase date and the cost of new investment on the purchase date are recognized as the initial investment cost of such investment; Due to the other comprehensive income accounted and recognized under equity method, the equity investment held before the purchase date is accounted on the same basis as used for disposal of relevant assets or liabilities of the investee when disposal of such investment. Where the equity investment held before the date of combination is accounted according to the recognition and measurement criteria for financial instruments, the sum of the fair value of such equity investment on the date of combination and the new investment cost are

accounted as the initial investment cost on the date of combination. The difference between the fair value of the original equity and its book value and the accumulative changes originally included in the other comprehensive income are transferred to current investment income on the date of combination.

#### **4. Costs incurred related to combination**

Intermediary fees, such as audit, legal services and valuation consultancy, and other directly related fees incurred by the Company for the purpose of business combination are recorded in current profit or loss when they occur. Trading expenses incurred from issuing equity securities for the purpose of business combination that may be directly attributable to equity trade can be deducted from the equity.

## **6. Preparation method for consolidated financial statements**

### **1. Scope of consolidation**

The scope of consolidation of the consolidated financial statements of the Company is determined on the basis of control. All subsidiaries (including individual entities controlled by the Company) are included in the consolidated financial statements.

### **2. Consolidation procedure**

Consolidated financial statements are prepared based on the financial statements of the Company and each subsidiary as well as other relevant materials. The consolidated financial statements are compiled by the Company, by means of regarding the enterprise group as an accounting subject, according to the requirements of recognition, measurement and representation of relevant accounting standards for business enterprises, as well as uniform accounting policies, to reflect the overall financial conditions, operating results and cash flow of the enterprise group.

The accounting policies and period adopted by the subsidiaries within the scope of the consolidated financial statements shall be in consistent with those of the Company, in case of any discrepancy, adjustments shall be made necessarily in accordance with those of the Company while preparing the consolidated financial statements.

When the consolidated financial statements are prepared, the impact of internal transactions between the Company and its subsidiaries or those between subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in shareholders' equity shall be offset. In case of different judgment on one transaction upon different accounting entities (the Company or its subsidiaries) from the perspective of the consolidated financial statements of the group, the transaction will be adjusted from the perspective of the group.

The portions of owner's equity of subsidiaries, current net profit or loss and current comprehensive income of subsidiaries attributable to minority shareholders are separately presented under the owner's equity in the consolidated balance sheet, the net profits in the consolidated income statement and the total comprehensive income. When the loss in the current period borne by minority shareholders of a subsidiary exceeds their due share in owner's equity of the subsidiary at the beginning of the reporting period, the difference is written off against the minority equity.

For a subsidiary acquired through business combination under the same control, its financial statements shall be adjusted against the book value of its assets or liabilities (including goodwill resulting from acquisition of the subsidiary by the ultimate controller) in financial statement of ultimate controller.

For any subsidiary acquired through business combination not under the same control, its financial statements shall be adjusted based on the fair value of the net identifiable assets on the purchase date.

#### **(1) Addition of subsidiary or business**

During the reporting period, the beginning balance in the consolidated balance sheet shall be adjusted for the addition of new subsidiaries and businesses due to business combination under the same control. The incomes, expenses and profits of the subsidiary from the beginning of the combination to the end of the reporting period shall be included in the consolidated income statement; The cash flows of subsidiaries or businesses from the beginning of the current period to the end of the reporting period shall be included in the consolidated cash flow statement, and the related items in the comparative report shall be adjusted accordingly. It is deemed

that the consolidated reporting entity has existed since the time when the final controlling party starts controlling.

If the investee under the same control can be controlled due to additional investment and other reasons, it shall be deemed that the parties involved in the combination will be adjusted in their current states when the final controlling party starts controlling. The equity investment held prior to the acquisition of the control of combined party, relevant profit and loss, other comprehensive income and other changes in net assets that all are recognized between the date (late one of acquiring the original stock equity and the date when combining party and combined party are under the same control) and the date of combination are offset by retained earnings at the beginning of the year or current profit or loss during the comparative statement period.

During the reporting period, the beginning balance in the consolidated balance sheet shall not be adjusted for the addition of new subsidiaries and businesses due to business combination not under the same control. The income, expenses and profits of the subsidiaries or businesses from the purchase date to the end of the reporting period shall be included in the consolidated income statements; Cash flow of the subsidiary or business from purchase date to end of reporting period will be included into the consolidated cash flow statement.

If the investee not under the same control can be controlled by making an additional investment, the equity of the acquiree held before the purchase date shall be remeasured by the Company at the fair value of such equity on the purchase date, and the difference between the fair value and its book value shall be included in the current investment income. If the equity of the acquiree held before the purchase date involves other comprehensive income under the equity method and other changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution, other comprehensive income and other changes in owner's equity related thereto shall be converted into the investment income of the current period at the purchase date, except for other comprehensive income arising from the re-measurement of changes in net liabilities or net assets under the defined benefit plan by the investee.

## (2) Disposal of subsidiaries and business

### 1) General treatment method

During the reporting period, if the Company disposes of a subsidiary or business, the income, expenses and profits of the subsidiary or business from the beginning of the period to the date of disposal shall be included in the consolidated income statement. The cash flow of the subsidiary and business from the beginning of the period to the date of disposal shall be included in the consolidated cash flow statement.

If the control right over the investee is lost due to the disposal of part of the equity investment or other reasons, the Company shall re-measure the remaining equity investment after disposal according to its fair value on the date of loss of that control right. The sum of the consideration obtained from the disposal of the equity and the fair value of the remaining equity, minus the difference between the share of net assets and the sum of goodwill that should be continuously calculated from the purchase date or the date of combination of the original subsidiary according to the original shareholding ratio, shall be included in the investment income of the current period when the control right is lost. Other comprehensive income related to the equity investment of the original subsidiary or other changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution shall be converted into current investment income when the control right is lost, except for other comprehensive income arising from the re-measurement of changes in net liabilities or net assets under the defined benefit plan by the investee.

### 2) Disposal of subsidiary step by step

When disposing the equity investment to the subsidiary step by step by several transactions till losing the control right, if the terms, conditions and economic impact of each transaction for disposing the equity investment to the subsidiary company meet one or more of the following conditions, it usually indicates that the several transactions shall be accounted as a package deal:

- A. Such transactions are concluded at the same time or under the situation of considering the impact on each other;
- B. These transactions can achieve a complete business result as a whole;
- C. The occurrence of a transaction is based on the occurrence of at least one of other transactions;
- D. A transaction is regarded as uneconomic, while being economic when regarded along with other transactions.

If all the transactions that deal with equity investment in subsidiaries until the loss of control right belong to a package deal, the

Company will treat each transaction as a transaction that deals with subsidiaries and loses the control right for accounting treatment; However, the difference between disposal cost of each deal before losing the control and entitled share of net assets of the subsidiary corresponding to the disposal investment is recognized as other comprehensive income in consolidated financial statements, and when the control is lost, transferred together into profit or loss for the period during which the control is lost.

If the transactions that deal with equity investments in subsidiaries until the loss of control right do not belong to a package deal, accounting treatment shall be conducted in accordance with the relevant policies on partial disposal of equity investments in subsidiaries without loss of control right before the loss of control right; Accounting treatment will be made by using general treatment method for disposal of subsidiaries upon loss of control right.

(3) Acquisition of minority equity of a subsidiary

The Company shall adjust the equity premium in the capital reserve in the consolidated balance sheet, and if the equity premium in the capital stock reserve is insufficient to offset, the Company shall adjust the retained earnings, for the difference between the long-term equity investment newly acquired by the Company due to the purchase of minority equity and the share of net assets continuously calculated by the subsidiary from the date of purchase according to the newly increased shareholding ratio since the purchase date (or the date of combination).

(4) Partial disposal of equity investment in subsidiary without losing control

The Company shall adjust the equity premium in the capital reserve in the consolidated balance sheet, and if the capital stock premium in the capital reserve is insufficient to offset, the Company shall adjust the retained earnings, for the difference between the disposal price obtained by partial disposal of the long-term equity investment in the subsidiary without the loss of control and share of net assets continuously calculated by the subsidiary from the purchase date or date of combination corresponding to the disposal of long-term equity investments.

## **7. Classification of joint arrangement and accounting methods for joint operation**

### **1. Classification of joint arrangements**

The Company classifies the joint arrangements into the joint venture and joint operation according to the structure, legal form of joint arrangement, the terms agreed in the arrangement, and other relevant matters and situations.

Any joint arrangement that is not achieved by a separate entity shall be classified as a joint operation; Any joint arrangement that is achieved by a separate entity shall be generally classified as a joint venture; But if a joint arrangement is conclusively proved to meet any of the following conditions and meets the provisions of relevant laws and regulations, it shall be classified as a joint operation:

(1) The legal form of joint arrangement shows the joint venturers enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.

(2) Contract terms of the joint arrangement stipulate that the joint venturers enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.

(3) Other relevant facts and circumstances indicate that the joint venturers enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement, such as the joint venture shall enjoy almost all the output related to joint arrangements and support the liquidation of the debt of joint arrangements.

### **2. Accounting method for joint operation**

The Company recognizes the following items related to its share of benefits in the joint operation and conducts accounting treatment in accordance with relevant Accounting Standards for Business Enterprises:

- (1) Recognition of assets held individually and assets held jointly on a holding share basis;
- (2) Recognition of the liabilities undertaken separately, and liabilities jointly undertaken according to shares;
- (3) Recognition of its income from the sale of its share of the output arising from the joint operation;
- (4) Recognize pro rata proceeds from the sale of output of the joint operation;

(5) Confirm the expenses incurred solely as well as the expenses incurred under joint operation by share.

When the Company invests or sells assets and others in or to the joint operation (except for assets that constitute business), only that part of profit or loss from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold by the joint operation to a third party. Where any assets impairment loss happens to the invested or sold assets as set out in *Accounting Standards for Business Enterprises No.8 - Asset Impairment* and other regulations, the Company shall recognize the loss in full.

When the Company purchases assets and others from the joint operation (except for assets that constitute business), only that part of profit or loss from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold to a third party. If any assets impairment loss happens to the purchased assets as set out in *Accounting Standards for Business Enterprises No.8 - Assets Impairment* and other regulations, the Company shall recognize its part of such loss based on its share.

If the Company, having no joint control over a joint operation, enjoys and assumes relevant assets and liabilities of the joint operation, it shall conduct accounting treatment in accordance with the aforesaid principle; or it shall do the same in accordance with relevant Accounting Standards for Business Enterprises.

## **8. Recognition standard of cash and cash equivalents**

The cash on hand and deposits of the Company that can be used for payment any time are recognized as the cash while preparing the cash flow statement. Investments that satisfy four conditions, namely short duration (normally means maturity within three months from the purchase date), high liquidity, readily convertible into known amount of cash and minimal risk of value change, are recognized as cash equivalents.

## **9. Foreign currency business and conversion of foreign currency statements**

### **1. Foreign currency transaction**

Foreign currency business transactions are initially recognized at the beginning and translated into RMB as per the spot exchange rates prevailing on the transaction dates.

The balance of foreign currency monetary items on the balance sheet date is converted at the spot exchange rate on the balance sheet date, and the resulting exchange differences are included in the current profit or loss, except for the exchange differences arising from special foreign currency loans related to the acquisition and construction of assets eligible for capitalization, which are treated in accordance with the principle of capitalization of borrowing costs. Non-monetary items denominated in foreign currency measured at historical cost are still translated at the spot exchange rate on the date of transaction, and their amounts in recording currency remain unchanged.

Non-monetary items denominated in foreign currency measured at fair value are translated into RMB at the spot exchange rate at the date of confirmation of fair value. Differences between the amount denominated in recording currency and the original amount denominated in the foreign currency are treated as changes in fair value (including change in exchange rate) and recognized in current profit or loss, or other comprehensive income.

### **2. Translation of foreign currency financial statements**

Items of assets and liabilities in the balance sheet are translated at the spot exchange rate prevailing on the balance sheet date. Except for "undistributed profit" items, other items of owner's equity are converted at the spot exchange rate at the time of occurrence. The income and expense items in the income statements are translated at the spot exchange rate of the transaction date. The converted difference in foreign currency statements arising from the above translations is included in other comprehensive income.

When disposing of an overseas operation, the converted difference in foreign currency statements for items under the other comprehensive income in the balance sheet that are related to such overseas operation is transferred from the other comprehensive income to current profit or loss; When part of equity investment is disposed or share of overseas operation interest is reduced for

other reasons without any loss of control over any overseas operation, translated difference related to the part of the overseas operation disposed of shall be attributable to minority equity and shall not be transferred into the current profit or loss. At the time of disposal of equity interests in an overseas operation that is an associate or joint venture, the translation difference of foreign currency financial statements in relation to such overseas operation is transferred into current profit or loss at the disposal rate of such overseas operation.

## **10. Financial instruments**

Financial assets or a financial liabilities are recognized when the Company becomes a party to a financial instrument contract.

Effective interest rate method is a method of calculating financial assets or liabilities at amortized cost and allocating their interest income or expenses to relevant accounting periods.

Effective interest rate refers to the interest rate at which the expected future cash flows of financial assets or liabilities during their remaining duration are discounted into the book balance of such financial assets or amortized cost of such financial liabilities. In determining the effective interest rate, future cash flows are estimated factoring in all contractual terms of financial assets or liabilities (such as early repayment, extension, call options or other similar options, etc.), without taking into account expected credit loss.

The amortized cost of a financial asset or liability is the initially recognized amount of such financial asset or liability, deducted by the principal amount repaid, plus or less the accumulated amount amortized for the difference between such initially recognized amount and the amount upon maturity under the effective interest rate method, and deducted by accumulated loss provisions set aside (only for financial assets).

### **1. Classification, recognition and measurement of financial assets**

Depending on the business model for managing financial assets and the contractual cash flow characteristics of financial assets, the Company classified financial assets into the following three types:

- (1) Financial assets measured at amortized cost.
- (2) Financial assets at fair value through other comprehensive income.
- (3) Financial assets at fair value through profit or loss.

Financial assets are measured as per fair value upon initial recognition. However, accounts receivable or notes receivable incurred from selling commodities or providing services, if not containing significant financing components or not considering financing components in less than one year, shall be initially measured as per transaction price.

For financial assets at fair value through profit or loss, relevant transaction costs are directly recognized in current profit or loss; relevant transaction costs of other financial assets are recognized in their initial recognition amounts.

The subsequent measurement of financial assets depends on asset classification. Relevant financial assets under influence shall be reclassified only when the Company changes its business model of managing financial assets.

#### **(1) Classification as financial assets measured at amortized cost**

Where the contractual terms of financial assets stipulate that cash flows generated on a specific date are only for repayment of principal and payment of interest on the outstanding principal amount, and the Company manages such financial assets for generating contractual cash flows, the Company classifies such financial assets as financial assets at the amortized cost. The financial assets classified by the Company as being measured by the amortized cost include monetary funds, notes receivable, accounts receivable, other receivables, debt investments, etc.

The Company adopts the effective interest rate method for recognizing interest income of such financial assets at the amortized cost which are subsequently measured at the amortized cost, with profit or loss from impairment, derecognition or modification recorded in the current profit or loss. Except for the following circumstances, the Company calculates and confirms its interest income based on the book balance of financial assets multiplied by the effective rate of interest:

1) the financial assets purchased by or originating from the Company with credit impairment shall be subject to interest income calculation based on the amortized cost and credit-adjusted actual interest rate since the initial recognition by the Company.

2) the financial assets purchased by or originating from the Company with no credit impairment but having credit impairment during the follow-up period shall be subject to interest income calculation based on the amortized cost and actual interest rate of the financial assets during the follow-up period by the Company. If such financial instrument is no longer credit-impaired due to mitigated credit risk in subsequent periods, the Company calculates its interest income as the effective interest rate multiplied by the book balance of the financial assets instead.

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

Where the contractual terms of financial assets stipulate that cash flows generated on a specific date are only for repayment of principal and payment of interest on the outstanding principal amount, and the business model of managing said financial assets aims at both collecting contractual cash flows and selling the financial assets, the Company classifies these financial assets as financial assets at fair value through other comprehensive income.

The Company recognizes the interest income for such financial assets using the effective interest method. Except for interest income, impairment losses and currency translation differences which are recognized as the current profit or loss, other changes in fair value are included into other comprehensive incomes. Upon derecognition of the financial assets, the accumulated gain or loss previously included into other comprehensive incomes is transferred from other comprehensive incomes and included into the current profit or loss.

Notes receivable and accounts receivable measured as per fair value and having the changes included as other comprehensive incomes are reported as receivables financing, and other financial assets of this kind are reported as other debt investments, wherein: other debt investments due within one year since the balance sheet date are reported as non-current assets maturing within one year, and other debt investments originally due within one year are reported as other current assets.

(3) Designation as financial assets at fair value through other comprehensive income

At the initial recognition, the Company irrevocably designates non-trading equity instrument investment as financial assets at fair value through other comprehensive income on the basis of single financial assets in an irrevocable manner.

Changes in the fair value of these financial assets are recognized in other comprehensive incomes without making provision for loss. Upon derecognition of the financial assets, the accumulated gain or loss previously included into other comprehensive incomes is transferred from other comprehensive incomes and included into the retained earnings. During the holding period of such non-trading equity instruments, when the rights to the dividend of the Company are established, financial benefits related to the dividend are likely to flow into the Company and the amount of the dividend may be reliably measured, the Company recognizes the dividend income and records it into the current profit or loss. The Company reports these financial assets under items of investment with other equity instruments.

If satisfying one of the following conditions, investment with equity instrument shall be measured as financial assets at fair value through profit or loss: the financial assets are acquired principally for the purpose of sales in the near term; those are part of the portfolio of identifiable financial assets and instruments that are put into centralized management and for which there is objective evidence of a recent pattern of short-term profit-making upon initial recognition; it is a derivative instrument (except when it fits the definition in the financial guarantee contract or it is designated and effective as a hedging instrument).

(4) Classification as financial assets at fair value through profit or loss

For the financial assets unable to be classified as the item measured at the amortized cost or measured at the fair value through other comprehensive incomes, or unable to be designated as the financial assets at fair value through other comprehensive incomes, they should be regarded as the financial assets at fair value through profit or loss.

Trading financial assets are subsequently measured at fair value by the Company. Gains or losses resulting from changes in fair value and dividend and interest income related to such financial assets are recorded in current profit or loss.

The Company reports the financial assets in financial assets held for trading and other non-current financial assets according to their liquidity.

(5) Designation as financial assets at fair value through profit or loss

At the initial recognition, the Company, to eliminate or significantly reduce accounting mismatch, irrevocably designates financial assets as financial assets at fair value through profit or loss.

Where a mixed contract contains one or several embedded derivatives and the main contract does not belong to aforesaid financial assets, the Company may generally designate it as a financial instrument measured as per fair value with the changes included into current profit or loss. Except in the following cases:

- 1) The embedded derivative will not significantly change the cash flow of the mixed contract.
- 2) Upon the initial determination on whether to spin off such a mixed contract, it is clear, without analysis, that the embedded derivative contained herein shall not be spun off. If the advance payment right embedded into the loan allows the holder to repay the loan in an amount close to the amortized cost, such advance payment needs not to be spun off.

Trading financial assets are subsequently measured at fair value by the Company. Gains or losses resulting from changes in fair value and dividend and interest income related to such financial assets are recorded in current profit or loss.

The Company reports the financial assets in financial assets held for trading and other non-current financial assets according to their liquidity.

## 2. Classification, recognition and measurement of financial liabilities

The Company classifies a financial instrument or its components into financial liabilities or equity instruments at initial recognition according to the contractual terms of the financial instrument issued and the economic substance it reflects beyond its legal form and in light of the definitions of financial liabilities and equity instruments. Financial liabilities, when initially recognized, are classified into: Financial liabilities at fair value through profit or loss, other financial liabilities, and derivatives designated as effective hedging instruments.

Upon initial recognition, financial liabilities are measured at fair value. Transaction costs for financial liabilities at fair value through profit or loss are directly charged to current profit or loss. For financial liabilities of other categories, transaction costs are included in the amount of initial recognition.

Subsequent measurement of financial liabilities depends on their classification:

(1) Financial liabilities at fair value through profit or loss

These financial liabilities include financial liabilities held for trading (including derivatives classified as financial liabilities) and financial liabilities that are designated to be financial liabilities at fair value through profit or loss when they are initially recognized.

A financial liability that meets any of the following conditions shall be classified into financial liabilities held for trading: The main objective of assuming the relevant financial liabilities is to sell it or buy it back in the near term; it is part of the portfolio of identifiable financial instruments that are put into centralized management and for which there is objective evidence of a recent pattern of short-term profit-making; it is a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee). Financial liabilities held for trading (including derivatives classified as financial liabilities) are subject to subsequent measurement as per fair value, and all changes in fair value are included into current profit or loss except for those related to hedging accounting.

In order to provide more related accounting information at initial recognition, the Company irrevocably designates the financial liabilities, which satisfy any of the following conditions, as the financial liabilities at fair value through profit or loss:

- 1) Capable of eliminating or significantly reducing accounting mismatch;
- 2) Carry out the management and performance evaluation on financial liabilities portfolio, financial assets, and financial liabilities portfolio on the basis of fair value according to the enterprise risk management or investment strategy specified in the official written document, and report internally to the key executive of the enterprise on its basis.

The Company conducts subsequent measurement for these financial liabilities as per fair value. Except for changes in fair value due to changes in credit risks of the Company, which are included into other comprehensive incomes, other changes in fair value are included into current profit or loss. Unless the inclusion of the changes in fair value caused by changes in credit risks of the Company into other comprehensive incomes can cause or increase accounting mismatch in profit or loss, the Company will include all changes

in fair value (including the amount influenced by changes in credit risks) into current profit or loss.

(2) Other financial liabilities

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at the amortized cost, which are subject to the effective rate of interest and subsequently measured as per the amortized cost, and the profit or loss generated from the derecognition or amortization is recorded in the current profit or loss:

- 1) Financial liabilities at fair value through profit or loss.
- 2) Financial liabilities that are formed since the transfer of financial asset does not comply with the termination confirmation condition or continue to involve in the financial assets to be transferred.
- 3) Financial guarantee contracts not falling into the previously stated circumstances and loaning commitments on granting loans with interest rates lower than the market interest not falling into 1) of this article.

A financial guarantee contract is a contract that requires the issuer to pay a specified amount of compensation to the contract holder who suffers a loss when a particular debtor fails to repay in accordance with the original or modified debt instrument provisions. The financial guarantee contract with respect to the financial liabilities not falling into the category designated as to be financial liabilities at fair value through profit or loss shall be measured at the higher of the amount of provisions for losses and the initially recognized amount deducted by the balance less cumulative amortization within the guarantee period.

### **3. Derecognition of financial assets and financial liabilities**

(1) Derecognition of financial assets refers to write-off of financial assets from the account and balance sheet when any of the following conditions is satisfied by the financial assets:

- 1) The contractual right to collect cash flow of such financial assets terminates.
- 2) The financial asset is transferred in a manner that meets requirements for derecognition of financial assets.

(2) Conditions for derecognition of financial liabilities

If all or part of the current obligations of the financial liabilities have been discharged, the financial liabilities or part thereof shall be derecognized.

The Company signs agreements with lenders to replace the original financial liability by way of undertaking a new financial liability, and the new financial liability is in nature different from the original financial liability in contractual terms, or, where substantial modification is made to the contractual terms of the original financial liability (or part thereof), the original financial liability will be derecognized and one new financial liability is recognized. The differences in the considerations between the book value and the payment (including non-cash assets transferred out or liability undertaken) are included into current profit or loss.

Where the Company buys back part of its financial liability, the overall book value of the financial liability shall be allocated based on the proportions of fair values of the continuously recognized part and the derecognized part in total fair value on the date of buy-back. The difference between the book value allocated to the derecognized part and the consideration paid (including the non-cash assets transferred out or liabilities undertaken) is recorded in the current profit or loss.

### **4. Recognition basis and measurement method of transfer of financial assets**

In case of transfer of financial assets of the Company, the Company evaluates the risks and returns related to ownership of retained financial assets and the situation is specifically dealt with as follows:

(1) Where the Company transfers almost all risks and returns related to the ownership of the financial assets transferred, these financial assets will be derecognized, and the rights and obligations occurred or retained during the transfer are separately recognized as assets or liabilities.

(2) If almost all risks and returns related to the ownership of the financial assets have been retained, such financial assets shall continue to be recognized.

(3) If there is neither transfer nor retention of almost all risks and returns related to the ownership of financial assets (i.e. any other circumstance except for (1) and (2) of this Article), the situation shall be dealt with as follows depending on whether the control over these financial assets is retained:

- 1) If control is not retained over the financial assets, the financial assets will be derecognized, and the rights and obligations occurred or retained during the transfer are separately recognized as assets or liabilities.
- 2) If the control over the financial assets is retained, the related financial assets shall be recognized according to the extent of the transferred financial assets continually involved, and the related liabilities shall be determined accordingly. The extent to which the Company continues to be involved in the transferred financial assets refers to the level of risks faced against the Company due to changes in the value of the financial assets.

A "substance-over-form" principle is adopted for judging whether the transfer of financial assets is in conformity with the preconditions for terminating the recognition of the financial assets. The Company divides the transfer of financial assets into whole transfer and partial transfer.

(1) When the whole transfer of financial assets meets the termination condition, differences between the following two amounts shall be recorded in current profit or loss:

- 1) The book value of the transferred financial asset at the derecognition date.
- 2) The sum of the consideration received for transferring financial assets and the amount of the derecognized part in cumulatively changed fair value which is originally included into other comprehensive incomes (the financial assets involved in the transfer are financial assets at fair value through other comprehensive income).

(2) In case of partial transfer and when partial transfer of the financial assets meet the termination condition, the whole book value of the transferred financial assets are amortized at their corresponding fair value between the terminated recognition and unterminated recognition (under such condition, retained service assets shall be considered as a part of financial assets with unterminated recognition), and differences between the following two amounts shall be recorded in current profit or loss:

- 1) The book value of the derecognized financial asset at the derecognition date.
- 2) The sum of the consideration received for derecognized financial assets and the amount of the derecognized part in cumulatively changed fair value which is originally included into other comprehensive incomes (the financial assets involved in the transfer are financial assets at fair value through other comprehensive income).

Where transfer of financial assets does not meet the derecognition conditions, such financial assets are still recognized, and the consideration received is recognized as a financial liability.

## **5. Method for determining fair value of financial assets and financial liabilities**

For the financial assets or financial liabilities with an active market, the fair value shall be determined with quotation in the active market, unless the financial assets have their own restricted periods. Financial assets subject to restriction are determined based on the quotation in an active market deducting the compensation claimed by the market player for undertaking the risk of not able to sell the financial assets in an open market during a specific period of time. The quoted price in an active market refers to prices that are easily obtained from exchange, dealer, industry association, pricing service agency, etc., which shall represent the market transaction actually and frequently happening on the basis of fairness.

The fair value of financial assets acquired or derived or financial liabilities assumed is determined based on their market transaction price.

In case of financial assets or financial liabilities without an active market, valuation techniques shall be used to determine the fair value. In valuation, the Company adopted valuation techniques that are applicable under current circumstances and are supported by sufficient available data and other information, selected input values consistent with the characteristics of assets or liabilities considered by market participants in the transactions related to assets or liabilities, and used relevant observable input values as preferentially as possible. Un-observable input value may be used in the even that observable input value is unavailable or not feasible.

## **6. Impairment of financial instruments**

The Company, based on expected credit losses, performed impairment accounting and recognized provision for losses on

financial assets measured at amortized cost and financial assets at fair value through other comprehensive income as well as financial guarantee contracts.

Expected credit loss refers to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows discounted as per the original effective interest rate and receivable from the contract and all cash flows expected to be received by the Company, namely, the present value of a shortage of cash. Among them, financial assets purchased or underlying with credit impairment of the Company shall be discounted at the financial assets' effective interest rate after credit adjustment.

For accounts receivable, contract assets and lease receivables arising from transactions regulated under new income standards, the Company adopts the simplified measurement method and measures loss allowances for trade receivables and contract assets based on lifetime expected credit losses.

For financial assets purchased or underlying with credit impairment, the cumulative change in expected credit loss during the entire duration since the date of balance sheet date after initial recognition will be recognized as provision for loss. On each balance sheet date, the amount of change in expected credit loss during the entire duration is included into current profit or loss as impairment losses or gains. Even if the expected credit loss within the entire duration determined on the balance sheet date is less than the amount of expected credit loss reflected by estimated cash flow upon initial recognition, any favorable change in expected credit loss will be recognized as impairment gains.

In addition to other financial assets adopting the aforesaid simplified measurement method or financial assets purchased or underlying with credit impairment, the Company shall assess whether the credit risk of relevant financial instruments has increased significantly since the initial recognition on each balance sheet date, and shall respectively accrue their provision for loss and recognize the expected credit loss and its change:

(1) In the event that the credit risk of financial instruments has not increased significantly since the initial recognition and it is in Stage I, the Company shall measure its loss provisions based on the amount of expected credit losses for the coming 12 months of such financial instrument and calculate the interest income on the basis of book balance and effective interest rate.

(2) In the event that the credit risk of the financial instruments has increased significantly since the initial recognition but with no credit impairment and it is in Stage II, the Company shall measure its loss provisions based on the amount of the expected credit loss of the financial instrument during the entire duration and calculate the interest income on the basis of book balance and effective interest rate.

(3) In case that credit impairment of the financial instruments has incurred since the initial recognition and it is in Stage III, the Company shall measure the loss provisions of the financial instrument based on the amount of expected credit losses during the entire duration, and calculate the interest income at amortized cost and effective interest rate.

Increases or reversals of the provisions for credit losses of the financial instrument are recorded in the current profit or loss as impairment losses or gains. Except for those classified as financial assets at fair value through other comprehensive income, the book balance of financial assets is deducted with provision for credit losses. For those classified as financial assets at fair value through other comprehensive income, the Company shall recognize the provision for credit loss in other comprehensive income, and shall not decrease the book value of such financial assets listed in the balance sheet.

Where the Company has measured the provisions for losses based on the amount of the expected credit loss over the entire duration of such financial instruments in the prior accounting period, but on the current balance sheet date, such financial instruments no longer fall into the scope of significantly increased credit risk since initial recognition, the Company measures the provisions for the losses of such financial instruments based on the amount equivalent to the expected credit losses over the coming 12 months on the current balance sheet date, with resulting reversals of provisions for losses recorded in the current profit or loss as impairment gains.

#### (1) Significant increase of credit risk

The Company determines if there is a significant increase in credit risk of financial instruments since initial recognition by comparing the risks of default of financial instruments on the balance sheet date and the date of initial recognition based on

reasonable and well-grounded forward-looking information available. For the financial guarantee contract, when the Company applies the regulations on impairment of financial instruments, the date when the Company becomes the party which makes the irrevocable undertaking is regarded as the date of initial recognition.

The Company will consider the following factors when evaluating whether credit risks will increase significantly:

- 1) whether the debtor's operational achievement has significantly changed or not indeed or by expectation;
- 2) whether the regulatory, economic or technical environment where the debtor is located has significantly and adversely changed or not;
- 3) whether the value of the collateral as the debt pledge or the guarantee provided by the third party or credit enhancement quality has significantly changed or not, as these changes are expected to reduce the debtor's economic motives to make repayments as required by the contract or to impact the default probability;
- 4) whether the expected performance or repayment behavior of the debtor has significantly changed or not;
- 5) whether the Company has changed its management method for financial instruments credit or not, etc.

On the balance sheet date, if the Company determines that financial instruments are subject to a low credit risk, then the Company assumes that the credit risk of such financial instruments has not increased significantly since the initial recognition. If the risk of default on financial instruments is low, the borrower is highly able to perform its contractual cash flow obligations in the short term, and even if the economic situation and operating environment are adversely changed over a long period of time but not necessarily reducing the borrower's capability of fulfilling its contractual cash flow obligations, then the financial instrument is considered as having a lower credit risk.

#### (2) Credit-impaired financial assets

In case of one or more events adversely affecting the estimated future cash flows of a financial asset, the financial asset becomes a financial asset to which a credit impairment has happened. Evidences of credit impairment of financial assets include the following observable facts:

- 1) The issuer or debtor is in severe financial difficulties;
- 2) The debtor violates the contract (such as a default or delinquency in interest or principal payments);
- 3) The creditor, out of financial or contractual considerations regarding the debtor's financial distress, has made a concession that would otherwise be impossible;
- 4) The debtor is likely to go bankrupt or undergo other financial restructuring;
- 5) The issuer or the debtor's financial distress causes disappearance of an active market for financial assets;
- 6) Financial assets are purchased or derived at a substantial discount, which reflects the occurrence of credit loss.

The credit impairment of financial assets may be incurred by the joint effect of multiple events, and perhaps not be caused by individually identifiable events.

#### (3) Determination of expected credit loss

In assessing the expected credit loss, the Company takes reasonable and well-founded information about past event, current condition and future economic status predictions into consideration based on the expected credit loss of financial instruments by portfolio and individual item.

The Company divides the financial instruments into different portfolios based on the common credit risk characteristics. The common credit risk characteristics adopted by the Company include: type of financial instruments, rating of credit risks, aging portfolio, overdue aging portfolio, contract settlement period for engineering projects and sector of the debtor. See accounting policies of relevant financial instruments for single evaluation standards and combined credit risk characteristics.

The Company determines the expected credit losses of financial instruments under the following methods:

- 1) For financial assets, the credit loss is calculated as the present value of the difference between the contractual cash flows to be collected by the Company and cash flows expected to be collected.
- 2) For lease receivables, credit loss is calculated as the present value of the difference between the contractual cash flows to be collected by the Company and cash flows expected to be collected.

3) For the financial guarantee contract, the credit loss is the expected payment made to the contract holder by the Company for reimbursing against the credit losses incurred to the contract holder, deducted by the present value of the differences between the amounts expected to be received by the Company from the contract holder, debtor or any other party.

4) For financial assets which have been credit-impaired on the balance sheet date but are not credit-impaired at purchase or derivation, the credit loss is calculated as the difference between the book balance of such financial assets and present value of anticipated future cash flows discounted at the original effective interest rate.

The Company's methods for measuring the expected credit losses of financial instruments reflect the following factors: Unbiased probability-weighted average amount determined upon assessing a range of possible results; the time value of money (TVM); and reasonable and well-founded information on past events, current condition and future economic condition predictions available on the balance sheet date without paying unnecessary additional costs or efforts.

(4) Write-down of financial assets

When all or part of contractual cash flows of financial assets is no longer expected to be recovered, the Company directly writes down the book balance of such financial assets. Such write-downs constitute the de-recognition of relevant financial assets.

**7. Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are listed in the balance sheet respectively and are not offset with each other. However, the net value after offset is listed in the balance sheet when the following conditions are satisfied:

- (1) The Company has the legal right to offset the recognized amount and such right is enforceable at current;
- (2) The Company intends either to settle on a net basis, or to realize the financial assets and pay off the financial liabilities simultaneously.

**11. Notes receivable**

See Note (10) 6. "Impairment of financial instruments" for the Company's determination methods and accounting treatment methods for the expected credit losses of notes receivable.

Where the sufficient evidence of the expected credit loss can't be evaluated at a reasonable cost at the single instrument level, the Company will divide the notes receivable into several portfolios on the basis of credit risk characteristics and calculate the expected credit loss based on the portfolio, by reference to the historical credit loss experience and in combination with the current situation and the assessment of the future economic position. Basis for determining such portfolios:

Portfolio name	Basis for determining combination	Methods for provision
Bank's acceptance bills portfolio	1. The drawer has a high credit rating. There is no historical bill default, and the credit loss risk is extremely low; the ability to perform the obligation of paying contract cash flow in a short term is strong; 2. Banks without high credit rating	The Company will calculate the expected credit loss by the default risk exposure and the expected credit loss rate of the entire duration, by reference to the historical credit loss experience and in combination with the current situation and the anticipation of the future economic position.
Commercial acceptance bill	It is mainly issued by large state-owned enterprises and listed companies with a good reputation without material breach according to the historical experience.	The Company will calculate the expected credit loss by the default risk exposure and the expected credit loss rate of the entire duration, by reference to the historical credit loss experience and in combination with the current situation and the anticipation of the future economic position.

## 12. Accounts receivable

See Note (10) 6. "Impairment of financial instruments" for the Company's determination methods and accounting treatment methods for the expected credit losses of accounts receivable.

The Company will separately determine the credit loss for the accounts receivable with sufficient evidence of expected credit loss that can be evaluated at a reasonable cost at the single instrument level.

Where the sufficient evidence of the expected credit loss can't be evaluated at a reasonable cost at the single instrument level, the Company will divide the accounts receivable into several portfolios on the basis of credit risk characteristics and calculate the expected credit loss based on the portfolio, by reference to the historical credit loss experience and in combination with the current situation and the assessment of the future economic position. Basis for determining such portfolios:

Portfolio name	Basis for determining combination	Methods for provision
Associated transaction within the scope of consolidation	The receivables of the Related Party within the scope of consolidation have similarly low credit risk characteristics.	The Company will prepare the comparison table of the accounts receivable aging and the expected credit loss rate of the entire duration, and calculate the expected credit loss, by reference to the historical credit loss experience and in combination with the current conditions and the forecasts of the future economic position.
Aging portfolio	The Company makes the best estimates for the proportion of provision for the receivables according to the past experience, and classifies the credit risk portfolio by reference to the aging of the receivables.	The Company will prepare the comparison table of the accounts receivable aging and the expected credit loss rate of the entire duration, and calculate the expected credit loss, by reference to the historical credit loss experience and in combination with the current conditions and the forecasts of the future economic position.

## 13. Receivables financing

See Note (10) 6. "Impairment of financial instruments" for the Company's determination methods and accounting treatment methods for the expected credit losses of receivables financing.

## 14. Other receivables

Determination and accounting method for expected credit loss of other receivables

See Note (10) 6. "Impairment of financial instruments" for the Company's determination methods and accounting treatment methods for the expected credit losses of other receivables.

The Company will separately determine the credit loss for other receivables with sufficient evidence of expected credit loss that can be evaluated at a reasonable cost at the single instrument level.

Where the sufficient evidence of the expected credit loss can't be evaluated at a reasonable cost at the single instrument level, the Company will divide other receivables into several portfolios on the basis of credit risk characteristics and calculate the expected credit loss based on the portfolio, by reference to the historical credit loss experience and in combination with the current situation and the assessment of the future economic position. Basis for determining such portfolios:

Portfolio name	Basis for determining combination	Methods for provision
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<p>Associated transactions and security deposits within the scope of consolidation</p>	<p>Other receivables of the related parties within the scope of consolidation have similarly low credit risk characteristics. Other receivables of security and deposits have similarly low credit risk characteristics.</p>	<p>The Company will calculate the expected credit loss by the default risk exposure and the expected credit loss rate in 12 months or during the entire duration, by reference to the historical credit loss experience and in combination with the current situation and the anticipation of the future economic position.</p>
<p>Aging portfolio</p>	<p>Same payments classified by nature have similar credit risk characteristics.</p>	<p>The Company will calculate the expected credit loss by the default risk exposure and the expected credit loss rate in 12 months or during the entire duration, by reference to the historical credit loss experience and in combination with the current situation and the anticipation of the future economic position.</p>

## 15. Inventories

### Classification of inventories

Inventories refer to finished products or merchandise held by the Company for sale in daily activities, goods in process, materials and supplies consumed in the process of production or offering labor service, mainly including raw materials, commodity stocks, released commodities, engineering construction, etc. This mainly includes raw materials, commodity stocks and goods in transit.

#### 1. Valuation method for inventory

Inventories shall be initially measured at costs upon acquisition, which include procurement costs, processing costs and other costs. The method of FIFO (first-in, first-out) is adopted for the valuation of inventories shipped in transit.

#### 2. Determination basis of net realizable value of inventory and provision method for inventory depreciation reserve

When a comprehensive count of inventories is done at the end of the period, inventory depreciation reserve shall be allocated or adjusted according to the lower of cost of inventories or net realizable value. The net realizable value of commodity stocks (including finished products, inventory merchandise and materials for sale) that can be sold directly is determined using the estimated selling expenses of such inventory deducted by the cost of sales and relevant taxes over the course of ordinary production and operation. The net realizable value of the inventory of materials that need to be processed shall be determined in the normal production and operation process by subtracting the estimated cost to be incurred when the finished products are completed, the estimated selling expenses and relevant taxes and fees from the estimated selling price of the finished products produced. The net realizable value of inventories held for the implementation of sales contracts or labor contracts shall be calculated on the basis of the contract prices. If the quantity of inventories held is greater than the quantity ordered in the sales contract, the net realizable value of the excess inventories shall be calculated on the basis of the general sales price.

Inventory depreciation reserves are accrued based on individual inventory item at the end of the period. However, for inventories with large quantities and low unit price, the provision for inventory depreciation reserve is made by categories. For inventories related to product series produced and sold in the same area, with the same or similar end use or purpose, and difficult to be measured separately with other projects, the inventory depreciation reserve is allotted in combination.

If the factors affecting the value of inventories previously written down have disappeared, the amount of the write-down is restored and reversed within the amount of the original inventory depreciation reserve, and the reversed amount is recognized in current profit or loss.

#### 3. Inventory system

The perpetual inventory taking system is adopted for inventories.

#### **4. Amortization method for low-value consumables and packaging materials**

- (1) One-off amortization method is adopted for low-value consumables;
- (2) One-off amortization method is adopted for packaging;
- (3) Other revolving materials are amortized by the immediate write-off method.

### **16. Contract assets**

Contract assets refer to the rights to receive consideration for goods or services transferred to the customer by the Company, which depend on other factors except the lapse of time. The rights of the Company to unconditionally (i.e. only based on the lapse of time) receive consideration from the customer are separately listed as receivables.

See Note (10) 6. "Impairment of financial instruments" for the Company's determination methods and accounting treatment methods for the expected credit losses of contract assets.

### **17. Contract cost**

#### **1. Contract performance cost**

The Company will recognize the cost incurred for contract performance as an asset if such cost falls outside the scope of other accounting standards for business enterprises except for new income standards and meets all of the following conditions:

- (1) the cost is related to a current contract or a contract to be obtained, including direct labor cost, direct material/manufacture cost (or similar costs), cost to be undertaken by the customer and other costs incurred under the contract;
- (2) the cost increases the resources available to the enterprise to fulfill performance duties in the future;
- (3) the cost is expected to be recovered.

The asset is presented in inventories or other non-current assets dependent on if its amortization period exceeds one normal operating cycle at the initial recognition.

#### **2. Contract acquisition cost**

Where the incremental cost incurred by the Company to acquire the contract is expected to be recovered, it is recognized in the form of contract acquisition cost as an asset. Incremental cost refers to the cost which will not incur unless a contract is secured by the Company, e.g. sales commission, etc. If the amortization period does not exceed one year, such cost shall be included as current profit or loss.

#### **3. Contract cost amortization**

Any assets mentioned above and related to contract costs shall be amortized and included as current profit or loss on the same basis of confirming the commodity or service income related to these assets at the time of fulfilling the obligation or according to the progress of obligation fulfillment.

#### **4. Contract cost impairment**

As to the aforesaid asset related to contract costs, if the book value is higher than the difference between the remaining consideration expected to be received for the transfer of the commodity associated with the asset and the estimated costs to be incurred for the relevant commodity, impairment provision will be made for the excess portion and recognized it as assets impairment loss.

After withdrawal of impairment provision, if changes are observed in factors of impairment in prior periods, resulting in the difference between the above two items higher than the book value of the asset, the originally withdrawn asset impairment provision should be reversed and recognized in current profit or loss, but the reversed book value of asset shall not exceed the book value of the asset on the reversal date as if no withdrawal of impairment provision occurred.

## **18. Held-for-sale assets**

### **1. Criteria for classifying as held-for-sale items**

The Company will classify the non-current assets or disposal groups satisfying all the following conditions simultaneously as those held for sales:

- (1) According to the practices for selling such asset or disposal group in similar transactions, it may be promptly sold under the current conditions;
- (2) The sale is very likely to happen, i.e., the Company has already made a resolution on a sale plan that has been approved by the regulatory authority (if applicable) and has obtained a confirmed purchase commitment, and it is expected to complete the sale within one year.

The confirmed purchase commitment refers to a legally binding purchase agreement signed by and between the Company and other parties, which includes the material terms, such as transaction price, time and enough strict penalties for breaches, and it is very unlikely to make material adjustment or cancellation on the agreement.

### **2. Accounting method for assets held for sale**

When the Company doesn't accrue the depreciation or amortize against the non-current assets or disposal groups held for sale, if the book value thereof is higher than the net amount of the fair value deducting the selling expenses, the book value shall be reduced to the net amount of the fair value deducting the selling expenses, the write-down amount shall be confirmed as the assets impairment loss and included into the current profit or loss, and the impairment provision of the held-for-sale assets shall be calculated and withdrawn.

For non-current assets or disposal groups classified into the held-for-sale category on the purchase date, the initially measured amount of those assumed not to be classified into the held-for-sale category is compared with the net amount of the fair value deducting the selling expenses at the initial measurement, and the measurement shall be subject to the lower one.

The above principles are applicable to all non-current assets, excluding investment real estate with the fair value used for subsequent measurement, biological assets measured with the net amount of the fair value deducting the selling expenses, assets formed by employee remuneration, deferred tax assets, financial assets regulated by accounting standards related to financial instruments, and the rights generated by the insurance contract regulated by accounting standards thereof.

## **19. Debt investment**

N/A

## **20. Other debt investments**

See Note (10) 6. "Impairment of financial instruments" for the Company's determination methods and accounting treatment methods for the expected credit losses of other creditors' investment.

## **21. Long-term receivables**

N/A

## **22. Long-term equity investment**

### **1. Determination of initial investment cost**

- (1) For long-term equity investment formed by business combination, please see Note (VI) "Accounting treatment methods for business combination under and not under the same control" for details of accounting policies.

(2) Long-term equity investment acquired by other means

As for the long-term equity investment acquired by cash payment, the actual purchase price paid will be identified as the initial investment cost. The initial investment cost includes expenses, taxes and other compulsory expenses, which are directly related to the long-term equity investment.

For long-term equity investment acquired by issuing equity securities, the initial investment cost will be the fair value of the equity securities issued; Trading expenses incurred during issuance or acquisition of equity instrument that may be directly attributable to equity trade can be deducted from the equity.

Under the precondition that the exchange of non-monetary assets has commercial essence and the fair value of the assets received or surrendered can be reliably measured, the initial investment cost of the long-term equity investment exchanged from non-monetary assets will be determined by the fair value of the assets surrendered, unless there is conclusive evidence that the fair value of the assets received is more reliable. The initial investment costs of a long-term equity investment in a non-monetary asset exchange that cannot satisfy the above conditions is determined by the book value of the asset surrendered and the amount of relevant taxation payable.

As for the long-term equity investment arising from debt restructuring, its initial investment cost is determined based on its fair value.

## **2. Subsequent measurement and recognition of profit or loss**

(1) Cost method

The Company may adopt the cost method for accounting of the long-term equity investment controlled by the investee, and measure the investment at the initial investment cost. The long-term equity investment cost can be adjusted by addition or recovery of investment.

Except for the price actually paid for obtaining the investment or the cash dividends or profits declared but not yet distributed which are included in the consideration, the Company recognizes cash dividends or profits declared and distributed by the investee as current investment income.

(2) Equity method

The long-term equity investment over the associates and joint ventures will be accounted through the equity method by the Company. Where part of the equity investment in associates is indirectly held by venture capital institutions, mutual funds, trust companies or similar subjects including unit-linked insurance fund, the investment is measured at fair value through profit or loss.

Where the initial investment cost of long-term equity investment is greater than the difference of the fair value share of the investee's identifiable net assets that shall be owned by the Group during the investment, no adjustment to the initial cost of long-term equity investment shall be made. If the initial investment cost is less than the difference of the fair value share of the identifiable net assets of the investee at the moment of the investment, it will be included in the current profit or loss.

After the Company acquires the long-term equity investment, it shall, in accordance with its attributable share of the net profit or loss and other comprehensive incomes realized by the investee, recognize the investment income and other comprehensive incomes respectively and simultaneously adjust the book value of the long-term equity investment. In addition, in accordance with the profits or cash dividends declared to be distributed by the investee, its share should be calculated and the book value of the long-term equity investment will be reduced accordingly. The book value of long-term equity investment shall be adjusted against other changes in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution, and recorded in owners' equity.

The Company recognizes the share of the net profit or loss of the investee based on the fair value of all the identifiable assets of the investee upon acquisition of the investment after adjusting the net profit of the investee. The profit or loss of the unrealized internal transactions between the Company and the joint ventures, associates shall be offset against the part attributable to the Company according to the proportion the Company is entitled to, and the profit or loss on investment shall be recognized on such basis.

Loss incurred by the investee and borne by the Company is determined by the following steps: At first, the Company writes down the book value of the long-term equity investment. Second, where the book value of long-term equity investment is insufficient to be written off, the Company continues to recognize investment loss up to book value of other long-term equity which substantially constitutes the net investment made in the investee and writes off book value of long-term receivables. And finally, after the above said disposal, if the Company still undertakes additional obligations according to the investment contract or agreement, the estimated liabilities are determined subject to the estimated obligations and included into the current investment loss.

Provided that profit making is achieved later on by the investee, after the undetermined part of loss to share is deducted by the Company, disposal is done according to a sequence opposite to the sequence above, the book balance of determined estimated liabilities is written down, the book value of the long-term equity interests and long-term equity investment that substantially constitute the net investment to the investee is restored, also, the investment income is restored and recognized.

### **3. Conversion of accounting methods for long-term equity investment**

#### **(1) Change from fair value measurement to equity method**

For the equity investment, originally held by the Company without the control, joint control or significant impact on the investee, recognized by financial instruments, accounted for according to measurement standards, and through which the investor can exert significant impact or have joint control over the investee but not constitute control due to additional investment or other reasons, the sum of the fair value of equity investment originally held and determined by *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments* and cost of newly increased investment shall be used as the initial investment cost when equity method is applied instead.

The book value of the long-term equity investment is adjusted by the difference between the initial investment cost under equity method and the fair value of the identifiable net assets of the investee on the date of additional investment determined by calculation of the new shareholding proportion after such additional investment, and is included in current non-operating income.

#### **(2) Fair value measurement or equity method accounting to cost method accounting**

For the equity investment, originally held by the Company without the control, joint control or significant impact on the investee, recognized by financial instruments and accounted for according to measurement standards, or long-term equity investment, originally held in joint ventures and associates and through which the investor has control over the investee not under the same control due to additional investment or other reasons, when separate financial statements are prepared, the sum of book value of equity investment originally held and cost of newly increased investment shall be used as the initial investment cost when the cost method is applied instead.

Due to the other comprehensive income accounted and recognized under equity method, the equity investment held before the purchase date is accounted on the same basis as used for disposal of relevant assets or liabilities of the investee when disposal of such investment.

Relevant provisions of *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments* shall be adopted for accounting treatment on the equity investment held prior to the purchase date, and the accumulative changes in fair value that are originally included in other comprehensive incomes are included in current profit or loss under the cost method.

#### **(3) Equity method accounting to fair value measurement**

In case of losing the joint control over the investee due to the Company's disposal of partial equity investment or significant impact, the remaining equities after the disposal shall be calculated according to *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, while the difference between the fair value and book value on the date losing the joint control or significant impact shall be recorded in the current profit or loss.

For original equity investments recognized in other comprehensive income where equity method is adopted, accounting treatment should be applied on the same basis as those adopted by the investee for direct disposal of related assets or liabilities where the equity method is no longer adopted.

(4) Cost method to equity method

Where the Company loses the control over the investee due to disposal of partial equity investment, and the remaining equities after disposal can implement joint control or exert significant impact over the investee when preparing the separate financial statements, it should be changed to the equity method and the remaining equities shall be adjusted as if the equity method is adopted at the acquisition.

(5) Change of cost method to measurement at fair value

Where the Company loses the control over the investee due to disposal of partial equity investment, and the remaining equities after disposal cannot implement joint control or exert significant impact over the investee when preparing the separate financial statements, relevant provisions of *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments* shall be adopted for accounting treatment, and the difference between the fair value and the book value on the date when the control is lost is included in current profit or loss.

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

During the disposal of long-term equity investments, the difference between book value and the actual price of the acquisition shall be recorded into the current profit or loss. For long-term equity investments accounted by employing equity method, these investments are disposed on the same basis as those adopted by the investee for direct disposal of relevant assets or liabilities, and accounting treatment is applied based on corresponding proportion to the part initially recognized in other comprehensive income.

If the terms, conditions and economic effects of transactions in relation to the disposal of equity investments in subsidiaries, fall in the following one or more situations, regarding multiple transactions as a package transaction for accounting treatment:

- (1) Such transactions are concluded at the same time or under the situation of considering the impact on each other;
- (2) The overall business results of these transactions can be achieved;
- (3) The occurrence of a transaction is based on the occurrence of at least one of other transactions;
- (4) A transaction is regarded as uneconomic, while being economic when regarded along with other transactions.

When an entity loses control of its original subsidiaries due to partial disposal of equity investment or otherwise, it does not belong to a package transaction, and the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

(1) When disposing the equity in some financial statements, the difference between its book value and the actual purchase price shall be included into the current profit or loss. Where the remaining equities after disposal can implement joint control or exert significant impact over the investee, the equity method is adopted for accounting treatment, and the remaining equity is adjusted as if the equity is adopted at the time of acquisition. Where the remaining equities after disposal cannot implement joint control or exert significant impact over the investee, relevant provisions of *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments* shall be adopted for accounting treatment, and the difference between the fair value on the date when the control is lost and the book value is included in current profit or loss.

(2) In consolidated financial statements, for the transactions before the loss of control over subsidiaries, the capital reserve (capital stock premium) is adjusted by the difference between the price of disposal and the net asset shares of subsidiaries continuously calculated since the purchase date or date of combination corresponding to the long-term equity investment; if the capital reserve is insufficient to offset, retained earnings are adjusted. When losing control over a subsidiary, the remaining equity is re-measured at the fair value on the date of control losing. The difference of the sum of the consideration received through disposal of equity and the fair value of the remaining equity, deducting the entitled share of net assets continuously calculated at original shareholding ratio from the purchase date in the subsidiary, is recognized into investment income for the period during which the control is lost, and meanwhile is written off against goodwill. Relevant other comprehensive income related to original equity investment in the subsidiaries is transferred to current investment income at the time of loss of control power.

Each transaction involved in the disposal of equity investments of subsidiaries until loss of control falls into a package deal, with accounting treatment for each transaction as one transaction disposing equity investment of subsidiaries and losing the right of

control; the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

(1) In separate financial statements, the difference between the price of disposal and the book value of the long-term equity investment corresponding to the equity disposed of before the loss of control is recognized as other comprehensive incomes, and transferred to current profit or loss at the time of loss of control.

(2) In consolidated financial statements, the difference between the price of disposal and net asset share in subsidiaries corresponding to the disposal of investment is recognized as other comprehensive incomes, and transferred to current profit or loss at the time of loss of control.

## 5. Determination criteria of joint control and significant impact

If the Company collectively controls a certain arrangement with other participants as agreed, and the decisions on the activities that may have a significant impact on the return of arrangement exit with consistent agreement from participants sharing the control power, then the Company and the other participants are deemed to have joint control over the certain arrangement, which is a joint arrangement.

In case of a joint arrangement concluded through a separate entity, when the Company is judged to be entitled to the net assets of the separate entity under relevant agreements, the entity shall be viewed as a joint venture under the equity method. However, when the Company is judged to be not entitled to the net assets of the separate entity under relevant agreements, the entity shall be viewed as a joint operation, in which case, the Company recognizes items relating to its share of interests from the joint operation and accounts for according to relevant Accounting Standards for Business Enterprises.

Significant influence refers to that investor has the right to participate in the decision-making of financial and operation policies of the investee but cannot control or jointly control with other parties the formulation of such policies. The Company determines the significant impact on the investee through one or more situations as bellow and taking into account all facts and situations: (1) dispatching representatives to the Board of Directors of the investee or similar organ of authority; (2) participating in establishment of financial and operational policies of the investee; (3) important transactions with the investee; (4) sending management personnel to the investee; (5) providing key technical information to the investee.

## 23. Investment real estate

Measurement model of investment real estate

Measurement by cost method

Depreciation or amortization methods

Investment real estate is defined as the real estate with the purpose to earn rent or capital appreciation or both, including the rented land use rights, the land use rights which are held and prepared for transfer after appreciation, and the rented buildings. In addition, for the vacant buildings held by the Company for lease, if the Board of Directors makes a resolution in writing, explicitly indicating that they are used for lease and there will be no change within the short period of holding, such buildings shall be reported as investment real estate.

The entry value of the Company's investment real estate is recorded at its cost. The cost of purchased investment real estate includes the purchase price, relevant taxes and other expenses directly attributable to the assets. Costs of the self-constructed investment real estate are composed of the necessary expenses incurred before bringing the assets to the expected conditions for use.

The Company adopts cost model for subsequent measurement of investment real estate and treats appreciation or amortization of the buildings and land use right according to their estimated service lives and net residual value.

When investment real estate turns to be used by holders, the Company will switch it to the fixed assets or intangible assets from the date of such turning. And when self-used real estate turns to be leased out for rent or capital appreciation, the fixed assets or intangible assets shall be switched by the Company to investment real estate from the date of such turning. In case of transfer, the book value before transfer will be deemed as entry value after transfer.

If an investment real estate is disposed of, or if it is withdrawn permanently from use and no economic benefit is expected to be obtained from the disposal, the investment real estate is derecognized. The balance of the proceeds from sale, transfer, scrap or damage of investment real estate less the book value of the investment real estate and relevant taxes is included in current profit or loss.

## 24. Fixed assets

### (1) Recognition conditions

Fixed assets refer to tangible assets held for commodity production, labor supply, leasing out, or for operation management with service life over one accounting year. Fixed assets can only be recognized when both of the following conditions are satisfied:

- (1) Economic benefits related to the fixed asset will probably flow into the Company;
- (2) The cost of the fixed assets can be measured reliably.

### (2) Depreciation method

Category	Depreciation method	Depreciable life (years)	Residual value rate	Annual depreciation rate
Housing and buildings	Straight-line depreciation method	43-50 years	5.00	2.21-1.90
Decoration of fixed assets	Straight-line depreciation method	10 - service life of property ownership certificate	5.00	
Testing equipment	Straight-line depreciation method	5-10 years	5.00	19.00-9.50
Transport equipment	Straight-line depreciation method	5 years	5.00	19.00
Office equipment	Straight-line depreciation method	5 years	5.00	19.00

#### 1) Initial measurement of fixed assets

The Company's fixed assets are initially measured at cost.

The cost of the externally purchased fixed assets includes the purchase price, the import duties and other expenditures directly attributable to fixed assets prior to such assets to be available for their intended use.

The cost of a self-constructed fixed asset shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use.

For fixed assets invested by investors, entry value will be the value agreed in the investment contract or agreement, or the fair value if the value agreed in the investment contract or agreement is unfair.

Where the payment of purchasing the fixed assets is delayed beyond the normal credit conditions and is of financing nature in essence, the cost of fixed assets shall be determined based on the purchase price. The difference between the payment actually made and the present value of the purchase price, except for those shall be capitalized, shall be included in current profit or loss.

#### 2) Subsequent measurement of fixed assets

##### 1. Depreciation of fixed assets

The depreciation of fixed assets is accrued within the estimated service life based on the entry value less the estimated net

residual value. For the fixed assets that have been accrued for impairment provision, the related depreciation charge is prospectively determined based upon the adjusted book value after less the impairment provision over the remaining service life; the fixed assets fully depreciated but still in use are not accrued and depreciated.

For the fixed assets formed with special reserves, the special reserves shall be written down upon the cost of the formed fixed assets, and the accumulated depreciation of the same amount shall be confirmed, and such fixed assets will not be depreciated in any following period.

The Company shall determine the service life and estimated residual value of fixed assets based on their nature and use condition. The service life, estimated net residual value and depreciation method of fixed assets are re-assessed at the end of the period. The corresponding adjustment shall be made in case of any difference from the originally estimated amount.

#### 2. Subsequent expenditure of fixed assets

Subsequent expenditures relating to fixed assets will be included into cost of fixed assets if conditions for recognition of fixed assets are met; If it does not meet the recognition conditions of fixed assets, it shall be included in the current profit or loss when it occurs.

#### 3. Disposal of fixed assets

A fixed asset will be derecognized when it is disposed of or no economic benefit is expected from the use or disposal of the asset. The amount of proceeds on sale and transfer of a fixed asset as well as disposal of a scrapped or damaged fixed asset less its book value and related taxes, are recognized in current profit or loss.

### **(3) Identification basis, valuation and depreciation method of the fixed assets under financing lease**

Fixed assets leased by the Company are recognized as the fixed assets held under finance lease if one or more of the following criteria are met:

- (1) The ownership of the leased asset is transferred to the Company when the term of lease expires;
- (2) The lessee has the right to choose to purchase the leased assets; the established purchase price is expected to be much lower than the fair value of the leased assets when exercising the right of choice, and hence it can be reasonably determined that the Company will exercise such right of choice on the lease commencement date.
- (3) Even if the ownership of the assets is not transferred, the lease term covers the major part of the service life of the leased assets.
- (4) The present value of the minimum lease payments on the inception of lease of the Company almost amounts to the fair value of the leased asset on the inception of the lease.
- (5) The leased assets are of a specialized nature so that only the Company can use it without making major modifications.

The fixed assets rented by way of finance lease shall be accounted for at fair value. For fixed assets obtained by finance lease, the lower of the fair value of rented assets and the present value of the minimum lease payment on the lease start date shall be recorded as the entry value. The minimum lease payment is recognized as the entry value of long-term payable, and the difference between them is recognized as an unrecognized finance charge. The initial direct costs such as commissions, counsel fees, travelling expenses, and stamp duties attributable to the leased items incurred during the lease negotiation and lease contract signing shall be recorded in the leased assets value. The unrecognized finance charge is amortized by effective interest method over the lease term.

In calculating the depreciation of the fixed assets under the finance lease, the Company adopts a depreciation policy consistent with that for self-owned fixed assets. Where it is reasonably certain that the ownership of the leased assets can be obtained at the time the term of lease expires, the leased assets shall be depreciated over its service life. Where the ownership of leased asset cannot be reasonably determined by the expiration of the leasing period, depreciation will be accrued within the lease term or the service life of the leased asset, whichever is shorter.

## **25. Construction in progress**

### **1. Initial measurement of construction in progress**

The self-constructed construction in progress of the Company is measured at actual cost, which consists of the necessary expenses required for bringing such constructions to the intended use, including the costs of construction materials, labor costs, relevant taxes paid, borrowing costs capitalized and indirect costs apportioned.

### **2. Criteria & timing for construction in progress carried forward into fixed assets**

As for engineering construction in progress, all expenses incurred before achieving predetermined serviceable conditions of the assets shall be recognized as entry value of the fixed assets. If the construction in progress has reached the expected serviceable state but the final accounts for completion have not yet been handled, from the date of being available for intended use, they shall be transferred to the fixed assets at an estimated value according to the budget, cost or actual cost of the project, and the depreciation of the fixed assets shall be accrued according to the Company's fixed assets depreciation policy. After the final accounts for completion are processed, the original provisional valuation shall be adjusted according to the actual cost, but the originally accrued depreciation amount shall not be adjusted.

## **26. Borrowing costs**

### **1. Recognition principles for capitalization of borrowing costs**

The borrowing costs which are incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization shall be capitalized and recorded in the costs of relevant assets. Other borrowing costs shall be recognized as expenses based on the actual amount incurred at the time of incurring and included in the current profit or loss.

Assets eligible for capitalization refer to fixed assets, investment real estate, inventories and other assets which require a substantial period of time for acquisition and construction activities to satisfy predetermined serviceable or marketable conditions.

Borrowing costs shall only be capitalized when meeting all of the following requirements:

- (1) Asset expense has been incurred. Asset expenses include expense incurred in forms of cash payment, non-cash assets transfer or debt with interests assumption for acquisition or production of assets eligible for capitalization;
- (2) Borrowing costs have been incurred;
- (3) The acquisition and construction or production activities necessary for making assets satisfying predetermined serviceable or marketable conditions have already initiated.

### **2. Capitalization period of borrowing costs**

Capitalization period refers to the period from start of capitalization of borrowing costs to end of capitalization. The period for capitalization suspension of borrowing costs shall be excluded.

Capitalization of borrowing costs shall cease once the acquisition, construction or production necessary to prepare the qualifying asset for its intended use or sale are complete.

As for assets with acquisition & construction or production eligible for capitalization, if certain projects of such assets are completed separately and available for individual service, capitalization of the borrowing costs for such assets shall be ceased.

When portions of the construction or production of an asset have been completed but will only become useful or saleable after the entire asset is completed, the capitalization of borrowing costs is stopped when the entire asset is completed.

### **3. Period of suspension of capitalization**

Capitalization of borrowing costs is suspended when any abnormal interruption continues for over three months during the construction or production of an asset that meets capitalization conditions. If the interruption is a necessary procedure for the purchased, constructed or produced assets that meet the capitalization conditions to reach the preset serviceable state or marketable state, the borrowing costs shall continue to be capitalized. The borrowing costs incurred during such period are recognized as current profit or loss, and capitalization of borrowing costs continues when the construction or production activities of the asset resume.

### **4. Calculating methods for capitalization amount of borrowing costs**

Interest expenses of specific borrowings (net of interest income from unutilized borrowings deposited in banks or investment income from temporary investments) and supplementary expenses shall be capitalized before the acquired & constructed or produced assets qualified for capitalization meet the expected serviceable or merchantable conditions.

The interest amount that shall be capitalized on general borrowings is calculated based on the weighted average of expenses of the aggregate asset exceeding the expenses of the portion of specific borrowings multiplied by the capitalization ratio of the general borrowings utilized. The capitalization rate will be determined based on the weighted average interest rate of general borrowings.

As for borrowings with discounts or premiums, the amortization amount of such discounts or premiums on borrowings of each accounting period as well as adjustment of interest amount of each period shall be determined in accordance with the effective interest method.

## **27. Biological assets**

N/A

## **28. Oil and gas assets**

N/A

## **29. Right-of-use assets**

The Company's right-of-use assets are initially measured at cost, including:

1. Initial measurement amount of lease liabilities;
2. The amount of lease payment made on or before the commencement date of lease term, net of relevant amount of used lease incentives (if any);
3. The initial direct expenses incurred by the Company;
4. Costs expected to be incurred to disassemble and remove the leased assets, restore the premises where the leased assets are located or restore the leased assets to the conditions as agreed under the terms of the lease (excluding costs incurred to produce the inventory).

The Company will conduct subsequent measurement of right-of-use assets using cost model.

Where it is reasonably certain that the ownership of the leased assets can be obtained at the expiry of lease term, the leased assets shall be depreciated by the Company over its remaining service life. Where it is not reasonably certain that the ownership of the leased assets can be obtained at the time the term of lease expires, the Company shall accrue the depreciation within the shorter of the lease period and the remaining service life of the leased assets. For right-of-use assets where impairment reserve is withdrawn, impairment reserve will be provisioned by reference to the above principle at book value after deducting impairment reserve in future periods.

## **30. Intangible assets**

### **(1) Pricing method, service life, and impairment test**

An intangible asset refers to an identifiable non-monetary asset without physical substance owned or controlled by the Company, including land use right, software, trademark right, patented technology and talent housing sublease right, etc.

#### **1. Initial measurement of intangible assets**

Costs of purchased intangible assets include purchase prices, relevant taxes and other expenditures directly attributable to such assets for intended purposes. Where the payment of purchasing prices of intangible assets is delayed beyond the normal credit

conditions, which is of financing intention, the costs of intangible assets are determined on the basis of the present value of the purchasing prices.

As for the intangible assets acquired from the debtor in debt restructuring for the purpose of settlement of debt, the fair value of the intangible assets shall be based to determine the entry value. The difference between the book value of restructured debt and the fair value of the intangible assets used for settlement of debt shall be recorded in current profit or loss.

The entry value of intangible asset received in an exchange for non-monetary asset is based on the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable. For non-monetary asset exchange that cannot satisfy the above conditions, the book value and relevant taxes payable of the assets surrendered shall be the cost of the intangible assets received and no profit or loss is recognized.

For the intangible asset acquired through business consolidation by merger under the same control, the entry value is determined by the book value of the combined party; for the intangible asset acquired through business consolidation by combining party not under the same control, the entry value is determined by the fair value of the intangible asset.

Costs of internally developed intangible assets include materials used for development of these intangible assets, labor costs, registration fees, amortization of other patent rights or chartered rights used in the course of development, interest expenses eligible for capitalization and other direct expenses incurred before such intangible assets ready for intended purposes.

## 2. Subsequent measurement of intangible assets

The Company determines the service life of intangible assets on acquisition, which are classified as intangible assets with limited service life and uncertain service life.

### (1) Intangible assets with definite service life

Intangible assets with limited service life shall be amortized with the straight-line method within the period of bringing economic benefits to the company. Estimated service life and basis of intangible assets with definite service life is as follows:

Item	Estimated service life	Basis
Land use right	Service life of land use certificate	Principle of the lower of contract provisions and legal provisions
Software	5 years	Period of intangible assets bringing economic benefits to the Company
Trademark right	5 years	Period of intangible assets bringing economic benefits to the Company
Patented technology	5 years	Period of intangible assets bringing economic benefits to the Company
Talent housing sublease right	Note	Period of intangible assets bringing economic benefits to the Company

Note: According to Article 10 of *Sales Contract of Public Rental Housing for Enterprise Talents in Bao'an District, Shenzhen*: In case of one of the following circumstances, the Buyer shall apply for repurchase to the Seller after purchasing the Property: (1) the enterprise domicile has been removed from Bao'an; (2) the enterprise is bankrupt; (3) the Property purchased needs to be transferred; (4) the Property is disposed of due to the mortgage of the bank; (5) the Property is enforced by the court due to economic disputes; (6) it needs to be repurchased in case of violating relevant regulations and laws, rules and normative documents.

Article 11: After purchasing the Property, the Buyer only enjoys the limited property right and management in accordance with *Detailed Rules on Distribution Management of Talent Housing in Bao'an*. In case of one of the following circumstances: (1) purchasing the Property by fraud, intentional concealment and other acts; (2) undertaking illegal activities by using the Property; (3) unauthorized reconstruction or change of the purpose and function of the Property; (4) the Property is transferred or mortgaged without permission; (5) unauthorized exchange and gifting of the Property; (6) severe damage to the Property due to intentional or

serious mistakes; (7) lease to unqualified persons; (8) failure to investigate and treat the employees for subleasing and lending the Property against the regulations; (9) failure to apply for repurchase which should be applied for according to Article 10 of the Measures; (10) failure to live in the Property for more than 6 consecutive months without proper reasons; (11) others against relevant provisions on housing security, the Seller shall force to repurchase the Property purchased by the Buyer.

Article 12: In case of repurchase, both parties shall sign a repurchase agreement, and the Seller shall repurchase at the following prices:

(1) The housing repurchase price is the original purchase price of the Contract within 10 years (inclusive) upon the effective date of the Contract; for more than 10 years, repurchase price = original purchase price \* [1-depreciation factor\*(years of purchase-10)]. The depreciation factor is calculated by the annual depreciation rate of 1.4%, and the length of purchase is calculated from the effective date of the Contract to the repurchase date, 1 month for more than 15 days (inclusive), and 0.5 months for less than 15 days.

(2) The Seller shall not compensate the Buyer for all expenses for fit-up, decoration and the non-removable part adhered to the housing main body after purchasing the house.

According to relevant provisions of *Sales Contract of Public Rental Housing for Enterprise Talents in Bao'an District, Shenzhen*, the Company has no right to dispose of the purchased talent housing, and cannot obtain the earnings from the housing, but only enjoys the distribution right and the right to collect the rent; What the Company purchases is a housing sublease right, therefore, the paid house payment is recognized as an intangible asset which are not to be amortized within 10 years, and to be amortized at the annual amortization rate of 1.4% in case of more than 10 years.

The service life and depreciation method of the intangible asset with limited service life are re-assessed at the end of each period. If the original estimate varies, corresponding adjustments are made.

After re-assessment, there were no differences found between the service life and amortization method of the intangible asset at the end of the current period and those estimated in the previous period.

## (2) Intangible assets with uncertain service life

Intangible assets for which is impossible to foresee the time limit to bring economic benefits to the enterprise, will be deemed as intangible assets with uncertain service life.

There are no intangible assets with uncertain service life in the Company at the end of the reporting period.

## **(2) Internal R&D expenditure accounting policy**

### **1. Specific standards for distinguishing research stage from development stage of the Company's internal research & development project**

Research period: The period during which planned investigation and research activities with originality are conducted by the Company in order to obtain and understand innovative scientific or technical knowledge.

Development period: The period during which the Company applies the research results or other knowledge in a plan or design before commercial manufacturing or service in order to produce new materials, equipment and products or those with substantial improvement.

Expenditure in research stage was included in current profit or loss upon occurrence.

### **2. Specific standards for expenditures eligible for capitalization during development stage**

The expenditures of internal research and development projects during development stage are recognized as intangible asset if all of the following conditions are met:

- (1) It is technically feasible to finish intangible assets for use or sale;
- (2) It is intended to finish and use or sell the intangible assets;
- (3) The marketability of means for generating economic benefits, either the products produced applying this intangible asset or the intangible asset itself or the usefulness of intangible assets intended for in-house use can be proved;

- (4) Enough technical and financial resources and other resources are available to support the development of such intangible assets, and the Company is able to use or sell such intangible assets;
- (5) The expenses incurred from developing the intangible asset can be reliably measured.

### **31. Long-term asset impairment**

The Company shall, on the balance sheet date, make a judgment on whether there is any sign of possible long-term assets impairment. In case of signs indicating impairment of long-term assets, recoverable amount will be estimated on the basis of individual asset; If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the asset group will be determined based on the asset group to which the individual asset belongs.

The recoverable amount is determined according to the higher between the net amount after the fair value minus the disposal cost and the present value of the expected future cash flow of the asset.

If the recoverable amount measurement indicates that the recoverable amount of an long-term asset is less than its book value, the book value of the long-term asset is written down to its recoverable amount and the amount written down is recognized as assets impairment loss and charged to current profit or loss, with a corresponding provision for asset impairment. Once any assets impairment loss is recognized, it shall not be reversed in the future accounting periods.

After assets impairment loss is recognized, the depreciation or amortization expense of the impaired asset is adjusted accordingly in future periods so that the adjusted book value of the asset (net of estimated net residual value) is apportioned systematically over the remaining service life of the asset.

For goodwill formed by business combination and intangible assets with uncertain service life, impairment test should be carried out every year regardless of whether there is a sign of impairment.

During the impairment test on the goodwill, the book value of goodwill is amortized to the asset group or asset group portfolio which is expected to benefit from the synergy of the business combination. When impairment test is done on corresponding asset groups or portfolio of asset groups that contain goodwill, if there is an indication of impairment in goodwill-related asset groups or portfolio of asset groups, first the impairment test is done on asset groups or portfolio of asset groups that don't include goodwill, and the recoverable amount is calculated and compared with corresponding book value to recognize a corresponding impairment loss. And then the impairment test is done on asset groups or asset group portfolios that includes goodwill, and the Company shall compare the book value of these related asset groups or portfolio of asset groups (including the book value of goodwill that is amortized) with their recoverable amount. If the recoverable amount of corresponding asset groups or portfolio of asset groups is lower than its book value, impairment loss of goodwill is confirmed.

### **32. Long-term deferred expenses**

#### **Amortization method**

Long-term deferred expenses refer to the expenses which the Company has occurred and shall be amortized in the current and later periods with amortization period exceeding one year. Long-term deferred expenses are amortized with the straight-line method by stages over the benefit period.

### **33. Contract liabilities**

The Company presents the obligation of transferring goods to customers due to consideration received or receivable as the contract liabilities.

## **34. Employee remuneration**

### **(1) Accounting treatment method for short-term remuneration**

The short-term remuneration refers to all the employee remuneration payable by the Company to its employee within 12 months after the end of annual reporting period in which the employee provides relevant services, other than post-employment benefits and dismissal benefits. The Company recognizes short-term remuneration payable as liabilities during the accounting period during which the employee provides services, and includes them in costs and expenses of relevant assets according to the beneficial parties of such services.

### **(2) Accounting treatment method of post-employment benefits**

The post-employment benefits refer to various kinds of remuneration and benefits granted by the Company to the employees for their provision of services upon retirement or release of employment, other than short-term remuneration and dismissal benefits.

The Company's post-employment benefits plan includes defined contribution plan and defined benefit plan.

The defined contribution plan under the post-employment benefits is mainly to participate in the social basic endowment insurance and unemployment insurance organized and carried out by local labor and social guarantee authorities. During the accounting period of the employee providing service for the Company, the deposit amount payable calculated by the defined contribution plan is recognized as the liability and included in current profit or loss or related capital cost.

The Company has no other payment obligations after making the above-mentioned payment periodically according to the standards specified by the state.

### **(3) Accounting treatment method for dismissal benefits**

The dismissal benefits refer to the compensation given by the Company to the employee for severing the labor relations with employee before expiration of the labor contract, or encouraging the employee to voluntarily accept cutdown, when the Company fails to unilaterally withdraw the plan for severing labor relations or cutdown suggestions, and recognizes the cost and expense related to reorganization involving payment for dismissal benefits, whichever is earlier, the Company recognizes the liabilities arising from the compensation given for severing the labor relations with the employee, and meanwhile includes them in current profit or loss.

The Company provides early retirement benefits to employees who accept internal retirement arrangements. Early retirement benefits refer to wages and social insurance premiums, etc. paid to employees who have not reached the compulsory retirement age stipulated by the state, and voluntarily quit their jobs with the approval of the Company's management. The early retirement benefits are made by the Company to the early retirement employees from the date of early retirement arrangement to the normal retirement age. For the early retirement benefits, the Company performs accounting treatment according to the dismissal benefits, and when the relevant recognition conditions for dismissal benefits are met, recognizes the wages and social insurance premium to be paid to the retired employees from the date when they stop providing services to the normal retirement date as liabilities and include them into current profit or loss all at once. Changes in actuarial assumptions of early retirement benefits and differences caused by adjustment of benefits standards are recognized into current profit or loss when incurred.

### **(4) Accounting treatment method of other long-term employee benefits**

Other long-term employee benefits refer to all the employee benefits other than short-term remuneration, post-employment benefits and dismissal benefits.

For other long-term employee benefits qualified for the defined contribution plan, during the accounting period of the employee

providing services for the Company, the deposit amount payable is recognized as liabilities and included in current profit or loss or relevant asset costs; In any other circumstance, the other long-term employee benefits are calculated by independent actuary with the expected accumulative benefit unit method on the balance sheet date, and the benefit obligations arising from the defined benefit plan are attributable to the period when the employee provides services, and included in the current profit or loss or relevant asset costs.

### **35. Lease liabilities**

Lease liabilities are initially measured at the present value of lease payment outstanding as at the commencement of lease term. At the time of calculating the present value of the lease payments, the Company uses the interest rate contained in the lease as the discount rate. If the interest rate contained in the lease cannot be determined, the incremental borrowing rate of the lessee is used as the discount rate. Lease payment includes:

fixed payment and de facto fixed payment after deducting lease incentive related amounts;

variable lease payments that depend on an index or rate;

in case where the Company reasonably determines to exercise the option, lease receipts include exercise price for call option;

in case where the lease period reflects that the Company will terminate the lease option, lease payments include amount to be paid for the termination of the lease option;

expected payable amount based on secured residual value provided by the Company.

The Company calculates interest expense of lease liabilities in each period of lease term at fixed discount rate and recognizes into current profit or loss or relevant asset costs.

Variable lease payments that are not included in the measurement of lease liabilities are included in the current profit or loss or related asset costs when actually incurred.

### **36. Estimated liabilities**

#### **1. Recognition criteria of estimated liabilities**

Obligations related to contingencies shall be recognized as estimated liabilities by the Company when the following conditions are satisfied simultaneously:

The obligation is the current obligation of the Company;

It is likely to cause any economy benefit to flow out of the Company as a result of performance of the obligation;

The obligation could be reliably measured.

#### **2. Measurement method of estimated liabilities**

Estimated liabilities of the Company are initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

When determining the best estimate number, the Company will comprehensively consider the factors that are related to the contingencies such as risks, uncertainties and the time value of money. If there is a significant impact on the time value of money, the best estimate shall be determined after discounting the relevant future cash outflow.

The best estimate shall be handled as follows:

If there is a successive range (or interval) for the necessary expenses and if all the outcomes within the range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate within the range, which is the average of upper and lower limits.

The expenses required do not have a successive range (or interval), or although there is a successive range (or interval), the possibilities of occurrence of different result are not the same, if the contingency is related to individual item, the best estimate should be determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

If all or part of the expenditure required for settling the estimated liabilities of the Company is expected to be compensated by a

third party, the remuneration amount may be separately recognized as an asset only when it is virtually certain that the remuneration can be received and the remuneration amount recognized shall not exceed the book value of the estimated liabilities.

## **37. Share-based payment**

### **1. Types of share-based payment**

Share based payments consist of equity-settled share-based payment and cash-settled share-based payment.

### **2. Determination method of fair value of equity instruments**

For equity instruments such as granted option with active market, fair value will be determined according to quotation in such active market. For such equity instruments as the granted option without active market, its fair value shall be determined by using the option pricing model, and the selected option pricing model shall take the following factors into consideration: (1) the exercise price of the option; (2) validity period of option; (3) current price of underlying shares; (4) expected fluctuation rate of share price; (5) the expected dividend of the share; (6) the risk-free interest rate of the option within the validity.

For the purpose of determining fair value on granting date of equity instruments, consideration is given to impact of market conditions and non-vesting conditions as prescribed in vesting conditions in the share-based payment agreement. If there is a non-vesting condition in share-based payment, cost expenses attributable to services received can be recognized provided that employees or other parties satisfy all the non-market conditions in vesting conditions (such as service term).

### **3. Basis for determining the best estimate of vesting equity instruments**

On each balance sheet date in the waiting period, the best estimate is made according to the latest changes in the number of vesting employees and other follow-up information, and the estimated number of equity instruments is corrected. On the vesting date, the number of the vested equity instruments that is of ultimate estimation is the same as the actual number of the vested equity instruments.

### **4. Accounting treatment method**

Equity-settled share-based payments are measured at the fair value of the equity instruments granted to employees. After the grant, the equity-settled share-based payment where the right can be immediately exercised shall be included in the relevant costs or expenses in accordance with the fair value of the equity instrument at the grant date, and the capital reserve shall be increased accordingly. For instruments for which exercise is conditional upon completion of service in vesting period or satisfaction of required results, services received in current period are included in relevant costs or expenses and capital reserve at the fair value of the equity instrument as of the date of grant based on the best estimate of the numbers of vesting equity instruments on each balance sheet date during the vesting period. After the vesting date, no adjustment will be made to the confirmed related costs or expenses and the total amount of owner's equity.

The cash-settled share-based payment is measured at the fair value of the liability calculated based on shares or other equity instrument of the Company. After the grant, the cash-settled share-based payment where the right can be immediately exercised shall be included in the relevant costs or expenses in accordance with the fair value of the liabilities assumed by the Company at the grant date, and the liabilities shall be increased accordingly. For the cash-settled share-based payment where the right may not be exercised until completing the service within the waiting period or meeting the specified performance conditions, the services obtained in the current period shall be included in the relevant costs or expenses and corresponding liabilities on each balance sheet date within the waiting period based on the best estimate of the vesting conditions and the fair value of liabilities assumed by the Company. On each balance sheet date and settlement date prior to the settlement of relevant liabilities, the fair value of the liabilities will be re-measured, with any changes recorded in the current profit or loss.

If the granted equity instrument is canceled during the waiting period, the Company will treat the cancellation of the granted equity instrument as accelerated exercise, and will immediately include the remaining amount which shall be recognized in the waiting period into the current profit or loss, with the capital reserve recognized. Where the employees or other parties have rights to choose to meet non-vesting conditions but fails within the waiting period, the Company may treat it as the cancellation of the equity

instrument granted.

### **38. Other financial instruments such as preferred shares and perpetual bonds**

The Company classifies a financial instrument or its components into financial liabilities or equity instruments at initial recognition according to the criteria for financial instruments, the contract provisions for issuing financial instruments such as preferred shares and perpetual bonds, and the economic essence reflected by them, instead of merely their legal forms, based on the definitions of financial liability and equity instrument:

#### **1. The issued financial instruments are classified into financial liabilities if any of the following conditions is met:**

- (1) The contractual obligations of delivering cash or other financial assets to other parties;
- (2) The contractual obligations of exchanging financial assets or financial liabilities with other parties under potentially unfavorable conditions;
- (3) The non-derivative contract under which settlement shall or may be made with the Company's own equity instruments in the future and the Company shall deliver variable quantity of its own equity instruments;
- (4) The derivative contract under which settlement shall or may be made with the Company's own equity instruments in the future, other than the derivative contract under which fixed quantity of its own equity instruments shall be exchanged for fixed amount of cash or other financial assets.

#### **2. The issued financial instruments are classified into equity instruments if all the following conditions are met:**

- (1) Such financial instruments do not include contractual obligations of paying cash or other financial assets to other parties, or exchanging financial assets or liabilities with other parties under possible adverse conditions;
- (2) In case of being necessary or able to use its own equity instrument to settle the financial instrument in the future, if the financial instrument is not derivative instrument, it shall not include contractual obligations of paying self-equity instrument variability in terms of number for settlement; If it is the derivative instrument, the enterprise can only settle the financial instrument with the cash for swapping fixed amount with its own equity instrument of the fixed quantity or other financial assets.

#### **3. Accounting treatment method**

For financial instruments classified as equity instruments, their interest expenses or dividend distribution shall be taken as the profit distribution by the issuer; their repurchase, cancellation, etc., shall be deemed as equity change, with charges, commissions and other transaction expenses to be deducted from the equity.

For financial instruments classified as financial liabilities, their interest expense or dividend distribution is taken as borrowing costs in principle, and gain or loss from their repurchase or redemption is recorded in current profit or loss, with charges, commissions and other transaction expenses booked in the initially measured amount of the instruments issued.

### **39. Income**

Accounting policies used for income recognition and measurement

The Company mainly derives income from testing services.

#### **1. General principle for revenue recognition**

When the Company fulfills the performance obligation in the contract, i.e. the customer receives the right of control over related goods or services, the income is recognized according to the transaction price that is allocated to this performance obligation.

Performance obligation refers to the commitment of the Company to transfer specifically identifiable goods or services to the customer in the contract.

To obtain control over relevant goods means the ability to direct the use of such goods and to receive almost all economic benefits.

The Company assesses the contract from the start date of the contract and recognizes each individual performance obligation

included by the contract, and determines each individual performance obligation will be fulfilled during a certain period or at a certain time point. Those meeting one of the following conditions are deemed as the performance obligation during a certain period of time. For those, the Company recognizes income in a certain period of time based on the performance progress: (1) the customer receives the economic benefit arising from consumption at the same time when the Company performs the contract; (2) the customer can control goods in progress during the process of contract performance by the Company; (3) goods arising from contract performance by the Company have irreplaceable purposes, and the Company is entitled to receive payment for accumulatively completed performance proportion to date throughout the contract term. Or, the Company recognizes income upon the customer acquires control over the relevant goods or services.

For the performance obligation to be fulfilled in a certain period, the Company, depending on the nature of the goods and services, adopts the output method/input method to determine proper progress in performance. Output method is to determine the progress in performance based on the value to the customer of the goods transferred to the customer (Input method is to determine the progress in performance based on the investment by the Company to the performance obligation). If the performance progress cannot be determined reasonably and the costs incurred by the Company are expected to be compensated, the income will be recognized according to the costs incurred until the performance progress is determined reasonably.

## **2. Specific method for revenue recognition**

The Company is mainly engaged in sample tests and project tests in such fields as trade safeguard, consumer goods, industrial products, life science, medicine and medical services. 1. Recognition of income from sample tests needs to meet the following conditions: After the provided test service is completed, and the test report is delivered to the customer, the realization of the operating income is recognized. 2. Recognition of income from project tests needs to meet the following conditions: If the Company has income from the provision of technical services for a customer, the realization of the operating income is recognized after the performance obligation is fulfilled; If the Company has income from engineering tests, the realization of the operating income is recognized after the customer takes over the control over the test service.

## **3. Revenue treatment principles for certain transactions**

### **(1) Contract with sales return clause**

When the customer obtains the control over relevant goods, the income will be recognized at the amount of consideration the Company expects to receive when transferring the goods to the customer (excluding the amount which is expected to be refunded if the sales are returned), and the liability will be recognized at the amount which is expected to be refunded if the sales are returned.

The balance of the book value of the goods expected to be returned at the time of selling minus the costs expected to incur in returning the goods (including any depreciation loss in the value of the goods) should be accounted in "return cost receivable".

### **(2) Contract with quality warranty clause**

The Company assesses whether the quality warranty provides an individual service in addition to the customer's warranty that the goods sold will meet the agreed standards. Where the Company provides the additional service, such provision is a separate performance obligation and is accounted for according to the new income standards; or the quality warranty liability will be accounted according to accounting standards for contingencies.

### **(3) Sales contract with additional customer call option**

The Company assesses whether the option grants the customer a major right. If a major right is granted, the option is an individual performance obligation to which the transaction price is allocated to. When the customer exercises the option to obtain the control over relevant goods in the future or the option expires, the income will be recognized. If it is unable to observe the separate selling price associated to the customer's option directly, the price will be reasonably estimated after any difference between the discounts the customer can get when exercising and not exercising the option, the possibility that the customer exercises the option, and other relevant factors are considered.

### **(4) License contract granting the customer IPRs**

The Company assesses whether the IPR license constitutes a separate performance obligation; if it constitutes so, the Company will further determine whether it should be performed in a span of time or at a point of time. If a license grants a customer IPRs and

the royalty is based on the customer's actual sales or utilization, the income will be recognized when subsequent sales or utilization by the customer occurs actually or The Company fulfils relevant performance obligations.

(5) After-sale repurchase

1) Contract imposing a repurchase obligation under forward arrangement with the customer: As the customer does not obtain the control over relevant goods at the time of sales in this circumstance, it will be accounted as if it were a lease or financing transaction. If the repurchase price is lower than the original selling price, a lease transaction will be assumed and it will be accounted according to relevant lease provisions of the Accounting Standards for Business Enterprises; If the repurchase price is not lower than the original selling price, a financing transaction will be assumed, in which case financial liabilities will be recognized upon receipt of the payment from the customer, and the difference between the payment and the repurchase price will be recognized into interest expenses in the repurchase period. If the Company does not exercise the repurchase right upon expiry, financial liabilities will be recognized upon expiry of the repurchase right, and the income will be recognized.

2) Contract granting a repurchase obligation upon the customer's request: If the Company considers that the customer has a major economic motivation, the after-sale repurchase will be assumed as a lease or financing transaction, which should be accounted pursuant to 1); or it should be treated as a sale transaction attached with sales return clause.

(6) Contract with refundable front fee required from the customer

The refundable front fee required from the customer at (or near) the beginning of the contract should be included in the transaction price. If the Company considers that the front fee is associated to the transfer of the committed commodities to the customer and that these commodities constitute a separate performance obligation, the income will be recognized as the part of transaction price allocated to these commodities at the time of transfer; If the front fee is associated to the transfer of the committed commodities to the customer but these commodities do not constitute a separate performance obligation, the income will be recognized as the part of transaction price allocated to the separate performance obligation of which these commodities are part when such separate performance obligation is fulfilled. If the front fee is not associated to the transfer of the committed commodities to the customer, the front fee will be deemed as a prepayment for future transfer of commodities, and the income will be recognized at the time of future transfer of such commodities.

The application of different operation models to the same business results in the differences in accounting policies for income recognition.

## **40. Government grants**

### **1. Type**

Government grant refers to free monetary and non-monetary assets obtained by the Company from the government. Government grants are divided into asset-related government grants and income-related government grants according to the subsidy objects clearly stipulated in relevant government documents.

Government grants related to assets are obtained by the Company for the purposes of constructing or forming long-term assets in other ways. Income-related government grant refers to that rather than asset-related government grant.

### **2. Recognition of government grants**

Where evidence shows that the Company complies with relevant conditions of policies for financial supports and is expected to receive funds rapidly at the end of the period, the amount receivable is recognized as the government grants. Otherwise, the government grants are recognized upon receipt.

In case of monetary asset, the government grants shall be measured according to the amount received or accrued. In case of non-monetary asset, the government grants shall be measured at fair value; If the fair value cannot be obtained reliably, the government grant shall be measured at nominal amount (RMB 1). The government grant measured according to nominal amount shall be directly included in current profit or loss.

### **3. Accounting treatment method**

The Company determines whether a particular type of government grant operation shall be accounted for by means of the gross method or the net method based on the substance of the economic operation. Generally, the Company selects only one Accounting method for similar or comparable government grant operations which will apply to such operations consistently.

Government grants relating to assets shall be either written off against the book value of the relevant assets or recognized as deferred income. Government grants relating to assets are recognized as deferred income, and included by stages into the profit or loss within the service life of the built or purchased asset in a reasonable and systematic way.

Income-related government grants of the enterprise for compensation for relevant expenses or losses in subsequent periods are recognized as deferred income, and included in the current profit or loss or offset against relevant costs in the period of recognition of relevant expenses or losses. Government grants for compensation for incurred relevant expenses or losses are directly included in the current profit or loss or offset against relevant costs.

Government grants related to the daily activities of the enterprise are included in other income or offset against relevant costs. Government grants unrelated to daily activities of the enterprise will be included in non-operating revenue.

Government grants related to concessional policy loan with discounted interest are used to offset against relevant borrowing costs. For the loans with preferential policy interest rate provided by the lending bank, the actual amount of loans received shall be taken as the entry value of loans, and the relevant borrowing costs are calculated based on the principal of the loans and the preferential policy interest rate.

If the recognized government grants need to be returned, and the book value of relevant asset is offset in initial recognition, the book value of the asset shall be adjusted. Where there is a balance of related deferred income, the book balance of related deferred income will be offset, and the excess part will be included in the current profit or loss; If there is no relevant deferred income, it shall be directly included in the current profit or loss.

#### **41. Deferred tax assets/deferred tax liabilities**

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences (temporary differences) arising between the tax bases of assets and liabilities and their book value. On the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates applicable to the period when the asset is recovered or the liability is settled according to estimation.

##### **1. Basis for the recognition of the deferred tax assets**

The Company recognizes deferred tax assets arising from deductible temporary difference to the extent it is probably to obtain the taxable income that is used for deducting the deductible temporary difference and can carry over the deduction of deductible losses and taxes in the future years. However, the deferred tax assets arising from the initial recognition of assets or liabilities in transactions with the following features are not recognized: (1) This transaction is not business combination; (2) The transaction neither affects the accounting profit nor the taxable income when it happens (or deductible loss) at the time of transaction.

For the deductible temporary differences arising from the investments in associates, the corresponding deferred tax assets may be recognized only when the following conditions are satisfied simultaneously: The temporary differences are likely to be reversed in the foreseeable future and it is likely to obtain the taxable income in the future for deducting the deductible temporary differences.

##### **2. Basis for the recognition of the deferred tax liabilities**

The Company shall recognize the taxable temporary differences which are payable but not paid in the current period and previous periods as deferred tax liabilities, but excluding:

- (1) Temporary differences resulting from initial recognition of goodwill;
- (2) Transactions or events not arising from business combination, and no temporary difference, whether arising out of the accounting profit or the taxable income (or deductible loss) is affected when the transaction or event occurs;
- (3) For the taxable temporary differences arising from the investments in subsidiaries and associates, the timing of the reversal of the temporary differences can be controlled, and the temporary differences are unlikely to be reversed in the foreseeable future.

**3. Deferred tax assets and deferred tax liabilities are presented by the net amount after offset if all the following conditions are met:**

- (1) An enterprise has the legal rights to settle the income tax assets and income tax liabilities in the current period by net amount;
- (2) The deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle the current income tax assets and the current income tax liabilities by net amount or to obtain the assets and liabilities simultaneously, in each future period of reversing significant deferred tax assets or liabilities.

**42. Lease**

**(1) Accounting treatment of operating lease**

**(2) Accounting treatment of finance lease**

On the commencement date of the contract, the Company assesses whether the contract serves as the lease or includes the lease. If one party to the contract assigns the right to control one or more identified assets during a certain period in exchange for consideration, such contract is or includes lease.

**1. Spin-off of lease contracts**

If a number of separate leases are contained in one contract, the Company will separate the contract and make accounting treatment of each lease on an individual basis.

**2. Consolidation of lease contracts**

For the purpose of accounting treatment, two or more contracts made by the Company with the same counterparty or its related parties at the same or similar time will be combined as a contract if any of the following conditions is met:

- (1) the two or more contracts are made on the basis of overall business purpose and constitute a package transaction, which will make it impossible to understand the overall business purpose if not taken as a whole;
- (2) the consideration amount of one of the two or more contracts will depend on pricing or performance of other contracts;
- (3) asset right-of-use transferred by two or more contracts constitute a single lease as a whole.

**3. Accounting treatment where the Company is lessee**

On the beginning date of lease period, the Company will recognize right-of-use assets and lease liabilities of lease, except for short-term leases and low-value asset leases where simplified treatment procedures are applied.

**(1) Short-term lease and low-value asset lease**

Short-term lease refers to a lease where lease period is no more than 12 months that does not include call option. Low-value asset lease refers to a lease with low value in case where the individual lease asset is new, mainly including lease of low-value assets with an amount no more than RMB 40,000.

The Company chooses not to recognize right-of-use assets and lease liabilities for short-term lease and low-value asset lease, and recognizes relevant lease payment of each period of lease term into current profit or loss or relevant asset costs under straight-line method or other systematically reasonable methods.

Item	Category of lease assets to which simplified treatment is applied
Short-term lease	Houses and buildings, machinery equipment and electronic devices
Lease of low-value assets	Houses and buildings, machinery equipment and electronic devices

For short-term leases and low-value asset leases other than the above items, the Company will recognize right-of-use assets and lease liabilities.

(2) See detailed accounting policies for right-of-use assets and lease liabilities in this Note IV (29), (35).

#### **4. Accounting treatment where the Company is lessor**

##### **(1) Classification**

The Company classifies the lease into finance lease and operating lease on the lease beginning date. A financial lease is a lease that transfers substantially all the risks and returns associated with the ownership of an asset, and its ownership may or may not ultimately be transferred. Operating leases refer to those other than the finance leases.

The Company usually classifies a lease as a financial lease in case of one or more of the following circumstances:

- 1) The ownership of the leased asset is transferred to the lessee when the term of lease expires.
- 2) The lessee has the right to choose to purchase the leased asset; the established purchase price is expected to be much lower than the fair value of the leased asset when exercising the right of choice, and hence it can be reasonably determined that the lessee will exercise this right of choice on the inception of lease.
- 3) Even if the ownership of the assets is not transferred, the lease term covers the major part of the service life of the leased assets.
- 4) On the beginning date of lease period, current value of lease receipts is nearly equal to fair value of lease assets.
- 5) The leased assets are of a specialized nature that only the lessee can use them without making major modifications.

The Company usually classifies a lease as a finance lease in case of one or more of the following circumstances:

- 1) if the lessee terminates the lease, the resulting loss of the lessor shall be paid by the lessee.
- 2) the gain or loss arising from the fluctuation in the fair value of the residual value of the asset shall be attributable to the lessee.
- 3) the lessee is able to continue the lease to the next period at a rent much lower than the market level.

##### **(2) Accounting treatment of finance lease**

On the beginning date of lease period, the Company recognizes receivable finance lease payments for finance lease and derecognizes finance lease assets.

Upon initial measurement of receivable finance lease payments, the sum of unsecured residual value and the present value of outstanding lease receipts discounted on interest rate implicit in lease on the commencement date of the lease term is used as entry value of receivable finance lease payments. Lease receipts include:

- 1) fixed payment and de facto fixed payment after deducting lease incentive related amounts;
- 2) variable lease payments that depend on an index or rate;
- 3) in case where the lessee reasonably determines to exercise call option, lease receipts include exercise price for call option;
- 4) in case where the lease period reflects that the lessee will terminate the lease option, lease receipts include amount to be paid for the termination of the lease option;
- 5) the residual value of the guarantee provided to the lessor by the lessee, a party related to the lessee and an independent third party with the financial ability to meet the guarantee obligation.

The Company calculates and recognizes interest income of each period in the lease period at fixed lease implicit rate, and the resulting variable lease payments that are not included in the measurement of the net lease investment are included in the current profit or loss when actually incurred.

##### **(3) Accounting treatment of operating lease**

The Company recognizes the lease receipts from operating leases as rental income using the straight-line method or other systematically reasonable methods for all periods within the lease term. The Company's initial direct costs incurred in connection with operating leases will be capitalized, apportioned over the lease term on the same basis as recognition of rent income, and amortized into current profit or loss. Variable lease payments acquired in connection with operating leases that are not included in the lease receipts are recognized in the current profit or loss when actually incurred.

#### **5. After-sale leaseback transaction**

If the transfer of asset in sale-and-leaseback transaction is classified into sales, the Company will measure the right-of-use asset resulting from the sale and leaseback at the portion of the original asset's book value related to the right of use obtained by leaseback, and will recognize the related gain or loss only for the right transferred to the lessor. If fair value of sales consideration differs from

fair value of asset, or, if the lessor does not charge rent according to market price, the Company will conduct accounting treatment of the excess of market price minus sales consideration as prepaid rent, and excess of sales consideration minus market price as additional financing from lessor to lessee; Meanwhile, the Company will adjust relevant sales gains or losses according to fair value.

If the transfer of asset in sale-and-leaseback transaction is not classified into sales, the Company will continue to recognize the transferred assets, and at the same time recognize a financial liability equal to the transfer income.

### 43. Other important accounting policies and accounting estimates

#### 1. Discontinuing operation

The Company recognizes the component which meets one of the following conditions and has disposed of or is classified as the category held to be sold, can be distinguished separately, as the one of discontinued operation:

- (1) The component represents a separate major business or a single major operating area.
- (2) The component is one part of an associated plan proposed to dispose of one separate major business or a single major operating area.
- (3) The component is a subsidiary acquired specially for resale.

The impairment losses and reversing amounts of discontinued operation and other operating losses and profits and disposal losses and profits are presented in the income statement.

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

#### (1) Significant accounting policy changes

√ Applicable     Not Applicable

Contents and causes of changes in accounting policies	Approval procedure	Remarks
The Company implemented the <i>Accounting Standards for Business Enterprises No. 21 - Lease</i> as revised by the Ministry of Finance in 2018 from January 1, 2021.	The 12th Meeting of the 5th Board of Directors held on January 11, 2021 approved the <i>Proposal on Changes in Accounting Policies</i> through deliberation.	(1)
The Company implemented the <i>Accounting Standards for Business Enterprises Interpretation No.14</i> as issued by the Ministry of Finance in 2021 from February 2, 2021.	The change of accounting policies is made according to laws, administrative regulations or national accounting system requirements.	(2)
The Company implemented the <i>Accounting Standards for Business Enterprises Interpretation No. 15</i> as issued by the Ministry of Finance in 2021 from December 31, 2021.	The change of accounting policies is made according to laws, administrative regulations or national accounting system requirements.	(3)

#### (1) Impact of the implementation of new lease standards

The Company implemented the *Accounting Standards for Business Enterprises No. 21 - Lease* as revised in 2018 by the Ministry of Finance from January 1, 2021. See Note V Key Accounting Policies, Accounting Estimates for the details on the changed

accounting policies.

On the first implementation date, the Company chose not to reevaluate if previously existing contracts were leases or contained leases, and consistently applied this method to all contracts, so transition requirements of the standard are applied to contracts that are identified as leases under the original lease standards.

In addition, as for the above lease contracts, the Company chose to adopt simplified retroactive adjustment for transitional accounting treatment according to provisions of the *Accounting Standards for Business Enterprises No. 28 - Change of Accounting Policies and Accounting Estimates, and Correction of Errors*, namely, making adjustment of retained earnings at the beginning of the year of first implementation and other relevant items in the financial statements, not making adjustment of information in comparable period, and selecting right-of-use asset measurement method and adopting relevant simplification treatment for operating lease by each lease. Details are as follows:

The Company's accounting policy for low-value asset leases is not to recognize right-of-use assets and lease liabilities. According to transition provisions of new lease standards, for low-value asset lease before the first implementation date, the Company will make accounting treatment according to new lease standards from the first implementation date, and will not make retroactive adjustment of low-value asset leases.

For operating lease prior to the date of initial execution, the lessee shall measure the lease liability on the date of initial execution based on the current value of the remaining lease payments discounted according to the lessee's incremental borrowing rate on the date of initial execution, and choose the following method to measure right-of-use assets according to each lease:

amount equal to lease liabilities, with necessary adjustment based on prepaid rent.

Impact of implementing the new lease standards on relevant items in financial statements as of January 1, 2021 is presented as follows:

Item	As at December 31, 2020	Accumulative impact amount (Note 1)	January 1, 2021
Fixed assets	1,418,647,458.12	-325,091.94	1,418,322,366.18
Right-of-use assets		188,176,090.55	188,176,090.55
Advance payment	52,716,741.75	-7,817,188.67	44,899,553.08
Total assets	1,471,364,199.87	180,033,809.94	1,651,398,009.81
Lease liabilities		131,304,149.38	131,304,149.38
Long-term payables	847,738.90	-847,738.90	0
Non-current liabilities maturing within one year	32,717,177.86	49,577,399.46	82,294,577.32
Total liabilities	33,564,916.76	180,033,809.94	213,598,726.70

Note: The above table lists affected financial statement items only, not including unaffected financial statement items, so disclosed subtotal and total amounts can't be recalculated according to the figures listed in the above table.

Note 1: Weighted average of lessee incremental borrowing rate used for lease liabilities in the Balance Sheet on the first implementation date;

The Company recognized lease liabilities of RMB 131,304,149.38 and right-of-use assets of RMB 188,176,090.55 on January 1, 2021. For operating leases before the first execution day, the Company shall use the present value discounted by the incremental borrowing rate on the first execution day to measure the lease liabilities. The range of incremental borrowing rate shall be from 2.65% to 4.65%.

Information on the difference between the Company's lease liability recognized as of January 1, 2021 and the significant operating lease commitments disclosed in the financial statements of the fiscal year of 2020 is as follows:

Item	January 1, 2021	Remarks
1. Operating lease commitments as at December 31, 2020	224,389,028.68	

Lease liabilities discounted at the incremental borrowing rate on the date of initial execution	203,109,783.96	
Add: [Lease liabilities arising from lease change of existing leases]		
[Reasonably certain renewal option to be exercised]		
[Change in allocation of contract considerations of lease and non-lease portions]		
Less: [Recognition of exemptions - short-term leases]	23,075,974.02	
[Change in allocation of contract considerations of lease and non-lease portions]		
Lease liabilities recognized by implementing new lease standards that are related to original operating lease		
Add: Payable finance lease amount as of December 31, 2020	847,738.90	
2. Lease liabilities as of January 1, 2021	180,881,548.85	
Including: Lease liabilities due within one year	49,577,399.47	
Lease liabilities	131,304,149.38	

**(2) Impact of the implementation of the Accounting Standards for Business Enterprises Interpretation No. 14 on the Company**

On February 2, 2021, the Ministry of Finance issued the *Accounting Standards for Business Enterprises Interpretation No. 14* (CK [2021] No. 1), hereinafter "Interpretation No. 14", effective from February 2, 2021 (hereinafter "implementation date").

The Company will implement the Interpretation No. 14 from the implementation date, which had no significant impact on the financial statements of the Company in the reporting period.

**(3) Impact of the implementation of the Accounting Standards for Business Enterprises Interpretation No. 15 on the Company**

On December 31, 2021, the Ministry of Finance issued the *Accounting Standards for Business Enterprises Interpretation No. 15* (CK [2021] No. 35), hereinafter "Interpretation No. 15", effective from the issuance date. The Interpretation No. 15 provides for presentation featuring centralized management of funds of parent company and member units by internal settlement centers, financial companies, among others.

The Company will implement the Interpretation No. 15 from December 31, 2021, which had no significant impact on the financial statements of the Company in the comparable reporting period.

**(2) Significant accounting estimate changes**

Applicable  Not Applicable

**(3) Relevant financial statement items at the beginning of 2021 when the adjustments stipulated in the new lease standards apply**

Applicable  Not Applicable

Should the balance sheet items be adjusted at the beginning of the year?

Yes  No

Consolidated balance sheet

Unit: RMB

Item	As at December 31, 2020	January 1, 2021	Amount adjusted
Current assets:			
Monetary fund	560,617,641.58	560,617,641.58	
Deposit reservation for balance			
Lendings to banks and other financial institutions			
Financial assets held for trading	1,001,604,472.72	1,001,604,472.72	
Derivative financial assets			
Notes receivable	21,430,570.22	21,430,570.22	
Accounts receivable	758,173,539.15	758,173,539.15	
Accounts receivable financing			
Advance payment	52,716,741.75	44,899,553.08	-7,817,188.67
Premium receivable			
Receivables from reinsurers			
Reinsurance contract reserves receivable			
Other receivables	52,170,517.89	52,170,517.89	
Including: Interest receivable			
Dividends receivable			
Redemptory monetary capital for sale			
Inventory	32,339,457.78	32,339,457.78	
Contract assets	103,297,161.09	103,297,161.09	
Held-for-sale assets			
Non-current assets maturing within one year			
Other current assets	85,043,546.23	85,043,546.23	
Total current assets	2,667,393,648.41	2,659,576,459.74	-7,817,188.67
Non-current assets:			
Loans and advances			

Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investment	118,068,367.89	118,068,367.89	
Investment in other equity instruments			
Other non-current financial assets	47,294,000.00	47,294,000.00	
Investment real estate	33,930,353.64	33,930,353.64	
Fixed assets	1,418,647,458.12	1,418,322,366.18	-325,091.94
Construction in progress	212,138,027.61	212,138,027.61	
Productive biological assets			
Oil and gas assets			
Right-of-use assets		188,176,090.55	188,176,090.55
Intangible assets	144,703,073.87	144,703,073.87	
Development expenditure			
Goodwill	442,112,482.14	442,112,482.14	
Long-term deferred expenses	140,153,379.04	140,153,379.04	
Deferred tax assets	58,836,340.25	58,836,340.25	
Other non-current assets	171,399,308.20	171,399,308.20	
Total non-current assets	2,787,282,790.76	2,975,133,789.37	187,850,998.61
Total assets	5,454,676,439.17	5,634,710,249.11	180,033,809.94
Current liabilities:			
Short-term borrowings	160,154,305.56	160,154,305.56	
Borrowings from the Central Bank			
Borrowings from banks and other financial			

institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	73,912.21	73,912.21	
Accounts payable	548,860,093.93	548,860,093.93	
Advance receipts			
Contract liabilities	75,179,931.49	75,179,931.49	
Financial assets sold for repurchase			
Deposits from customers and interbank			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Payroll payable	364,571,417.09	364,571,417.09	
Taxes payable	74,485,249.60	74,485,249.60	
Other payables	99,400,072.98	99,400,072.98	
Including: Interest payable			
Dividends payable	31,042.91	31,042.91	
Handling charges and commissions payable			
Dividend payable for reinsurance			
Held-for-sale liabilities			
Non-current liabilities maturing within one year	32,717,177.86	82,294,577.32	49,577,399.46
Other current liabilities	2,170,093.66	2,170,093.66	
Total current liabilities	1,357,612,254.38	1,407,189,653.84	49,577,399.46
Non-current liabilities:			

Reserves for insurance contracts			
Long-term borrowings	84,823,699.31	84,823,699.31	
Bonds payable			
Including: Preferred shares			
Perpetual bond			
Lease liabilities		131,304,149.38	131,304,149.38
Long-term payables	847,738.90		-847,738.90
Long-term payroll payable			
Estimated liabilities	4,759,015.78	4,759,015.78	
Deferred income	107,213,599.53	107,213,599.53	
Deferred tax liabilities	65,962,432.60	65,962,432.60	
Other non-current liabilities			
Total non-current liabilities	263,606,486.12	394,062,896.60	130,456,410.48
Total liabilities	1,621,218,740.50	1,801,252,550.44	180,033,809.94
Owner's equity:			
Capital stock	1,665,135,714.00	1,665,135,714.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserve	113,431,570.48	113,431,570.48	
Less: Treasury shares			
Other comprehensive income	14,688,390.68	14,688,390.68	
Special reserves			
Surplus reserve	179,193,512.40	179,193,512.40	
General risk reserve			
Undistributed profits	1,771,832,899.47	1,771,832,899.47	
Total owner's equity attributable to the parent	3,744,282,087.03	3,744,282,087.03	

company			
Minority equity	89,175,611.64	89,175,611.64	
Total owner's equity	3,833,457,698.67	3,833,457,698.67	
Total liabilities and owner's equity	5,454,676,439.17	5,634,710,249.11	180,033,809.94

Description of adjustment

N/A

Balance Sheet of the Parent Company

Unit: RMB

Item	As at December 31, 2020	January 1, 2021	Amount adjusted
Current assets:			
Monetary fund	183,670,255.48	183,670,255.48	
Financial assets held for trading	751,087,543.28	751,087,543.28	
Derivative financial assets			
Notes receivable	3,490,443.67	3,490,443.67	
Accounts receivable	162,695,822.05	162,695,822.05	
Accounts receivable financing			
Advance payment	6,779,568.99	6,766,968.99	-12,600.00
Other receivables	670,376,247.11	670,376,247.11	
Including: Interest receivable			
Dividends receivable	20,654,143.66	20,654,143.66	
Inventory	1,522,773.13	1,522,773.13	
Contract assets	23,021,617.59	23,021,617.59	
Held-for-sale assets			
Non-current assets maturing within one year			
Other current assets	14,591,192.86	14,591,192.86	
Total current assets	1,817,235,464.16	1,817,222,864.16	-12,600.00
Non-current assets:			
Debt investment			
Other debt investments			

Long-term receivables			
Long-term equity investment	2,114,764,164.27	2,114,764,164.27	
Investment in other equity instruments			
Other non-current financial assets	17,294,000.00	17,294,000.00	
Investment real estate	54,390,354.55	54,390,354.55	
Fixed assets	241,930,863.84	241,930,863.84	
Construction in progress	5,735,059.62	5,735,059.62	
Productive biological assets			
Oil and gas assets			
Right-of-use assets		13,291,144.38	13,291,144.38
Intangible assets	21,090,182.18	21,090,182.18	
Development expenditure			
Goodwill			
Long-term deferred expenses	13,161,944.05	13,161,944.05	
Deferred tax assets	10,181,853.65	10,181,853.65	
Other non-current assets	6,980,064.04	6,980,064.04	
Total non-current assets	2,485,528,486.20	2,498,819,630.58	13,291,144.38
Total assets	4,302,763,950.36	4,316,042,494.74	13,278,544.38
Current liabilities:			
Short-term borrowings	150,142,083.34	150,142,083.34	
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable	142,958,619.07	142,958,619.07	
Advance receipts			

Contract liabilities	14,839,232.70	14,839,232.70	
Payroll payable	81,641,839.33	81,641,839.33	
Taxes payable	4,501,067.96	4,501,067.96	
Other payables	801,609,578.87	801,609,578.87	
Including: Interest payable			
Dividends payable	31,042.91	31,042.91	
Held-for-sale liabilities			
Non-current liabilities maturing within one year		3,420,190.04	3,420,190.04
Other current liabilities	323,804.52	323,804.52	
Total current liabilities	1,196,016,225.79	1,199,436,415.83	3,420,190.04
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bond			
Lease liabilities		9,858,354.34	9,858,354.34
Long-term payables			
Long-term payroll payable			
Estimated liabilities			
Deferred income	30,142,644.44	30,142,644.44	
Deferred tax liabilities	8,509,576.57	8,509,576.57	
Other non-current liabilities			
Total non-current liabilities	38,652,221.01	48,510,575.35	9,858,354.34
Total liabilities	1,234,668,446.80	1,247,946,991.18	13,278,544.38
Owner's equity:			
Capital stock	1,665,135,714.00	1,665,135,714.00	

Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserve	123,874,137.89	123,874,137.89	
Less: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserve	177,815,320.91	177,815,320.91	
Undistributed profits	1,101,270,330.76	1,101,270,330.76	
Total owner's equity	3,068,095,503.56	3,068,095,503.56	
Total liabilities and owner's equity	4,302,763,950.36	4,316,042,494.74	13,278,544.38

Description of adjustment

N/A

**(4) Notes to comparative data at the early stage of retroactive adjustment stipulated in the new lease standards apply from 2021 for the first time**

Applicable  Not Applicable

**45. Others**

N/A

**VI. Taxes**

**1. Main tax categories and tax rates**

Tax category	Basis of taxation	Tax rate
Value-added tax	Output VAT shall be calculated based on revenue arising from goods sales and taxable service mandatory for calculation as required by tax laws, and the balance of it after deducting deductible input VAT of current period is the VAT payable	13%, 9%, 6%, 3%
Excise (consumption) tax	0	0

City maintenance and construction tax	Calculated and collected on the basis of actually paid VAT and consumption tax	7%, 5% and 1%
Enterprise income tax   corporate income tax	Calculated and collected on the basis of taxable income	Refer to the notes
Housing property tax	1.2% of the residual value after deducting 30% from the original value of the house property for ad valorem collection	1.2%
Educational surcharges	Calculated and collected on the basis of actually paid VAT and consumption tax	3%
Local education surcharge	Calculated and collected on the basis of actually paid VAT and consumption tax	1%, 2%

If there is a subject of taxation at different enterprise income tax rates, make a disclosure to explain.

Name of tax payer	Income tax rate
Centre Testing International Group Co., Ltd.	15%
Shenzhen CTI Metrology Technology Co., Ltd.	15%
Centre Testing International Pte. Ltd.	17%
CTI U.S. INC.	Federal 21% + state tax 6%
CEM International Limited	19%
POLY NDT (PRIVATE) LIMITED	17%
MARITEC PTE. LTD.	17%
Taiwan CTI Testing Technology Co., Ltd.	20%
Centre Testing International (Hong Kong) Co., Ltd.	16.5%
Shenzhen CTI International Certification Co., Ltd.	15%
Shenzhen CTI Laboratory Technology Service Co., Ltd.	20%
Guangdong CTI Judicial Authentication Center	20%
Shenzhen CTI Training Center	20%
Shenzhen CTI Institute of Reference Materials	20%
Shenzhen CTI Reference Materials Research Center Co., Ltd.	20%
Shenzhen CTI Information Technology Co., Ltd.	20%
Shenzhen CTI Pest Control Co., Ltd.	20%
Zhejiang Hua'an Energy Saving Engineering Co., Ltd.	20%
Zhoushan Jingwei Shipping Service Co., Ltd.	20%
Hangzhou Huacheng Equipment Engineering Supervision Co., Ltd.	20%
Ningbo CTI Testing Technology Co., Ltd.	15%

Hangzhou CTI Testing Technology Co., Ltd.	15%
Shanghai CTI Pinbiao Testing Technology Co., Ltd.	15%
Shanghai CTI Pinzheng Testing Technology Co., Ltd.	15%
Anhui CTI Testing Technology Co., Ltd.	15%
Nanchang CTI Testing Certification Co., Ltd.	20%
Ningguo CTI Testing Technology Co., Ltd.	20%
Shanghai CTI Zhike Materials Technology Co., Ltd.	20%
Chengdu CTI Testing Technology Co., Ltd.	15%
Chongqing CTI Testing Technology Co., Ltd.	15%
Hunan Pinbiao CTI Testing Technology Co., Ltd.	15%
Sichuan CTI Jianxin Testing Technology Co., Ltd.	15%
Chengdu Xijiao CTI Rail Transit Technology Co., Ltd.	20%
Fujian Science Way Testing Co., Ltd. (SW)	20%
Xiamen CTI Testing Technology Co., Ltd.	15%
Suzhou CTI Testing Technology Co., Ltd.	15%
Jiangsu CTI Pinbiao Testing Technology Co., Ltd.	15%
CTI Biotechnology (Suzhou) Co., Ltd.	15%
Centre Testing International (Beijing) Co., Ltd.	15%
Qingdao CTI Testing Technology Co., Ltd.	15%
Heilongjiang CTI Testing Technology Co., Ltd.	15%
Centre Testing Electronic Certification Co., Ltd.	15%
Tianjin Jinbin CTI Product Testing Center Co., Ltd.	15%
Dalian Huaxin Physical and Chemical Testing Center Co., Ltd.	15%
Wuhan CTI Testing Technology Co., Ltd.	15%
Tianjin CTI Testing Certification Co., Ltd.	15%
Henan CTI Testing Technology Co., Ltd.	15%
Beijing CTI Agro-food Certification Co., Ltd.	20%
Inner Mongolia CTI QC Technology Service Co., Ltd.	20%
Pinbiao Environmental Technology Co., Ltd.	20%
Centre Testing International Pinbiao (Liaoning) Co., Ltd.	20%
Shenyang CTI Testing Technology Co., Ltd.	20%
Centre Testing International Pinbiao (Guangzhou) Co., Ltd.	20%
CTI Engineering Testing Co., Ltd.	15%
Gansu CTI Testing Certification Co., Ltd.	20%

Guangxi CTI Testing Certification Co., Ltd.	20%
CTI River Environment Technology (Shenzhen) Co., Ltd.	20%
Zhongshan CTI Testing Technology Co., Ltd.	20%
Beijing CTI Excellent Technology Service Co., Ltd.	20%
Shenzhen CTI Commodity Testing and Survey Co., Ltd.	20%
CTI Investment Management (Shenzhen) Limited	20%
Shenzhen Taikenilin Technology Development Co., Ltd.	20%
Dongguan CTI Testing Certification Co., Ltd.	20%
Shenzhen CTI Medical Laboratory	20%
Tibet CTI Testing Technology Co., Ltd.	20%
Guangzhou CTI Testing Certification Technology Co., Ltd.	15%
Guangzhou CTI Occupational Health Outpatient Department Co., Ltd.	20%
Guizhou CTI Testing Technology Co., Ltd.	20%
Yunnan CTI Testing Certification Co., Ltd.	15%
Kunming CTI Medical Laboratory	20%
Zhejiang CTI Yuanjian Testing Co., Ltd.	20%
Zhejiang Huajian Technology Development Co., Ltd.	20%
Maritec (Shanghai) Co., Ltd.	20%
Shanghai CTI Biological Technology Co., Ltd.	20%
How-To NPD Consulting Co., Ltd.	20%
How-To Technology (Shanghai) Co., Ltd.	20%
Suzhou CTI Engineering Testing Co., Ltd.	20%
Suzhou CTI Medical Laboratory	20%
Suzhou Wuzhong Economic Development Zone Jiakang Outpatient Department Co., Ltd.	20%
CTI Guoruan Technical Services (Nanjing) Co., Ltd.	20%
CTI CSERC (Suzhou) Co., Ltd.	20%
Jiangxi Yingyong CTI Testing Co., Ltd.	20%
Beijing CTI Medical Laboratory	20%
Qingdao CTI Medical Laboratory	20%
Hebei CTI Junrui Testing Technology Co., Ltd.	20%
Tianjin CTI Medical Laboratory	20%
Wuhan Huaxin Physical and Chemical Testing Technology Center Co., Ltd.	20%

Hebei CTI Testing Services Co., Ltd.	20%
CTI Hubei Co., Ltd.	20%
Nanfang Pinbiao CTI Testing (Shenzhen) Co., Ltd.	20%
Xinjiang Kerui Testing Technology Co., Ltd.	20%
Shanghai CTI Aiyan Medical Testing Institute Co., Ltd.	20%
Centre Testing International Pindong (Shanghai) Co., Ltd.	20%
CTI Special Equipment Testing (Beijing) Co., Ltd.	20%
Henan Hucheng Information Technology Co., Ltd.	20%
Henan CTI Quantong Engineering Testing Co., Ltd.	20%
Zhengzhou CTI-Medlab Medical Testing Co., Ltd.	20%
Beifang Pinbiao CTI Testing (Beijing) Co., Ltd.	20%
imat-uve gmbh	34.7%
IMAT-UVE AUTOMOTIVE TESTING CENTRE (PTY) LTD	28%
IMAT AUTOMOTIVE TECHNOLOGY SERVICES INC.	27%
IMAT AUTOMOTIVE TECHNOLOGY SERVICES MEXICO. S. DE R.L. DE C.V.	30%
Imat (Shenyang) Automotive Technology Co., Ltd.	20%
Shanghai Imat Automotive Technology Service Co., Ltd.	20%
CTI-CEM INTERNATIONAL LIMITED	12.5%
CTI Germany Management GmbH	31.925%
CTI Germany Holding GmbH & Co. KG	31.925%
Taxpayers other than the above-mentioned	25%

## 2. Tax preference

### 1. The Company

The Company is recognized by the Science and Technology Innovation Committee of Shenzhen Municipality, Finance Commission of Shenzhen Municipality, Shenzhen Municipal State Taxation Bureau and Shenzhen Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201444201711, dated September 30, 2014 and valid for three years. According to the *Notice of Tax Matters of Shenzhen Municipal State Taxation Bureau* (SGSBXJMBA [2015] No. 54) by Xixiang Taxation Branch of Bao'an State Taxation Bureau of Shenzhen, the Company paid for the enterprise income tax at the tax rate of 15% from January 1, 2014 to December 31, 2016.

The Company passed the review in 2017, with the certificate numbered GR201744202310. Issuance date: October 31, 2017. The Company paid for the enterprise income tax at 15% from January 1, 2017 to December 31, 2019.

The Company passed the review in 2020, with the certificate numbered GR202044201454. Issuance date: December 11, 2020. The Company paid for the enterprise income tax at 15% from January 1, 2020 to December 31, 2022.

### 2. Shenzhen CTI Metrology Technology Co., Ltd.

Shenzhen CTI Metrology Technology Co., Ltd. is recognized by the Science and Technology Innovation Committee of

Shenzhen Municipality, Finance Commission of Shenzhen Municipality and Shenzhen Municipal State Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201944203871, dated on December 9, 2019 and valid for three years, or Shenzhen CTI Metrology Technology Co., Ltd., the rate of the enterprise income tax is 15% under normal conditions.

### **3. Shenzhen CTI International Certification Co., Ltd.**

Shenzhen CTI International Certification Co., Ltd. is recognized by the Science and Technology Innovation Committee of Shenzhen Municipality, Finance Commission of Shenzhen Municipality, and Shenzhen Municipal State Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR202044200749, dated on December 11, 2020 and valid for three years. Shenzhen CTI International Certification Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

### **4. Shenzhen CTI Laboratory Technology Service Co., Ltd.**

Shenzhen CTI Laboratory Technology Service Co., Ltd. is recognized by the Science and Technology Innovation Committee of Shenzhen Municipality, Finance Commission of Shenzhen Municipality and Shenzhen Municipal State Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR202144200248, dated on December 23, 2021 and valid for three years.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

### **5. Guangdong CTI Judicial Authentication Center**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

### **6. Shenzhen CTI Training Center**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

### **7. Shenzhen CTI Institute of Reference Materials**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

### **8. Shenzhen CTI Reference Materials Research Center Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021,

for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**9. Shenzhen CTI information Technology Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income of exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**10. Shenzhen CTI Pest Control Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**11. Zhejiang Hua'an Energy Saving Engineering Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**12. Zhoushan Jingwei Shipping Service Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**13. Hangzhou Huacheng Equipment Engineering Supervision Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**14. Ningbo CTI Testing Technology Co., Ltd.**

Ningbo CTI Testing Technology Co., Ltd. is jointly recognized by Ningbo Municipal Science and Technology Bureau, Ningbo Municipal Bureau of Finance, and Ningbo Tax Service, State Taxation Administration as a new and high-tech enterprise under the

certificate numbered GR201833100221, dated on November 27, 2018 and valid for three years.

According to the *Document of Management Work Leadership Group for Certification of High and New Technology Enterprises in Ningbo* (YGQRL [2022] No. 1), the Company was designated as a new and high-tech enterprise under the certificate numbered GR202133100802, dated on December 10, 2021, and valid for three years. Ningbo CTI Testing Technology Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

**15. Hangzhou CTI Testing Technology Co., Ltd.**

Hangzhou CTI Testing Technology Co., Ltd. is jointly recognized by Science and Technology Department of Zhejiang Province, Department of Finance of Zhejiang Province and Zhejiang Provincial Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR202033002508, dated on December 1, 2020 and valid for three years. Hangzhou CTI Testing Technology Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

**16. Shanghai CTI Pinbiao Testing Technology Co., Ltd.**

Shanghai CTI Pinbiao Testing Technology Co., Ltd. is jointly recognized by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Bureau of Finance, Shanghai Municipal Office of SAT and Shanghai Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201931005268, dated on December 6, 2019 and valid for three years. Shanghai CTI Pinbiao Testing Technology Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

**17. Centre Testing International Pinzheng (Shanghai) Co., Ltd.**

Centre Testing International Pinzheng (Shanghai) Co., Ltd. is jointly recognized by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Bureau of Finance, Shanghai Municipal Office of SAT and Shanghai Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201731002121, dated on November 8, 2020 and valid for three years. Centre Testing International Pinzheng (Shanghai) Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

**18. Anhui CTI Testing Technology Co., Ltd.**

Anhui CTI Testing Technology Co., Ltd. is jointly recognized by Science and Technology Department of Anhui Province, Department of Finance of Anhui Province, Anhui Provincial Tax Service, State Taxation Administration and Anhui Provincial Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201934001289, dated on September 9, 2019 and valid for three years. Anhui CTI Testing Technology Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

**19. Nanchang CTI Testing Certification Co., Ltd.**

Nanchang CTI Testing Certification Co., Ltd. is jointly recognized by Science and Technology Department of Jiangxi Province, Department of Finance of Jiangxi Province and Jiangxi Provincial Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR202036002943, dated on December 2, 2020 and valid for three years.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**20. Ningguo CTI Testing Technology Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable

income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**21. Shanghai CTI Zhike Materials Technology Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**22. Chengdu CTI Testing Technology Co., Ltd.**

Chengdu CTI Testing Technology Co., Ltd. is jointly recognized by Science and Technology Department of Sichuan Province, Department of Finance of Sichuan Province, Sichuan Provincial Tax Service, State Taxation Administration and Sichuan Provincial Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201951001162, dated on November 28, 2019 and valid for three years. Chengdu CTI Testing Technology Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

**23. Chongqing CTI Testing Technology Co., Ltd.**

Chongqing CTI Testing Technology Co., Ltd. is jointly recognized by Science and Technology Commission of Chongqing Municipality, Chongqing Municipal Bureau of Finance, Chongqing Municipal Office of SAT and Chongqing Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201951100639, dated on November 21, 2019 and valid for three years. Chongqing CTI Testing Technology Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

**24. Hunan Pinbiao CTI Testing Technology Co., Ltd.**

Hunan Pinbiao CTI Testing Technology Co., Ltd. is jointly recognized by Science and Technology Department of Hunan Province, Department of Finance of Hunan Province and Hunan Provincial Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR201843001186, dated on December 3, 2018 and valid for three years.

The Company passed the review in 2021, with the certificate numbered GR202143003644. Issuance date: December 15, 2021. The Company paid enterprise income tax at 15% from January 1, 2021 to December 31, 2023.

**25. Sichuan CTI Jianxin Testing Technology Co., Ltd.**

Sichuan CTI Jianxin Testing Technology Co., Ltd. is jointly recognized by Science and Technology Department of Sichuan Province, Department of Finance of Sichuan Province, Sichuan Provincial Tax Service, State Taxation Administration and Sichuan Provincial Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR202151002258, dated on October 9, 2021 and valid for three years. Sichuan CTI Jianxin Testing Technology Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

**26. Chengdu Xijiao CTI Rail Transit Technology Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**27. Fujian Science Way Testing Co., Ltd. (SW)**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021,

for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**28. Xiamen CTI Testing Technology Co., Ltd.**

Xiamen CTI Testing Technology Co., Ltd. is jointly recognized by Science and Technology Department of Xiamen, Department of Finance of Xiamen, Xiamen Municipal Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR202135100065, dated on November 3, 2021 and valid for three years. Xiamen CTI Testing Technology Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

**29. Suzhou CTI Testing Technology Co., Ltd.**

Suzhou CTI Testing Technology Co., Ltd. is jointly recognized by Science and Technology Department of Jiangsu Province, Department of Finance of Jiangsu Province and Jiangsu Provincial Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR202032002108, dated on December 2, 2020 and valid for three years. Suzhou CTI Testing Technology Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

**30. Jiangsu CTI Pinbiao Testing Technology Co., Ltd.**

Jiangsu CTI Pinbiao Testing Technology Co., Ltd. is jointly recognized by Science and Technology Department of Jiangsu Province, Department of Finance of Jiangsu Province and Jiangsu Provincial Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR202032000014, dated on December 2, 2020 and valid for three years. Jiangsu CTI Pinbiao Testing Technology Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

**31. CTI Biotechnology (Suzhou) Co., Ltd.**

CTI Biotechnology (Suzhou) Co., Ltd. is jointly recognized by Science and Technology Department of Jiangsu Province, Department of Finance of Jiangsu Province and Jiangsu Provincial Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR202032003741, dated on December 2, 2020 and valid for three years. CTI Biotechnology (Suzhou) Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

**32. Centre Testing International Group Beijing Co., Ltd.**

On August 10, 2017, Centre Testing International (Beijing) Co., Ltd. was recognized by Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of SAT and Beijing Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GF201711000166 and valid for three years. The Company will pay for the enterprise income tax at the tax rate of 15% during 2017-2019.

The Company passed the review in 2020, with the certificate numbered GR202011003279. Issuance date: October 21, 2020. The certificate is valid for 3 years. Centre Testing International (Beijing) Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

**33. Qingdao CTI Testing Technology Co., Ltd.**

Qingdao CTI Testing Technology Co., Ltd. is jointly recognized by Qingdao Municipal Science and Technology Bureau, Qingdao Municipal Bureau of Finance, Qingdao Tax Service, State Taxation Administration, Qingdao Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GF201537100078, dated on October 8, 2015 and valid for three years. =

The Company passed the review in 2018, with the certificate numbered GR201837101447. Issuance date: November 30, 2018. The Company paid enterprise income tax at 15% from January 1, 2018 to December 31, 2020.

The Company passed the review in 2021, with the certificate numbered GR202137100901. Issuance date: November 4, 2021. The Company paid enterprise income tax at 15% from January 1, 2021 to December 31, 2023.

**34. Heilongjiang CTI Testing Technology Co., Ltd.**

Heilongjiang CTI Testing Technology Co., Ltd. is jointly recognized by Science and Technology Department of Heilongjiang Province, The Finance Department of Heilongjiang Province, Heilongjiang Provincial Tax Service, State Taxation Administration, Heilongjiang Provincial Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201523000102, dated on October 13, 2015 and valid for three years. -

The Company passed the review in 2018, with the certificate numbered GR201823000075. Issuance date: November 27, 2018. The Company paid enterprise income tax at 15% from January 1, 2018 to December 31, 2020.

The Company passed the review in 2021, with the certificate numbered GR202123000845. Issuance date: October 28, 2021. The Company paid enterprise income tax at 15% from January 1, 2021 to December 31, 2023.

### **35. Centre Testing Electronic Certification Co., Ltd.**

Centre Testing Electronic Certification Co., Ltd. is jointly recognized by Science and Technology Department of Henan Province, Department of Finance of Henan Province and Henan Provincial Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR201941001420, dated on December 3, 2019 and valid for three years. Centre Testing Electronic Certification Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

### **36. Tianjin Jinbin CTI Product Testing Center Co., Ltd.**

Tianjin Jinbin CTI Product Testing Center Co., Ltd. is jointly recognized by Science and Technology Commission of Tianjin Municipality, Tianjin Municipal Bureau of Finance, Tianjin Municipal Office of SAT and Tianjin Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201612001212, dated December 9, 2016 and valid for three years.

The Company passed the review in 2019, with the certificate numbered GR201912000082. Issue date: October 28, 2019. The certificate is valid for three years. Tianjin Jinbin CTI Product Testing Center Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

### **37. Dalian Huaxin Physical and Chemical Testing Center Co., Ltd.**

Dalian Huaxin Physical and Chemical Testing Center Co., Ltd. is jointly recognized by Dalian Municipal Science and Technology Bureau, Dalian Municipal Bureau of Finance, Dalian Tax Service, State Taxation Administration and Dalian Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201921200267, dated September 2, 2019 and valid for three years. Dalian Huaxin Physical and Chemical Testing Center Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

### **38. Wuhan CTI Testing Technology Co., Ltd.**

Wuhan CTI Testing Technology Co., Ltd. is jointly recognized by Science and Technology Department of Hubei Province, Department of Finance of Hubei Province and Hubei Provincial Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR201942002961, dated on November 28, 2019 and valid for three years. Wuhan CTI Testing Technology Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

### **39. Tianjin CTI Testing Certification Co., Ltd.**

Tianjin CTI Testing Certification Co., Ltd. is jointly recognized by Science and Technology Commission of Tianjin, Department of Finance of Tianjin and Tianjin Municipal Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR201812001087, dated on November 30, 2018 and valid for three years.

Tianjin CTI Testing Certification Co., Ltd. passed review this year. It is jointly recognized by Science and Technology Department of Tianjin, Department of Finance of Tianjin and Tianjin Municipal Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR202112000179, dated on October 9, 2021 and valid for three years. Tianjin CTI Testing Certification Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in the reporting period.

### **40. Henan CTI Testing Technology Co., Ltd.**

Henan CTI Testing Technology Co., Ltd. is jointly recognized by Science and Technology Department of Henan Province, Department of Finance of Henan Province, Henan Provincial Tax Service, State Taxation Administration and Henan Provincial Local

Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR202041000261, dated on September 9, 2020 and valid for three years. Henan CTI Testing Technology Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

**41. Beijing CTI Agro-food Certification Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**42. Inner Mongolia CTI QC Technology Service Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**43. Pinbiao Environmental Technology Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**44. Centre Testing International Pinbiao (Liaoning) Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**45. Shenyang CTI Testing Technology Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**46. Centre Testing International Pinbiao (Guangzhou) Co., Ltd.**

Centre Testing International Pinbiao (Guangzhou) Co., Ltd. is jointly recognized by Science and Technology Department of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Tax Service, State Taxation Administration and Guangdong Provincial Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered

GR202044007364, dated on December 9, 2020 and valid for three years.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**47. CTI Engineering Testing Co., Ltd.**

CTI Engineering Testing Co., Ltd. is jointly recognized by Science and Technology Department of Guangdong Province, Department of Finance of Guangdong Province and Guangdong Provincial Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR201944006182, dated on December 2, 2019 and valid for three years. CTI Engineering Testing Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

**48. Gansu CTI Testing Certification Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**49. Guangxi CTI Testing Certification Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**50. CTI River Environment Technology (Shenzhen) Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**51. Zhongshan CTI Testing Technology Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**52. Beijing CTI Excellent Technology Service Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax*

*Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**53. Shenzhen CTI Commodity Testing and Survey Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**54. CTI Investment Management (Shenzhen) Limited**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**55. Shenzhen Taikenilin Technology Development Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**56. Dongguan CTI Testing Certification Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**57. Shenzhen CTI Medical Laboratory**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**58. Tibet CTI Testing Technology Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax*

*Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**59. Guangzhou CTI Testing Certification Technology Co., Ltd.**

Guangzhou CTI Testing Certification Technology Co., Ltd. is jointly recognized by Science and Technology Department of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Tax Service, State Taxation Administration and Guangdong Provincial Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR202144013336, dated on December 31, 2021 and valid for three years. Guangzhou CTI Testing Certification Technology Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

**60. Guangzhou CTI Occupational Health Outpatient Department Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**61. Guizhou CTI Testing Technology Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**62. Yunnan CTI Testing Certification Co., Ltd.**

Yunnan CTI Testing Certification Co., Ltd. is jointly recognized by Science and Technology Department of Yunnan Province, Department of Finance of Yunnan Province and Yunnan Provincial Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR202153000572, dated on December 3, 2021 and valid for three years. Yunnan CTI Testing Certification Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% this year.

**63. Kunming CTI Medical Laboratory**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**64. Zhejiang CTI Yuanjian Testing Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable

income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**65. Zhejiang Huajian Technology Development Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**66. Maritec (Shanghai) Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**67. Shanghai CTI Biological Technology Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**68. How-To NPD Consulting Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**69. How-To Technology (Shanghai) Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**70. Suzhou CTI Engineering Testing Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable

income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**71. Suzhou CTI Medical Laboratory**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**72. Suzhou Wuzhong Economic Development Zone Jiakang Outpatient Department Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**73. CTI Guoruan Technical Services (Nanjing) Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**74. CTI CSERC (Suzhou) Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**75. Jiangxi Yingyong CTI Testing Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**76. Beijing CTI Medical Laboratory**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable

income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**77. Qingdao CTI Medical Laboratory**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**78. Hebei CTI Junrui Testing Technology Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**79. Tianjin CTI Medical Laboratory**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**80. Wuhan Huaxin Physical and Chemical Testing Technology Center Co., Ltd.**

Wuhan Huaxin Physical and Chemical Testing Technology Center Co., Ltd. is jointly recognized by Science and Technology Department of Hubei Province, Department of Finance of Hubei Province and Hubei Provincial Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR202142005029, dated on December 3, 2021 and valid for three years.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**81. Hebei CTI Testing Services Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**82. CTI Hubei Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**83. Nanfang Pinbiao CTI Testing Shenzhen Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**84. Xinjiang Kerui Testing Technology Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**85. Shanghai CTI Aiyan Medical Testing Institute Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**86. Centre Testing International Pindong (Shanghai) Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**87. CTI Special Equipment Testing (Beijing) Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**88. Henan Hucheng Information Technology Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**89. Henan CTI Quantong Engineering Testing Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**90. Zhengzhou CTI-Medlab Medical Testing Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**91. Beifang Pinbiao CTI Testing (Beijing) Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**92. Imat (Shenyang) Automotive Technology Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**93. Shanghai Imat Automotive Technology Service Co., Ltd.**

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1 million, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

**3. Others**

N/A

**VII. Notes to items in the consolidated financial statements****1. Monetary fund**

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	221,707.84	212,612.19
Bank deposit	1,143,488,422.87	546,088,058.45
Other monetary funds	19,483,980.91	14,316,970.94
Total	1,163,194,111.62	560,617,641.58
Including: Total amount of overseas deposits	136,094,248.90	121,864,864.09
Total amount of the funds in use limitation due to mortgage, pledge or freeze, etc.	22,061,288.73	17,650,766.01

Other description

The restricted monetary funds are in detail as follows:

Item	Ending balance	Beginning balance
Security for banker acceptance bill		0.87
Security for letter of credit		
Bidding security	364,000.00	701,320.76
Performance security	17,591,455.70	13,125,610.96
Time deposits or call deposits	139,348.61	96,264.68
Advance payment letter of guarantee	528,000.00	3,727,568.74
Others	3,438,484.42	
Total	22,061,288.73	17,650,766.01

**2. Financial assets held for trading**

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	420,840,936.13	1,001,604,472.72
Including:		
Bank financial management products	420,840,936.13	1,001,604,472.72

Including:		
Total	420,840,936.13	1,001,604,472.72

Other descriptions:

N/A

### 3. Derivative financial assets

Unit: RMB

Item	Ending balance	Beginning balance
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Other descriptions:

N/A

### 4. Notes receivable

#### (1) Classified presentation of notes receivable

Unit: RMB

Item	Ending balance	Beginning balance
Bank's acceptance bills	8,930,289.03	17,780,046.55
Trade acceptance	965,604.15	3,650,523.67
Total	9,895,893.18	21,430,570.22

Unit: RMB

Category	Ending balance					Beginning balance				
	Book balance		Bad-debt provision		Book value	Book balance		Bad-debt provision		Book value
	Amount	Proportion	Amount	Percentage of provision		Amount	Proportion	Amount	Percentage of provision	
Including:										
Notes receivable with provision for bad debt reserve by portfolio	10,891,775.59	100.00%	995,882.41	9.14%	9,896,893.18	22,723.18	100.00%	1,292,145.12	5.69%	21,430,570.22
Including:										
Including: Banker acceptance bill	9,833,873.85	90.29%	903,584.82	9.19%	8,930,289.03	18,954,487.25	83.42%	1,174,440.70	6.20%	17,780,046.55
Commercial acceptance bill	1,057,901.74	9.71%	92,297.59	8.72%	965,604.15	3,768,228.09	16.58%	117,704.42	3.12%	3,650,523.67

Total	10,891,775.59	100.00%	995,882.41	9.14%	9,895,893.18	22,722,715.34	100.00%	1,292,145.12	5.69%	21,430,570.22
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Bad-debt provision by individual item:

Unit: RMB

Name	Ending balance			
	Book balance	Bad-debt provision	Percentage of provision	Reasons for provision

Provision for bad debt reserves by portfolio: RMB 995,882.41

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt provision	Percentage of provision
Banker acceptance bill	9,833,873.85	903,584.82	9.19%
Commercial acceptance bill	1,057,901.74	92,297.59	8.72%
Total	10,891,775.59	995,882.41	--

Description of basis for determining the portfolio:

N/A

Provision for bad debt reserve as per portfolio:

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt provision	Percentage of provision

Description of basis for determining the portfolio:

For provision for bad debt reserves of the notes receivable by the general model of the expected credit loss, relevant information of bad debt reserves is disclosed based on the disclosure method of other receivables:

Applicable  Not Applicable

## (2) Bad debt provision, and its recovery or reversal in the current period

Provision for bad debts in the current period:

Unit: RMB

Category	Beginning balance	The amount of change in the current period				Ending balance
		Provision	Recovered or returned	Write-off	Others	
Notes receivable with provisions for expected credit	1,174,440.70	-256,175.51			-14,680.37	903,584.82

loss as per the portfolio (banker acceptance bill)						
Notes receivable with provisions for expected credit loss as per the portfolio (commercial acceptance bill)	117,704.42	-25,406.83				92,297.59
<b>Total</b>	<b>1,292,145.12</b>	<b>-281,582.34</b>			<b>-14,680.37</b>	<b>995,882.41</b>

The recovered or reversed bad debt reserves with significant amounts in the current period:

Applicable  Not Applicable

### (3) Notes receivable at the end of the period pledged by the Company

Unit: RMB

Item	Pledged amount at end of the period
Total	0.00

### (4) Notes receivable endorsed or discounted by the Company at end of the period and yet undue by the balance sheet date

Unit: RMB

Item	Ending amount derecognized	Ending amount not derecognized
Bank's acceptance bills	12,391,667.85	
Total	12,391,667.85	0.00

### (5) Notes transferred to accounts receivable by the Company due to drawer's non-performance at the end of the period

Unit: RMB

Item	Amount transferred into accounts receivable at end of the period
Total	0.00

Other description

N/A

**(6) Notes receivable actually written off in the current period**

Unit: RMB

Item	Written-off amount
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The write-off of major notes receivable:

Unit: RMB

Company name	Nature of notes receivable	Written-off amount	Reason for the write-off	Performed write-off procedures	Generated due to related party transactions or not
Total	--	0.00	--	--	--

Description of notes receivable write-off:

N/A

**5. Accounts receivable****(1) Classified disclosure of accounts receivable**

Unit: RMB

Category	Ending balance					Beginning balance				
	Book balance		Bad-debt provision		Book value	Book balance		Bad-debt provision		Book value
	Amount	Proportion	Amount	Percentage of provision		Amount	Proportion	Amount	Percentage of provision	
Accounts receivable with provision for bad debt reserves by individual item	4,481,068.83	0.39%	4,481,068.83	100.00%	0.00	3,135,590.86	0.37%	3,135,590.86	100.00%	0.00
Including:										
Accounts receivable with provision for bad debt reserves by portfolio	1,140,266,584.29	99.61%	116,839,832.01	10.25%	1,023,426,752.28	851,708,251.08	99.63%	93,534,711.93	10.98%	758,173,539.15
Including:										
Including: Aging portfolio	1,140,266,584.29	99.61%	116,839,832.01	10.25%	1,023,426,752.28	851,708,251.08	99.63%	93,534,711.93	10.98%	758,173,539.15
Total	1,144,747,653.	100.00%	121,320,90	10.60%	1,023,426,752.28	854,843,84	100.00%	96,670,302.	11.31%	758,173,

	12		0.84		6,75 2.28	1.94		79		539. 15
--	----	--	------	--	--------------	------	--	----	--	------------

Provision for bad debt by individual item: RMB 4,481,068.83

Unit: RMB

Name	Ending balance			
	Book balance	Bad-debt provision	Percentage of provision	Reasons for provision
Baoneng (Guangzhou) Automobile Research Institute Co., Ltd.	1,622,140.00	1,622,140.00	100.00%	Possibly not recoverable
Ningbo Ta'ao Ditong Auto Parts Co., Ltd.	1,169,074.00	1,169,074.00	100.00%	Possibly not recoverable
Heinze Kunststoff Technik GmbH & Co. KG	155,365.42	155,365.42	100.00%	Possibly not recoverable
Sichuan Leshan Fuhua Tongda Agro-Chemical Technology Co., Ltd.	153,000.00	153,000.00	100.00%	Possibly not recoverable
Evergrande Group Yancheng Chengnan Real Estate Co., Ltd.	129,893.00	129,893.00	100.00%	Possibly not recoverable
Accounts receivable with provision by individual item with book balance no more than RMB 100,000	1,251,596.41	1,251,596.41	100.00%	Possibly not recoverable
Total	4,481,068.83	4,481,068.83	--	--

Bad-debt provision by individual item:

Unit: RMB

Name	Ending balance			
	Book balance	Bad-debt provision	Percentage of provision	Reasons for provision

Provision for bad debt based on portfolio: RMB 116,839,832.01

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt provision	Percentage of provision
Within 1 year	983,106,814.08	49,152,737.38	5.00%
1-2 years	103,409,965.33	28,850,551.22	27.90%

2-3 years	29,219,678.01	14,306,416.54	48.96%
Above 3 years	24,530,126.87	24,530,126.87	100.00%
Total	1,140,266,584.29	116,839,832.01	--

Description of basis for determining the portfolio:

N/A

Provision for bad debt reserve as per portfolio:

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt provision	Percentage of provision

Description of basis for determining the portfolio:

For provision for bad debt reserve for accounts receivable by the general model of the expected credit loss, relevant information of bad debt reserves is disclosed based on the disclosure method of other receivables:

Applicable  Not Applicable

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive of 1 year)	984,904,118.03
1 to 2 years	103,735,074.09
2 to 3 years	29,523,377.28
Above 3 years	26,585,083.72
3 to 4 years	15,344,597.50
4 to 5 years	6,220,474.29
Over 5 years	5,020,011.93
Total	1,144,747,653.12

## (2) Bad debt provision, and its recovery or reversal in the current period

Provision for bad debts in the current period:

Unit: RMB

Category	Beginning balance	The amount of change in the current period				Ending balance
		Provision	Recovered or reversed	Write-off	Others	
Accounts receivable with provision for expected credit loss by individual item	3,135,590.86	3,117,831.29	-237,133.42	-1,535,219.90		4,481,068.83

Accounts receivable with provision for expected credit loss based on portfolio	93,534,711.93	33,864,321.57		-13,178,194.89	2,618,993.40	116,839,832.01
<b>Total</b>	<b>96,670,302.79</b>	<b>36,982,152.86</b>	<b>-237,133.42</b>	<b>-14,713,414.79</b>	<b>2,618,993.40</b>	<b>121,320,900.84</b>

The recovered or reversed bad debt reserves with significant amounts in the current period:

Unit: RMB

Company name	Reversed or recovered amount	Recovery method
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### (3) Accounts receivable actually written off in the current period

Unit: RMB

Item	Written-off amount
Accounts receivable actually written off	14,713,414.79

Write-off of significant accounts receivable:

Unit: RMB

Company name	Nature of accounts receivable	Written-off amount	Reason for the write-off	Performed write-off procedures	Generated due to related party transactions or not
East China Branch of SINOPEC Sales Co., Ltd.	Inspection fee	947,335.00	Irrecoverable	Approved	No
Gas Production Branch of Daqing Oilfield Co., Ltd.	Inspection fee	921,731.33	Irrecoverable	Approved	No
Shaanxi Xiyu Nondestructive Testing Co., Ltd.	Inspection fee	852,821.00	Irrecoverable	Approved	No
Wanxiang Petroleum Storage (Zhoushan) Co., Ltd.	Inspection fee	787,284.42	Irrecoverable	Approved	No
CNOOC Ningbo Daxie Petrochemical Co., Ltd.	Inspection fee	518,884.28	Irrecoverable	Approved	No
Xinjiang Guotai Xinhua Chemical	Inspection fee	510,332.54	Irrecoverable	Approved	No

Co., Ltd.					
Guowei Science and Technology Co., Ltd.	Inspection fee	504,162.00	Irrecoverable	Approved	No
<b>Total</b>	--	5,042,550.57	--	--	--

Description of write-off of accounts receivable:

N/A

**(4) Top five debtors with the biggest ending balances of accounts receivable**

Unit: RMB

Company name	Ending balance of accounts receivable	Proportion in total ending balance of accounts receivable	Ending balance of provision for bad debts
Guangzhou Testing Center of Construction Quality and Safety Co., Ltd.	17,039,111.86	1.49%	952,154.11
Qingyang Changqing Engineering Testing Co., Ltd.	9,245,315.86	0.81%	992,984.55
CETC No. 54 Research Institute	8,790,585.00	0.77%	439,529.26
Hangzhou Lypin Testing Technology Co., Ltd.	7,895,344.58	0.69%	394,769.96
Jiangsu Academy of Environmental Industry and Technology Corp. Ltd.	7,439,935.00	0.65%	1,337,990.50
<b>Total</b>	50,410,292.30	4.41%	

**(5) Accounts receivable derecognized due to transfer of financial assets**

N/A

**(6) Assets and liabilities resulted by transfer of accounts receivable and continuous involvement**

N/A

Other descriptions:

N/A

**6. Financing of accounts receivable**

Unit: RMB

Item	Ending balance	Beginning balance
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Changes in increase/decrease of accounts receivable financing in the current period and changes in fair value

 Applicable  Not Applicable

For impairment provision for financing of the amounts receivable by the general model of the expected credit loss, relevant information of impairment provision is disclosed based on the disclosure method of other receivables:

 Applicable  Not Applicable

Other descriptions:

N/A

**7. Advance payment****(1) Advance payments presented by aging**

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	27,649,936.25	98.30%	42,773,001.30	95.26%
1 to 2 years	383,181.01	1.36%	2,061,409.51	4.59%
2 to 3 years	52,512.51	0.19%	33,930.36	0.08%
Above 3 years	42,779.51	0.15%	31,211.91	0.07%
Total	28,128,409.28	--	44,899,553.08	--

Explanation of reasons for failure in timely settling advance payment with aging more than 1 year and significant amount:

N/A

**(2) Top five payers with the biggest ending balances of advance payments**

Company name	Ending balance	Proportion in total advance payment (%)	Time of advance payment	Reasons for unsettlement
Sichuan Hengshu Bio-Technology Co., Ltd.	4,419,900.00	15.71	2021	Business not completed
Li Changqing	1,263,816.08	4.49	2021	Unamortized advance payment
Beijing Qihuan Engineering Technology Consulting Co., Ltd.	810,631.05	2.88	2021	Business not completed
Waters Technologies (Shanghai) Limited	720,058.41	2.56	2021	Unamortized advance payment

Agilent Technologies Taiwan Ltd.	624,829.14	2.22	2021	Business not completed
Total	7,839,234.68	27.86		

Other descriptions:

N/A

## 8. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Dividends receivable	609,662.48	
Other receivables	67,756,066.11	52,170,517.89
Total	68,365,728.59	52,170,517.89

### (1) Interest receivable

#### 1) Classification of interest receivable

Unit: RMB

Item	Ending balance	Beginning balance
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#### 2) Significant overdue interest

Unit: RMB

Borrower	Ending balance	Overdue time	Overdue reason	Whether impairment occurs and its judgment basis
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Other descriptions:

N/A

#### 3) Bad debt provision

Applicable  Not Applicable

### (2) Dividends receivable

#### 1) Classification of dividends receivable

Unit: RMB

Project (or investee)	Ending balance	Beginning balance
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Shanghai Fairyland Software Co., Ltd.	609,662.48	0.00
Total	609,662.48	

## 2) Significant dividends receivable aged over 1 year

Unit: RMB

Project (or investee)	Ending balance	Aging	Reason for unrecovered amount	Whether impairment occurs and its judgment basis

## 3) Bad debt provision

Applicable  Not Applicable

Other descriptions:

N/A

## (3) Other receivables

### 1) Classification of other receivables by nature

Unit: RMB

Nature	Ending book balance	Beginning book balance
Deposit and security	56,659,534.15	49,068,828.74
Suspense payment receivable	13,569,838.13	7,884,652.05
Others	3,685,663.56	2,133,265.49
Total	73,915,035.84	59,086,746.28

## 2) Bad debt provision

Unit: RMB

Bad-debt provision	Stage I	Stage II	Stage III	Total
	Expected credit loss in next 12 months	Expected credit loss over the entire duration (without credit impairment)	Expected credit loss throughout the entire duration (depreciation of credit)	
Balance as at January 1, 2021	5,694,940.02	0.00	1,221,288.37	6,916,228.39
Balance as at January 1, 2021 in current period	---	---	---	---

Provision in the current period	-343,462.51		-111,353.81	-454,816.32
Reversal in the current period	-12,000.00			-12,000.00
Write-off in the current period	-374,310.00		-202,700.00	-577,010.00
Other changes	286,567.66			286,567.66
Balance as at December 31, 2021	5,251,735.17	0.00	907,234.56	6,158,969.73

Book balance changes with significant changes in loss provisions in the current period

Applicable  Not Applicable

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive of 1 year)	43,318,628.54
1 to 2 years	13,538,018.29
2 to 3 years	5,436,175.69
Above 3 years	11,622,213.32
3 to 4 years	3,839,062.07
4 to 5 years	3,538,051.47
Over 5 years	4,245,099.78
Total	73,915,035.84

### 3) Bad debt provision, and its recovery or reversal in the current period

Provision for bad debts in the current period:

Unit: RMB

Category	Beginning balance	The amount of change in the current period				Ending balance
		Provision	Recovered or reversed	Write-off	Others	
Other receivables with provision for expected credit loss by individual item	1,221,288.37	-111,353.81		-202,700.00		907,234.56
Other receivables with	5,694,940.02	-343,462.51	-12,000.00	-374,310.00	286,567.66	5,251,735.17

provision for expected credit loss based on portfolio						
Total	6,916,228.39	-454,816.32	-12,000.00	-577,010.00	286,567.66	6,158,969.73

N/A

Reversal or recovery of bad debt provisions of major amount in the current period:

Unit: RMB

Company name	Reversed or recovered amount	Recovery method
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N/A

**4) Other receivables actually written off in the current period**

Unit: RMB

Item	Written-off amount
Other receivables actually written off	577,010.00

The write-off of major other receivables:

Unit: RMB

Company name	Nature of other receivables	Written-off amount	Reason for the write-off	Performed write-off procedures	Generated due to related party transactions or not
Total	--	0.00	--	--	--

Explanation of write-off of other receivables:

N/A

**5) Top five other receivables of ending balance accumulated by debtors**

Unit: RMB

Company name	Nature of the payment	Ending balance	Aging	Proportion in total ending balance of other receivables	Ending balance of provision for bad debts
Jilin Changchun Property Right Trading Center (Group) Co., Ltd.	Deposit and security	3,000,000.00	Within 1 year	4.06%	
China Securities Depository and Clearing Company Limited (CSDC)	Others	2,410,000.00	Within 1 year	3.26%	120,500.00

(Shenzhen Branch)					
Shenzhen Dingxin Financial Investment Holding Co., Ltd.	Deposit and security	1,909,734.00	Within 1 year, 1-2 years, over 3 years	2.58%	1,000.00
Shanghai Hi-Tech Control System Co., Ltd.	Deposit and security	1,234,187.98	Within 1 year, 1-2 years	1.67%	
Alaner Corporation Limited	Deposit and security	1,194,810.00	Within 1 year	1.62%	
<b>Total</b>	--	9,748,731.98	--	13.19%	121,500.00

### 6) Receivables involving government grants

Unit: RMB

Company name	Name of government grant project	Ending balance	Aging at the end of period	Estimated time, amount and basis of collection
N/A				

### 7) Other receivables derecognized due to transfer of financial assets

N/A

### 8) Assets and liabilities resulting from transfer of other receivables and continuous involvement

N/A

Other descriptions:

N/A

## 9. Inventory

Whether the Company is required to comply with the disclosure requirements for the real estate industry

No

### (1) Classification of inventories

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Inventory	Book value	Book balance	Inventory	Book value

		depreciation reserves or provision for impairment of contract performance cost			depreciation reserves or provision for impairment of contract performance cost	
Raw materials	41,868,226.06		41,868,226.06	23,993,817.48		23,993,817.48
Commodity stocks	5,195,261.68		5,195,261.68	3,497,084.47		3,497,084.47
Contract performance cost	8,288,851.70		8,288,851.70	4,795,583.48		4,795,583.48
Commodity shipped in transit	22,736.75		22,736.75	52,972.35		52,972.35
Total	55,375,076.19	0.00	55,375,076.19	32,339,457.78	0.00	32,339,457.78

**(2) Inventory depreciation reserve or provision for impairment of contract performance cost**

Unit: RMB

Item	Beginning balance	Increase in the current period		Decrease in the current period		Ending balance
		Provision	Others	Reversal or write-off	Others	
Total	0.00					0.00

N/A

**(3) Explanation for capitalized borrowing costs included in the ending balance of the inventory**

N/A

**(4) Explanation for the current amortization amount of the contract performance cost**

N/A

**10. Contract assets**

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value

Completed but unsettled	145,779,138. 52	7,957,727.66	137,821,410. 86	108,802,879. 31	5,505,718.22	103,297,161.0 9
Total	145,779,138. 52	7,957,727.66	137,821,410. 86	108,802,879. 31	5,505,718.22	103,297,161.0 9

Amount of and reason for major changes in the book value of contract assets in the current period:

Unit: RMB

Item	Changed amount	Reason for change
Completed but unsettled	34,524,249.77	Increase in unsettled items in current period
Total	34,524,249.77	---

In case of contract assets of bad debt provisions by the general model of expected credit loss, please disclose the relevant information of bad debt provision in line with the disclosure method of other receivables:

Applicable  Not Applicable

Information on withdrawal of provision for impairment of contract assets in the current period

Unit: RMB

Item	Provision in the current period	Reversal in the current period	Charge-off / write-off in current period	Reason
Completed but unsettled	2,452,581.37	0.00		
Total	2,452,581.37	0.00	0.00	--

Other descriptions:

N/A

## 11. Held-for-sale assets

Unit: RMB

Item	Ending book balance	Provision for impairment	Closing book value	Fair value	Estimated disposal cost	Estimated disposal time

Other descriptions:

N/A

## 12. Non-current assets maturing within one year

Unit: RMB

Item	Ending balance	Beginning balance

Major/other debt investment

Unit: RMB

Debt items	Ending balance				Beginning balance			
	Par value	Nominal rate	Real rate	Due date	Par value	Nominal rate	Real rate	Due date

Other descriptions:

N/A

### 13. Other current assets

Unit: RMB

Item	Ending balance	Beginning balance
Prepaid enterprise income tax	15,141,640.53	17,768,465.00
Deductible value-added tax	62,988,900.33	67,061,294.83
Others	215,004.98	213,786.40
<b>Total</b>	<b>78,345,545.84</b>	<b>85,043,546.23</b>

Other descriptions:

N/A

### 14. Debt investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value

Major debt investment

Unit: RMB

Debt items	Ending balance				Beginning balance			
	Par value	Nominal rate	Real rate	Due date	Par value	Nominal rate	Real rate	Due date

Withdrawal of impairment provisions

Unit: RMB

Bad-debt provision	Stage I	Stage II	Stage III	Total
	Expected credit loss in next 12 months	Expected credit loss over the entire duration (without credit impairment)	Expected credit loss throughout the entire duration (depreciation of credit)	
Balance as at January 1, 2021 in current period	---	---	---	---

Book balance changes with significant changes in loss provisions in the current period

Applicable  Not Applicable

Other descriptions:

N/A

## 15. Other debt investments

Unit: RMB

Item	Beginning balance	Accrued interest	Change in fair value in current period	Ending balance	Cost	Accumulated fair value change	Accumulated loss provisions recognized in other comprehensive income	Remarks
Significant other debt investments								

Unit: RMB

Other debt items	Ending balance				Beginning balance			
	Par value	Nominal rate	Real rate	Due date	Par value	Nominal rate	Real rate	Due date
Withdrawal of impairment provisions								

Unit: RMB

Bad-debt provision	Stage I	Stage II	Stage III	Total
	Expected credit loss in next 12 months	Expected credit loss throughout the entire duration (without credit impairment)	Expected credit loss throughout the entire duration (depreciation of credit that has occurred)	
Balance as at January 1, 2021 in current period	---	---	---	---

Book balance changes with significant changes in loss provisions in the current period

Applicable  Not Applicable

Other descriptions:

N/A

## 16. Long-term receivables

### (1) Long-term receivables

Unit: RMB

Item	Ending balance			Beginning balance			Range of discount
	Book	Bad-debt	Book value	Book	Bad-debt	Book value	

	balance	provision		balance	provision		rates
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## Impairment of bad debt provisions

Unit: RMB

Bad-debt provision	Stage I	Stage II	Stage III	Total
	Expected credit loss in next 12 months	Expected credit loss throughout the entire duration (without credit impairment)	Expected credit loss throughout the entire duration (depreciation of credit that has occurred)	
Balance as at January 1, 2021 in current period	---	---	---	---

Book balance changes with significant changes in loss provisions in the current period

 Applicable  Not Applicable

N/A

**(2) Long-term receivables derecognized due to transfer of financial assets**

N/A

**(3) Assets and liabilities resulting from transfer of long-term receivables and continuous involvement**

N/A

Other description

N/A

**17. Long-term equity investment**

Unit: RMB

Investee	Beginning balance (book value)	Increase and decrease in current period							Ending balance (book value)	Ending balance of provision for impairment
		Additional investment	Reduced investment	Investment gains or losses recognized under the equity method	Other comprehensive income adjustments	Other equity changes	Declared distribution of cash dividends or profits	Provision for impairment		
I. Joint ventures										
II. Associates										

Hangzhou Huatai Zhice Equity Investment Partnership (Limited Partnership)				-760.23						-760.23	
Xi'an Dongyi Integrated Technology Laboratory Co., Ltd.	11.2 23.0 82.7 7			1,083,707.40			1,320,000.00			10,986,790.17	
Shenzhen Huacheng Zhihong Specialized Technology Partnership (Limited Partnership)	24.9 51.4 1	1,502,420.00								1,527,371.41	
Liangduan (Shanghai) Testing Technology Co., Ltd.	240,446.67			-35,626.67						204,820.00	
How-To NPD Consulting Co., Ltd.	3,74 5,19 4.61						1,400,000.00		-2,345,194.61		
Shenzhen Huacheng Kangda Investment Partnership (Limited Partnership)	728.71	5,200.00								5,928.71	
Suzhou Huahong Ruida Biotechnolo gy Center	1,40 9,78 1.38			-183,101.20					188,319.82	1,415,000.00	

(Limited Partnership)											
Shenzhen Huacheng Junda Technology Service Enterprise (Limited Partnership)	9,181.31									9,181.31	
Zhengjiang Fangyuan Electrical Equipment Testing Co., Ltd.	100,153,005.19			17,758,206.52			1,950,000.00			115,961,211.71	
Shenzhen Dace Junrui Technology Service Enterprise (Limited Partnership)	3,044.92									3,044.92	
Nanjing CTI Medical Technology Service Co., Ltd.	1,258,950.92			-73,615.11						1,185,335.81	
Beijing Guoxin Tianyuan Quality Assessment and Certification Co., Ltd.		13,000,000.00		529,227.27						13,529,227.27	
Shanghai Fairyland Software Co., Ltd.		65,000,000.00		6,390,676.28			609,662.48			70,781,013.80	
Subtotal	118,068,	79,507,620		25,468,714.26			5,279,662.48		-2,156,874.79	215,608,16	

	367,89	.00							4.88	
Total	118,068,367.89	79,507,620.00		25,468,714.26			5,279,662.48		-2,156,874.79	215,608,164.88

Other description

N/A

### 18. Investment in other equity instruments

Unit: RMB

Item	Ending balance	Beginning balance
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Non-tradable equity instrument investment by items in current period

Unit: RMB

Name	Recognized dividend income	Accumulated gains	Accumulated losses	Amount transferred from other comprehensive incomes to retained earnings	Reasons for being measured at fair value through other comprehensive income	Reason for being transferred to retained earnings from other comprehensive income
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Other descriptions:

N/A

### 19. Other non-current financial assets

Unit: RMB

Item	Ending balance	Beginning balance
Investment in equity instruments	36,143,800.18	47,294,000.00
Total	36,143,800.18	47,294,000.00

Other descriptions:

#### Details of other non-current financial assets at the period end

Investee	Book balance	Provision for impairment	Book value	Shareholders	Cash dividends
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	At the beginning of the year	Increase in the current period	Decrease in the current period	Ending	At the beginning of the year	Increase in the current period	Decrease in the current period	Ending			
Centre Testing International Clock and Watch Testing Technology (Shenzhen) Co., Ltd.	126,000.00			126,000.00					126,000.00	10.00	
Yuangu Equity Investment Partnership (Limited Partnership)	30,000,000.00	2,692,834.28	13,843,034.10	18,849,800.18					18,849,800.18	10.00	
Tianfangbiao Standardization Certification & Testing Co., Ltd.	17,168,000.00			17,168,000.00					17,168,000.00	4.2395	1,267,300.00
Total	47,294,000.00	2,692,834.28	13,843,034.10	36,143,800.18	-	-	-	-	36,143,800.18		1,267,300.00

## 20. Investment real estate

### (1) Investment real estate under the cost measurement mode

√ Applicable    □ Not Applicable

Unit: RMB

Item	Housings and buildings	Land use right	Construction in progress	Total
I. Original book value				
1. Beginning balance	37,308,386.75			37,308,386.75
2. Increase in the current period	212,523.43			212,523.43
(1) Outsourcing				
(2) Transfer-in of inventory /fixed assets /construction in	212,523.43			212,523.43

progress				
(3) Increase from business combination				
3. Decrease in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	37,520,910.18			37,520,910.18
II. Accumulated depreciation and accumulated amortization				
1. Beginning balance	3,378,033.11			3,378,033.11
2. Increase in the current period	1,083,753.88			1,083,753.88
(1) Accrual or amortization	1,083,753.88			1,083,753.88
3. Decrease in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	4,461,786.99			4,461,786.99
III. Provision for impairment				
1. Beginning balance				
2. Increase in the current period				
(1) Accrual				

3. Decreased amount in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance				
IV. Book value				
1. Closing book value	33,059,123.19			33,059,123.19
2. Beginning book value	33,930,353.64			33,930,353.64

**(2) Investment real estate under the fair value method**

Applicable  Not Applicable

**(3) Investment real estate without proper certificate of title**

Unit: RMB

Item	Book value	Reasons for incomplete certificates of title
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Other description

N/A

**21. Fixed assets**

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	1,456,976,877.26	1,418,322,366.18
Total	1,456,976,877.26	1,418,322,366.18

**(1) Fixed assets**

Unit: RMB

Item	Housing and buildings	Decoration of fixed assets	Testing equipment	Office equipment	Transport equipment	Total
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I. Original book value:						
1. Beginning balance	589,641,015.78	93,119,071.61	1,925,614,099.64	59,480,110.04	31,250,486.46	2,699,104,783.53
2. Increase in the current period	26,267,939.91	3,419,883.60	328,405,138.71	13,094,701.13	1,776,050.05	372,963,713.40
(1) Acquisition		214,484.33	255,085,019.73	8,602,824.58	1,183,083.78	265,085,412.42
(2) Transfer-in from construction in progress	26,267,939.91	3,205,399.27	9,361,745.43	234,654.86	301,185.85	39,370,925.32
(3) Increase from business combination			63,958,373.55	4,257,221.69	291,780.42	68,507,375.66
3. Decrease in the current period	334,945.95		38,436,221.39	4,642,226.62	2,995,531.17	46,408,925.13
(1) Disposal or scrapping			37,473,983.46	2,996,039.29	2,579,626.45	43,049,649.20
(2) Decrease from business combination						
(3) Others	334,945.95		962,237.93	1,646,187.33	415,904.72	3,359,275.93
4. Ending balance	615,574,009.74	96,538,955.21	2,215,583,016.96	67,932,584.55	30,031,005.34	3,025,659,571.80
II. Accumulated depreciation						
1. Beginning balance	50,238,472.46	11,744,838.11	1,156,547,114.99	40,429,151.78	21,822,840.01	1,280,782,417.35
2. Increase in the current	15,310,010.13	6,490,422.69	293,991,113.88	10,168,358.16	4,064,022.66	330,023,927.52

period						
(1) Accrual	15,310,010.13	6,490,422.69	248,029,561.62	6,704,108.91	3,775,958.00	280,310,061.35
(2) Increase in business combination			45,961,552.26	3,464,249.25	288,064.66	49,713,866.17
3. Decrease in the current period			35,902,084.44	3,752,443.68	2,469,122.21	42,123,650.33
(1) Disposal or scrapping			35,156,549.25	2,774,828.92	2,294,977.62	40,226,355.79
(2) Decrease from business combination						
(3) Others			745,535.19	977,614.76	174,144.59	1,897,294.54
4. Ending balance	65,548,482.59	18,235,260.80	1,414,636,144. 43	46,845,066.26	23,417,740.46	1,568,682,694. 54
III. Provision for impairment						
1. Beginning balance						
2. Increase in the current period						
(1) Accrual						
3. Decrease in the current period						
(1) Disposal or scrapping						
4. Ending balance						

IV. Book value						
1. Closing book value	550,025,527.15	78,303,694.41	800,946,872.53	21,087,518.29	6,613,264.88	1,456,976,877.26
2. Beginning book value	539,402,543.32	81,374,233.50	769,066,984.65	19,050,958.26	9,427,646.45	1,418,322,366.18

**(2) Temporary idle fixed assets**

Unit: RMB

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remarks
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**(3) Fixed assets rented out through operating lease**

Unit: RMB

Item	Closing book value
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**(4) Fixed assets with incomplete certificates of title**

Unit: RMB

Item	Book value	Reasons for incomplete certificates of title
No. 21 Building, Huilongsen Science and Technology Park, Beijing Economic Development Area	25,679,876.79	Impacts of Beijing Economic Development Area on property certificate handling method of the industrial land

Other description

N/A

**(5) Liquidation of fixed assets**

Unit: RMB

Item	Ending balance	Beginning balance
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Other description

N/A

**22. Construction in progress**

Unit: RMB

Item	Ending balance	Beginning balance
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Construction in progress	360,955,910.73	212,138,027.61
Total	360,955,910.73	212,138,027.61

**(1) Construction in progress**

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Setting up China Headquarters and South China Testing Base	359.36		359.36	6,701.06		6,701.06
Equipment installation	14,659,443.19		14,659,443.19	36,696,665.02		36,696,665.02
Software installation	234,928.42		234,928.42	585,632.51		585,632.51
Phase II of CTI East China Testing Base (Suzhou)	259,275.97		259,275.97	13,155,616.97		13,155,616.97
Construction of information-based system (Phase II)	416,018.86		416,018.86	4,357,236.48		4,357,236.48
Decoration of offices and laboratories	28,186,872.07		28,186,872.07	8,447,850.54		8,447,850.54
Phase I of CTI East China Comprehensive Testing Base (Shanghai)						
Northern Testing Base	102,890,578.13		102,890,578.13	85,013,344.14		85,013,344.14
Southern Testing Base	103,081,387.72		103,081,387.72	26,111,010.31		26,111,010.31
Central China	61,705,005.04		61,705,005.04	25,788,177.55		25,788,177.55

Testing Base						
Qingdao Testing Base	49,522,041.97		49,522,041.97	11,975,793.03		11,975,793.03
Total	360,955,910.73		360,955,910.73	212,138,027.61		212,138,027.61

**(2) Changes in major construction in progress in the current period**

Unit: RMB

Name	Budget	Beginning balance	Increase in the current period	Amount of fixed assets transferred in the current period	Other decreases in the current period	Ending balance	Proportion of accumulated project investment in the budget	Project progress	Accumulated capitalized interest	Including: Capitalized amount of interest in the current period	Interest capitalization rate in the current period	Sources of funding
Setting up China Headquarters and South China Testing Base	16,480,500.00	6,701.06			6,341.70	359.36	119.92%	100.00				Offering funds
Phase II of CTI East China Testing Base (Suzhou)	119,090,000.00	13,155,616.97	14,425,993.04	26,478,900.74	843,433.30	259,275.97	52.36%	99.00				Offering funds
Construction of information-based system (Phase II)	30,000,000.00	4,357,236.48	1,662,150.96		5,603,368.58	416,018.86	54.89%	100.00				Offering funds
Eastern China Integrated	25,856,900.00		883,439.17	883,439.17			98.00%	100.00				Offering funds

Testing Base (Shanghai) Phase I	80 0.0 0											
Northern Testing Base	19 6,6 80, 00 0.0 0	85,013 ,344.1 4	17,877 ,233.9 9			102,89 0,578. 13	52.31 %	73.60				Offering funds
Southern Testing Base	11 9,9 00, 00 0.0 0	26,111 ,010.3 1	76,970 ,377.4 1			103,08 1,387. 72	85.97 %	85.00				Offering funds
Central China Testing Base	15 3,0 60, 00 0.0 0	25,788 ,177.5 5	35,916 ,827.4 9			61,705 ,005.0 4	48.20 %	90.00				Offering funds
Qingdao Testing Base	21 6,0 00, 00 0.0 0	11,975 ,793.0 3	37,546 ,248.9 4			49,522 ,041.9 7	27.55 %	88.00				Offering funds
Total	1,2 58, 14 9,8 00. 00	166,40 7,879. 54	185,28 2,271. 00	27,362 ,339.9 1	6,453, 143.58	317,87 4,667. 05	--	--	0.00	0.00	0.00%	--

**(3) Provision for impairment of construction in progress in the current period**

Unit: RMB

Item	The amount of provision in the current period	Reason for provision
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Other description

N/A

**(4) Engineering materials**

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value

Other descriptions:

N/A

**23. Productive biological assets****(1) Productive biological assets in cost measurement mode** Applicable  Not Applicable**(2) Productive biological assets in fair value measurement mode** Applicable  Not Applicable**24. Oil and gas assets** Applicable  Not Applicable**25. Right-of-use assets**

Unit: RMB

Item	House rental	Equipment leasing	Vehicle rental	Total
I. Original book value:				
1. Beginning balance	186,293,279.01	1,920,612.94		188,213,891.95
2. Increase in the current period	186,402,741.50	5,536,723.88	953,148.43	192,892,613.81
Lease	169,677,803.69	7,542.54	350,849.31	170,036,195.54
Business combination not under the same control	16,724,937.81	4,890,272.38	263,251.26	21,878,461.45
Other increases		638,908.96	339,047.86	977,956.82
3. Decrease in the current period	10,548,340.26	15,695.36	262,610.30	10,826,645.92
Expiry of tenancy	10,412,349.51		262,610.30	10,674,959.81
Other decreases	135,990.75	15,695.36		151,686.11

4. Ending balance	362,147,680.25	7,441,641.46	690,538.13	370,279,859.84
II. Accumulated depreciation				
1. Beginning balance		37,801.40		37,801.40
2. Increase in the current period	75,125,048.24	3,102,765.80	429,595.21	78,657,409.25
(1) Accrual	68,415,976.07	972,397.39	195,920.10	69,584,293.56
(2) Business combination not under the same control	6,709,072.14	1,748,926.38	92,138.10	8,550,136.62
(3) Other increases	0.03	381,442.03	141,537.01	522,979.07
3. Decrease in the current period	562,383.81		96,290.44	658,674.25
(1) Disposal				
(2) Expiry of tenancy	562,383.81		96,290.44	658,674.25
4. Ending balance	74,562,664.43	3,140,567.20	333,304.77	78,036,536.40
III. Provision for impairment				
1. Beginning balance				
2. Increase in the current period				
(1) Accrual				
3. Decrease in the current period				
(1) Disposal				
4. Ending balance				
IV. Book value				
1. Closing book value	287,585,015.82	4,301,074.26	357,233.36	292,243,323.44
2. Beginning book value	186,293,279.01	1,882,811.54		188,176,090.55

Other descriptions:

N/A

**26. Intangible assets****(1) Intangible assets**

Unit: RMB

Item	Land use right	Patent right	Non-patented technology	Software	Trademark right	Talent housing sublease right	Total
I. Original book value							
1. Beginning balance	138,003,262.82	266,753.69		55,428,291.21	196,963.95	11,769,793.00	205,665,064.67
2. Increase in the current period		13,804.06		12,358,625.74			12,372,429.80
(1) Acquisition				3,531,910.35			3,531,910.35
(2) Internal R&D							
(3) Increase from business combination		13,804.06		3,079,839.25			3,093,643.31
(4) Increase from transfer from construction in progress				5,686,354.51			5,686,354.51
(5) Increases for other reasons				60,521.63			60,521.63
3. Decrease in the current period		63,171.47		270,000.00	332.98		333,504.45

(1) Disposal		61,726.91		270,000.00			331,726.91
(2) Decrease for other reasons		1,444.56			332.98		1,777.54
4. Ending balance	138,003,262. 82	217,386.28		67,516,916.9 5	196,630.97	11,769,793.0 0	217,703,990. 02
II. Accumulated amortization							
1. Beginning balance	15,839,964.2 1	199,355.06		44,725,707.5 8	196,963.95		60,961,990.8 0
2. Increase in the current period	2,771,260.68	28,114.18		8,420,403.84			11,219,778.7 0
(1) Accrual	2,771,260.68	20,056.42		5,664,613.35			8,455,930.45
(2) Increase in business combination		8,057.76		2,694,202.14			2,702,259.90
(3) Increases for other reasons				61,588.35			61,588.35
3. Decrease in the current period		63,171.47		184,500.00	332.98		248,004.45
(1) Disposal		61,726.91		184,500.00			246,226.91
(2) Decrease from business combination							
(3) Decrease for		1,444.56			332.98		1,777.54

other reasons							
4. Ending balance	18,611,224.8 9	164,297.77		52,961,611.4 2	196,630.97		71,933,765.0 5
III. Provision for impairment							
1. Beginning balance							
2. Increase in the current period							
(1) Accrual							
3. Decrease in the current period							
(1) Disposal							
4. Ending balance							
IV. Book value							
1. Closing book value	119,392,037. 93	53,088.51		14,555,305.5 3		11,769,793.0 0	145,770,224. 97
2. Beginning book value	122,163,298. 61	67,398.63		10,702,583.6 3		11,769,793.0 0	144,703,073. 87

Intangible assets generated via internal R&D of the Company account for 0.00% of intangible assets balance at the end of the current period.

**(2) Land use right with incomplete certificate of title**

Unit: RMB

Item	Book value	Reasons for incomplete certificates of title
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Other descriptions:

N/A

**27. Development expenditure**

Unit: RMB

Item	Beginning balance	Increase in the current period			Decrease in the current period			Ending balance
		Internal development expenditure	Others		Recognized as intangible assets	Transferred into current profit or loss		
Total								

Other description

N/A

**28. Goodwill**

**(1) Original book value of goodwill**

Unit: RMB

Name of investee or item that generates goodwill	Beginning balance	Increase in the current period		Decrease in the current period		Ending balance
		Formed by business combination		Disposal		
Shenzhen CTI Commodity Testing and Survey Co., Ltd.	1,350,689.56					1,350,689.56
Shenzhen CTI International Certification Co., Ltd.	14,439,605.45					14,439,605.45
CTI CSERC (Suzhou) Co.,	1,438,062.22					1,438,062.22

Ltd.						
CEM INTERNATIO NAL LTD	5,650,226.78					5,650,226.78
Hangzhou Hua'an Testing Technology Co., Ltd.	76,020,012.18					76,020,012.18
Heilongjiang CTI Testing Technology Co., Ltd.	9,904,997.25					9,904,997.25
Dalian Huaxin Physical and Chemical Testing Center Co., Ltd.	4,441,430.10					4,441,430.10
POLY NDT (PRIVATE) LIMITED	12,571,370.70					12,571,370.70
Shenzhen Taikenilin Technology Development Co., Ltd.	2,546,474.84					2,546,474.84
Xinjiang Kerui Testing Technology Co., Ltd.	315,716.63					315,716.63
Henan CTI Testing Technology Co., Ltd.	2,677,919.58					2,677,919.58
CTI Engineering Testing Co., Ltd.	6,000,837.21					6,000,837.21
Zhoushan Jingwei Shipping Service Co.,	8,266,652.33					8,266,652.33

Ltd.						
Jiangyin CTI Zhi'an Outpatient Department Co., Ltd.	7,325,389.95					7,325,389.95
Ningbo Quality Assurance Co., Ltd. (NQA)	27,892,342.26					27,892,342.26
Beijing CTI Agro-food Certification Co., Ltd.	2,517,865.38					2,517,865.38
Centre Testing Electronic Certification Co., Ltd.	39,885,576.12					39,885,576.12
Fujian Science Way Testing Co., Ltd. (SW)	9,267,740.57					9,267,740.57
Sichuan CTI Jianxin Testing Technology Co., Ltd.	5,830,283.11					5,830,283.11
Suzhou Wuzhong Economic Development Zone Jiakang Outpatient Department Co., Ltd.	3,970,287.04					3,970,287.04
Hebei CTI Junrui Testing Technology Co., Ltd.	100.00					100.00
Zhejiang CTI Yuanjian Testing Co., Ltd.	4,639,851.98					4,639,851.98
MARITEC	266,673,016.25					266,673,016.25

PTE. LTD.					
Tianjin Eco-City Environmental Technology Co., Ltd.	12,891,815.10				12,891,815.10
How-To NPD Consulting Co., Ltd.		26,244,810.08			26,244,810.08
imat-uve gmbh		120,772,523.10			120,772,523.10
Total	526,518,262.59	147,017,333.18			673,535,595.77

**(2) Provision for impairment of goodwill**

Unit: RMB

Name of investee or item that generates goodwill	Beginning balance	Increase in the current period		Decrease in the current period		Ending balance
		Provision		Disposal		
Shenzhen CTI Commodity Testing and Survey Co., Ltd.	1,350,689.56					1,350,689.56
CTI CSERC (Suzhou) Co., Ltd.	1,438,062.22					1,438,062.22
CEM INTERNATIONAL LTD	5,650,226.78					5,650,226.78
Hangzhou Hua'an Testing Technology Co., Ltd.	61,129,989.71					61,129,989.71
Shenzhen Taikenilin Technology Development Co., Ltd.	2,546,474.84					2,546,474.84
Xinjiang Kerui Testing	315,716.63					315,716.63

Technology Co., Ltd.						
Zhoushan Jingwei Shipping Service Co., Ltd.	8,266,652.33					8,266,652.33
Hebei CTI Junrui Testing Technology Co., Ltd.	100.00					100.00
Fujian Science Way Testing Co., Ltd. (SW)	3,707,868.38					3,707,868.38
Total	84,405,780.45					84,405,780.45

## Relevant information on the asset group or asset group portfolio containing goodwill

(1) In December 2010, the Company purchased 81.00% of equities in Shenzhen CTI International Certification Co., Ltd. (hereinafter referred to as "International Certification") for RMB 17,100,000 in cash. If the combination cost exceeds RMB 14,439,600, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to International Certification.

(2) In December 2014, the Company purchased 100% of equities in Hangzhou Hua'an Nondestructive Testing Technology Co., Ltd. (hereinafter referred to as "Hangzhou Hua'an") for RMB 180,000,000 in cash. If the combination cost exceeds RMB 76,020,000, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Hangzhou Hua'an.

(3) In May 2014, the Company acquired 100% of equity in Centre Testing International (Heilongjiang) Co., Ltd. (hereinafter referred to as "Heilongjiang CTI") for RMB 13,000,000. If the combination cost exceeds RMB 9,905,000, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Heilongjiang CTI.

(4) In April 2014, the Company purchased 100% of equity in Dalian Huaxin Physical and Chemical Testing Center Co., Ltd. (hereinafter referred to as "Dalian Huaxin") for RMB 8,110,000 in cash. If the combination cost exceeds RMB 4,441,400, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Dalian Huaxin.

(5) In June 2014, Centre Testing International (Hong Kong) Co., Ltd. purchased 70% of equities in POLY NDT (PRIVATE) LIMITED for SGD 3,514,200 (except for this amount, other amounts are in RMB) in cash. If the combination cost exceeds RMB 12,571,400, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to POLY NDT (PRIVATE) LIMITED.

(6) In July 2015, the Company purchased 100% of equities in Centre Testing International (Henan) Co., Ltd. (hereinafter referred to as "Henan CTI") for RMB 5,500,000 in cash. If the combination cost exceeds RMB 2,677,900, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Henan CTI.

(7) In December 2015, the Company purchased 65% of equities in CTI Engineering Testing Co., Ltd. (hereinafter referred to as "CTI Engineering") for RMB 7,800,000 in cash. If the combination cost exceeds RMB 6,000,800, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to CTI Engineering.

(8) In April 2016, the Company purchased 66.67% of equities in Jiangyin CTI Zhi'an Outpatient Department Co., Ltd. (hereinafter referred to as "Jiangyin Zhi'an") for RMB 10,000,000 in cash. If the combination cost exceeds RMB 7,325,400, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Jiangyin Zhi'an.

(9) In April 2016, the Company purchased 100% of equities in Ningbo Quality Assurance Co., Ltd. (hereinafter referred to as "NQA") for RMB 43,867,500 in cash. If the combination cost exceeds RMB 27,892,300, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to NQA.

(10) In July 2016, the Company purchased 100% of equities in Beijing CTI Agro-food Certification Co., Ltd. (hereinafter referred to as "CTI Agro-food Certification") for RMB 3,185,200 in cash. If the combination cost exceeds RMB 2,517,900, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to CTI Agro-food Certification.

(11) In August 2016, the Company purchased 71.26% of equities in Centre Testing Electronic Certification Co., Ltd. (hereinafter referred to as "Centre Testing Electronic") for RMB 71,000,000 in cash. If the combination cost exceeds RMB 39,885,600, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Centre Testing Electronic.

(12) In October 2016, the Company purchased 51% of equities in Fujian Science Way Testing Co., Ltd. (SW) (hereinafter referred to as "Fujian Science Way") for RMB 11,730,000 in cash. If the combination cost exceeds RMB 9,267,700, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Fujian Science Way.

(13) In February 2017, the Company purchased 68% of equities in Sichuan CTI Jianxin Testing Technology Co., Ltd. (hereinafter referred to as "Sichuan Jianxin") for RMB 9,180,000 in cash. If the combination cost exceeds RMB 5,830,300, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Sichuan Jianxin.

(14) In December 2018, Jiangyin CTI Zhi'an Outpatient Department Co., Ltd. purchased 100% of equities in Suzhou Wuzhong Economic Development Zone Jiakang Outpatient Department Co., Ltd. (hereinafter referred to as "Suzhou Jiakang") for RMB 5,000,000 in cash. If the combination cost exceeds RMB 3,970,300, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Suzhou Jiakang.

(15) In August 2019, the Company purchased 51% of equities in Zhejiang Yuanjian Testing Co., Ltd. (hereinafter referred to as "Zhejiang Yuanjian") for RMB 9,614,800 in cash. If the combination cost exceeds RMB 4,639,900, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Zhejiang Yuanjian.

(16) In June 2020, Centre Testing International (Hong Kong) Co., Ltd. purchased 100% of equities in MARITEC PTE. LTD. for RMB 287,949,300. If the combination cost exceeds RMB 266,673,000, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to MARITEC PTE. LTD.

(17) In September 2020, the Company purchased 51% of equities in Tianjin Eco-City Environmental Technology Co., Ltd. (hereinafter referred to as "Tianjin Eco-City") for RMB 34,960,000 in cash. If the combination cost exceeds RMB 12,891,800, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Tianjin Eco-City.

(18) In January 2021, the Company acquired 40.00% of equities in How-To NPD Consulting Co., Ltd. (hereinafter referred to as "How-To NPD Consulting") for RMB 19,200,000 in cash. After the acquisition, the Company held 60% of equities in How-To NPD Consulting Co., Ltd., and the latter became a controlled subsidiary of the Company. If the combination cost exceeds RMB 26,244,800, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to How-To NPD Consulting.

(19) In December 2021, CTI Germany Holding GmbH & Co. KG acquired 90% of equities in imat-uve gmbh (hereinafter referred to as "Germany Imat") for RMB 144,904,300. If the combination cost exceeds RMB 120,772,500, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to imat-uve gmbh.

Methods for recognizing goodwill impairment testing process, key parameters (such as growth rate in the forecast period when expecting the present value of the future cash flow, growth rate of the stable period, profit rate, discount rate, and forecast period) and goodwill impairment loss:

(1) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the

goodwill formed by acquisition of International Certification at the end of 2021. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of International Certification included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group was RMB 5,221,700; the book value of goodwill attributable to the parent company was RMB 14,439,600; the book value of goodwill attributable to the minority shareholder was RMB 3,387,100; the book value of the asset group containing the entire goodwill was RMB 23,048,300; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of International Certification, was RMB 88,703,500, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
International Certification	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are 3.1%, 4%, 4.7%, 5.69% and 5.87% respectively	58.17%	11.88%

(2) For testing the goodwill impairment, the Company employed Beijing Zhonglin Assets Appraisal Co., Ltd. to value the recoverable amount of the asset group related to the goodwill formed by the acquisition of Hangzhou Hua'an, and issue the ZLPZ [2022] No. 85 Asset Assessment Report. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of Hangzhou Hua'an included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group containing the entire goodwill was RMB 45,413,900; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of Hangzhou Hua'an, was RMB 49,258,800, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Hangzhou Hua'an	The forecast period is 2022-2026, and after	The forecast revenue growth rates are 11.43%, 15.54%, 8.27%, 9.59% and 1.08%	25.18%	14.07%

	that, it's the stable period	respectively		
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(3) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by the acquisition of Heilongjiang CTI at the end of 2021. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of Heilongjiang CTI included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group was RMB 4,749,800; the book value of the goodwill attributable to the parent company was RMB 9,905,000; the book value of the asset group containing the entire goodwill was RMB 14,654,800; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of Heilongjiang CTI, was RMB 64,865,000, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Heilongjiang CTI	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are -23.24%, 2.26%, 2.42%, 3.2% and 2.58% respectively	55.51%	11.88%

(4) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Dalian Huaxin at the end of 2021. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of Dalian Huaxin included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group was RMB 16,078,300; the book value of the goodwill attributable to the parent company was RMB 4,441,400; the book value of the asset group containing the entire goodwill was RMB 20,519,700; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of Dalian Huaxin, was RMB 22,630,500, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the	Discount rate (pre-tax)

			forecast period	
Dalian Huaxin	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are -8.95%, 3.03%, 3%, 3% and 3% respectively	44.72%	11.88%

5) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of POLY NDT (PRIVATE) LIMITED at the end of 2021. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of POLY NDT (PRIVATE) LIMITED included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group was RMB 520,400; the book value of the goodwill attributable to the parent company was RMB 12,571,400; the book value of the goodwill attributable to the minority shareholder was RMB 5,387,700; the book value of the asset group containing the entire goodwill was RMB 18,479,500; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of POLY NDT (PRIVATE) LIMITED, was RMB 19,406,100 million, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
POLY NDT (PRIVATE) LIMITED	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are -67.72%, 6.67%, 6.57%, 6.93% and 2.87% respectively	53.81%	11.71%

(6) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Henan CTI at the end of 2021. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of Henan CTI included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group was RMB 29,656,500; the book value of the goodwill attributable to the parent company was RMB 2,677,900; the book value of the asset group containing the entire goodwill was RMB 32,334,400; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of Henan CTI, was RMB 63,702,800, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Henan CTI	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are -2.9%, 0.6%, 1.66%, 2.6% and 2.18% respectively	51.20%	11.88%

(7) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of CTI Engineering at the end of 2021. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of CTI Engineering included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group was RMB 24,222,100; the book value of goodwill attributable to the parent company was RMB 6,000,800; the book value of goodwill attributable to the minority shareholder was RMB 3,231,200; the book value of the asset group containing the entire goodwill was RMB 33,454,200; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of CTI Engineering, was RMB 46,197,800, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
CTI Engineering	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are -14.02%, 9%, 9%, 8% and 8% respectively	30.60%	11.88%

(8) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Jiangyin Zhi'an at the end of 2021. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of Jiangyin Zhi'an included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group was RMB 5,917,300; the book value of goodwill attributable to the parent company was RMB 7,325,400; the book value of goodwill attributable to the minority shareholder was RMB 3,662,100; the book value of the asset group containing the entire goodwill was RMB 16,904,800; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of Jiangyin Zhi'an, was RMB 27,021,400, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Jiangyin Zhi'an	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are -22.69%, 5.26%, 5.56%, 2.63% and 2.56% respectively	46.36%	15.00%

(9) For testing the goodwill impairment, the Company employed Beijing Zhonglin Assets Appraisal Co., Ltd. to value the recoverable amount of the asset group related to the goodwill formed by the acquisition of NQA, and issue the ZLPZ [2022] No. 84 Asset Assessment Report. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of NQA included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group containing the entire goodwill was RMB 28,949,100; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of NQA, was RMB 32,535,500, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
NQA	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are 7.24%, 9%, 11%, 9% and 2% respectively	40.15%	14.07%

(10) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of CTI Agro-food Certification at the end of 2021. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of CTI Agro-food Certification included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group was RMB 6,935,900; the book value of the goodwill attributable to the parent company was RMB 2,517,900; the book value of the asset group containing the entire goodwill was RMB

9,453,700; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of CTI Agro-food Certification, was RMB 21,641,400, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
CTI Agro-food Certification	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are -6.15%, 3.5%, 3.5%, 3.5% and 3.5% respectively	48.20%	13.43%

(11) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Centre Testing Electronic at the end of 2021. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of Centre Testing Electronic included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group was RMB 619,800; the book value of goodwill attributable to the parent company was RMB 39,885,600; the book value of goodwill attributable to the minority shareholder was RMB 16,086,300; the book value of the asset group containing the entire goodwill was RMB 56,591,700; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of Centre Testing Electronic, was RMB 60,983,800, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Centre Testing Electronic	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are 2.39%, 8.86%, 6.47%, 5.49% and 4.83% respectively	71.16%	13.40%

(12) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Fujian Science Way at the end of 2021. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the

asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of Fujian Science Way included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group was RMB 1,707,600; the book value of goodwill attributable to the parent company was RMB 9,267,700; the book value of goodwill attributable to the minority shareholder was RMB 8,904,300; the book value of the asset group containing the entire goodwill was RMB 19,879,600; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of Fujian Science Way, was RMB 13,705,800; a goodwill impairment of RMB 6,173,800 and an impairment of goodwill at the consolidation level attributable to the parent company of RMB 3,148,600 were reported. As of December 31, 2021, the Company had made provisions of RMB 3,707,900 for goodwill impairment related to Fujian Science Way, so there were no further goodwill impairment provisions during this reporting period.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Fujian Science Way	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are 3.28%, 6.92%, 8%, 8% and 8% respectively	40.80%	13.43%

(13) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Sichuan Jianxin at the end of 2021. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of Sichuan Jianxin included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group was RMB 32,518,700; the book value of goodwill attributable to the parent company was RMB 5,830,300; the book value of goodwill attributable to the minority shareholder was RMB 2,743,700; the book value of the asset group containing the entire goodwill was RMB 41,092,600; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of Sichuan Jianxin, was RMB 45,118,600, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
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Sichuan Jianxin	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are -14.74%, 5%, 5%, 5% and 5% respectively	34.00%	11.88%
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(14) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Suzhou Jiakang at the end of 2021. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of Suzhou Jiakang included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group was RMB 4,358,200; the book value of goodwill attributable to the parent company was RMB 3,970,300; the book value of the asset group containing the entire goodwill was RMB 8,328,500; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of Suzhou Jiakang, was RMB 13,117,800, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Suzhou Jiakang	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are -1.46%, 9.09%, 4.17%, 4% and 0% respectively	57.39%	15.00%

(15) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Zhejiang Yuanjian at the end of 2021. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of Zhejiang Yuanjian included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group was RMB 14,042,600; the book value of goodwill attributable to the parent company was RMB 4,639,900; the book value of goodwill attributable to the minority shareholder was RMB 4,457,900; the book value of the asset group containing the entire goodwill was RMB 23,140,400; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of Zhejiang Yuanjian, was RMB 23,693,700, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Zhejiang Yuanjian	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are 13.21%, 16.13%, 17.78%, 15.57% and 12.24% respectively	49.09%	13.43%

(16) For testing the goodwill impairment, the Company employed Beijing Zhonglin Assets Appraisal Co., Ltd. to value the recoverable amount of the asset group related to the goodwill formed by the acquisition of MARITEC PTE. LTD. , and issue the ZLPZ [2022] No. 83 Asset Assessment Report. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of MARITEC PTE. LTD. included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group containing the entire goodwill was RMB 283,325,700; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of MARITEC PTE. LTD., was RMB 284,643,600, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
MARITEC PTE. LTD.	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are 25.31%, 17.79%, 11.80%, 9.57% and 5% respectively	59.70%	11.71%

(17) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Tianjin Eco-City at the end of 2021. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of Tianjin Eco-City included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group was RMB 4,704,400; the book value of goodwill attributable to the parent company was RMB 12,891,800; the book value of goodwill attributable to the minority shareholder was RMB 12,386,300; the book value of the asset group containing the entire goodwill was RMB 29,982,500; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of Tianjin Eco-City, was RMB 30,919,800, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Tianjin Eco-City	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are 2.75%, 25%, 20%, 18% and 16% respectively	33.55%	13.43%

(18) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of How-To NPD Consulting at the end of 2021. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of How-To NPD Consulting included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group was RMB 16,060,800; the book value of goodwill attributable to the parent company was RMB 26,244,800; the book value of goodwill attributable to the minority shareholder was RMB 17,496,500; the book value of the asset group containing the entire goodwill was RMB 59,802,200; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of How-To NPD Consulting, was RMB 66,687,400, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
How-To NPD Consulting	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are 6.2%, 10%, 10%, 10% and 10% respectively	25.24%	13.43%

(19) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Germany Imat at the end of 2021. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2021, the asset group range related to the goodwill formed by the acquisition of Germany Imat included the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of non-operating assets and liabilities), and the book value of the asset group containing the entire goodwill was RMB 164,154,900; through assessment by the income method, the recoverable amount of the asset group on December 31, 2021, the assessment base date of Germany Imat, was RMB 170,032,900, and the goodwill at the consolidation level attributable to the parent company had no impairment.

The method, crucial assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of projected future cash flows

The Company's Management has estimated the present value of the projected cash flows on the basis of future cash flow forecast. The crucial assumption and its basis for such forecast:

Item	Forecast period	Revenue growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Germany Imat	The forecast period is 2022-2026, and after that, it's the stable period	The forecast revenue growth rates are 4%, 8%, 8%, 9.5% and 9.5% respectively	46.00%	12.91%

Influences from the goodwill impairment test

N/A

Other description

N/A

## 29. Long-term deferred expenses

Unit: RMB

Item	Beginning balance	Increase in the current period	Amortization amount in the current period	Other reductions	Ending balance
Office decoration expenses	131,748,443.34	56,657,457.43	56,529,532.48	85,860.88	131,790,507.41
Simple facilities	1,351,127.10	82,524.26	1,018,242.00		415,409.36
Others	7,053,808.60	4,854,306.64	2,729,909.49		9,178,205.75
<b>Total</b>	<b>140,153,379.04</b>	<b>61,594,288.33</b>	<b>60,277,683.97</b>	<b>85,860.88</b>	<b>141,384,122.52</b>

Other description

N/A

## 30. Deferred tax assets/deferred tax liabilities

### (1) Deferred tax assets not offset

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	126,540,689.14	18,263,157.07	102,841,686.17	17,458,550.44

Deductible loss	102,263,761.41	15,294,982.51	97,724,093.55	16,623,070.55
Equity-settled share-based payment	13,966,246.84	2,094,937.02	17,480,357.47	2,622,053.62
Deferred income	94,699,335.16	19,000,735.10	104,919,765.11	20,432,849.78
Effect of accounting estimates of fixed assets	9,267,890.74	2,038,631.90	9,760,562.47	1,464,084.37
Change in fair value	484,000.00	72,600.00	1,087,543.28	235,731.49
Estimated liabilities	110,417.74	16,562.66		
Vocational education expenditure deducted before tax and to be carried over to subsequent years	1,095,145.64	164,271.85		
<b>Total</b>	<b>348,427,486.67</b>	<b>56,945,878.11</b>	<b>333,814,008.05</b>	<b>58,836,340.25</b>

**(2) Deferred tax liabilities not offset**

Unit: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Effect of accounting estimates of fixed assets	1,572,085.93	282,366.13	2,293,303.00	389,861.51
One-off deduction of fixed assets before tax	456,038,363.29	64,979,051.93	417,341,342.19	65,572,571.09
Change in fair value	2,129,730.80	319,459.62		
<b>Total</b>	<b>459,740,180.02</b>	<b>65,580,877.68</b>	<b>419,634,645.19</b>	<b>65,962,432.60</b>

**(3) Deferred tax assets or liabilities presented in net amount after offset**

Unit: RMB

Item	Offset amount of deferred tax assets and liabilities at the end of the period	Ending balance of deferred tax assets or liabilities after offset	Offset amount of deferred tax assets and liabilities at the beginning of the period	Beginning balance of deferred tax assets or liabilities after offset
Deferred tax assets		56,945,878.11		58,836,340.25
Deferred tax liabilities		65,580,877.68		65,962,432.60

**(4) Details of unrecognized deferred tax assets**

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary difference	24,827,684.62	27,163,926.93
Deductible loss	103,998,806.98	228,661,312.14
Estimated liabilities	3,317,275.84	1,925,300.00
<b>Total</b>	<b>132,143,767.44</b>	<b>257,750,539.07</b>

**(5) The deductible losses of unrecognized deferred tax assets will be due in the following years**

Unit: RMB

Year	Ending amount	Beginning amount	Remarks
2021		14,359,389.94	
2022	13,841,749.21	57,825,612.77	
2023	29,536,850.46	60,052,884.32	
2024	9,504,890.11	42,960,720.12	
2025	17,719,391.80	50,456,065.92	
2026	31,010,340.23		
2023-2029		877,159.38	
Indefinite	2,385,585.17	2,129,479.69	
<b>Total</b>	<b>103,998,806.98</b>	<b>228,661,312.14</b>	<b>--</b>

Other descriptions:

Note 1: According to Documents CTM04150 and CTM04100 of the British government, the loss carry-forward and carry-back period for profit-oriented business entities in British region shall be traced back to the previous year and extended indefinitely.

**31. Other non-current assets**

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment deposit	3,040,000.00		3,040,000.00	3,040,000.00		3,040,000.00
Advance equipment and project payments	152,775,244.56		152,775,244.56	158,946,031.44		158,946,031.44

Government grant for equipment (note 1)	6,728,774. 66		6,728,774. 66	5,898,752. 72		5,898,752. 72
Advance investment payment				3,514,524. 04		3,514,524. 04
<b>Total</b>	162,544,01 9.22		162,544,01 9.22	171,399,30 8.20		171,399,30 8.20

Other descriptions:

Note 1: In 2010, CTI Group and the Management Committees of Kunshan New and High Tech Industrial Development Zone inked an investment intention agreement on constructing Suzhou Biotechnology (the Pre-clinical CRO Research Base) in Kunshan Hi-tech Zone. On June 5, 2012, a supplementary agreement was entered into, under which Kunshan Hi-tech Zone committed that its subordinate company Jiangsu Kunshan Hi-Tech Industry Investment Development Co., Ltd. would contribute an accumulative amount of RMB 50 million to purchase the listed instruments and equipment for the platform within 4 years since 2012.

Later, Jiangsu Kunshan Hi-Tech Industry Investment Development Co., Ltd. executed an *Entrusted Operation Management Agreement* with Suzhou Biology, agreeing to invest not less than RMB 50 million step by step in equipment procurement for free use by Suzhou Biotechnology during the 20 years from January 10, 2013 to January 9, 2033. Kunshan Hi-Tech Industry Investment Development Co., Ltd. owns such equipment. Suzhou Biotechnology had successively received the invested equipment from 2013 to 2016.

## 32. Short-term borrowings

### (1) Categories of short-term borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Pledged borrowing	226,500.00	
Guaranteed borrowings	2,000,000.00	10,000,000.00
Credit borrowings	2,516,995.60	150,000,000.00
Interest payable not due	2,750.00	154,305.56
<b>Total</b>	4,746,245.60	160,154,305.56

Description of short-term borrowing classification:

(1) On March 30, 2021, Sichuan CTI Jianxin Testing Technology Co., Ltd. signed a borrowing contract numbered H600701210330700 with Chengdu Bank Longquanyi Sub-branch, to borrow RMB 2,000,000.00 from the latter at an interest rate of 4.50%. The borrowing period is from March 30, 2021 to March 29, 2022. For this deal, Chai Xinghua entered into a guarantee contract numbered D600730210330305 with Chengdu Bank Longquanyi Sub-branch.

(2) On September 2, 2019, imat-uve gmbh and Aktiengesellschaft KBC Bank entered into a borrowing contract numbered C11-9704284-81, with a credit line of EUR 600,000.00 at an interest rate of 3%. The borrowing is pay-as-you-go and can be reused within the credit line.

### (2) Outstanding overdue short-term borrowings

The total amount of outstanding overdue short-term borrowings at the end of the current period is RMB 0.00, including the following

important outstanding overdue short-term borrowings:

Unit: RMB

Borrower	Ending balance	Borrowing rate	Overdue time	Interest rate for overdue
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Other descriptions:

N/A

### 33. Financial liabilities held for trading

Unit: RMB

Item	Ending balance	Beginning balance
Including:		
Financial liabilities at fair value through profit or loss	9,138,508.21	0.00
Including:		
Total	9,138,508.21	

Other descriptions:

N/A

### 34. Derivative financial liabilities

Unit: RMB

Item	Ending balance	Beginning balance
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Other descriptions:

N/A

### 35. Notes payable

Unit: RMB

Category	Ending balance	Beginning balance
Banker acceptance bill	50,759.14	73,912.21
Total	50,759.14	73,912.21

Total amount of notes payable that become due but unpaid yet at the end of current period is RMB 0.00.

### 36. Accounts payable

#### (1) Presentation of accounts payable

Unit: RMB

Item	Ending balance	Beginning balance
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Materials payment	91,948,038.03	85,584,538.53
Project payment	72,734,964.60	98,599,058.22
Payments for equipment	76,198,357.24	95,455,057.55
Service fee	169,717,155.53	155,181,052.16
Others	143,014,938.62	114,040,387.47
<b>Total</b>	<b>553,613,454.02</b>	<b>548,860,093.93</b>

## (2) Major accounts payable aged over 1 year

Unit: RMB

Item	Ending balance	Reason for outstanding or not carrying forward
Espec Environmental Equipment (Shanghai) Co., Ltd.	4,571,000.00	Equipment payment not paid
Suez Environmental Detection Technology (Shanghai) Co., Ltd. Beijing Branch	1,786,610.00	The project hasn't been completed
Nankai University	1,650,485.44	The project hasn't been completed
<b>Total</b>	<b>8,008,095.44</b>	<b>--</b>

Other descriptions:

N/A

## 37. Advance receipts

### (1) Presentation of advance receipts

Unit: RMB

Item	Ending balance	Beginning balance
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### (2) Major advance receipts aged over 1 year

Unit: RMB

Item	Ending balance	Reason for outstanding or not carrying forward
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## 38. Contract liabilities

Unit: RMB

Item	Ending balance	Beginning balance
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Advance service charges	117,816,872.13	75,179,931.49
Advances from customers	429,223.89	
<b>Total</b>	<b>118,246,096.02</b>	<b>75,179,931.49</b>

Amount and cause of significant change in book value during the reporting period

Unit: RMB

Item	Changed amount	Reason for change
Total	0.00	---

**39. Payroll payable****(1) Presentation of payroll payable**

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
I. Short-term remuneration	363,552,256.44	1,710,928,534.18	1,648,061,837.24	426,418,953.38
II. Post-employment benefits - defined contribution plan	-213,936.50	80,405,198.92	75,680,958.95	4,510,303.47
III. Dismissal benefits	1,233,097.15	1,858,905.58	2,468,298.33	623,704.40
<b>Total</b>	<b>364,571,417.09</b>	<b>1,793,192,638.68</b>	<b>1,726,211,094.52</b>	<b>431,552,961.25</b>

**(2) Short-term remuneration**

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
(I) Wages, bonuses, allowances and subsidies	355,597,643.64	1,565,159,510.44	1,502,100,488.77	418,656,665.31
2. Employee benefits	967,695.96	26,959,853.70	26,587,504.73	1,340,044.93
3. Social insurance premium	3,966,509.93	49,722,715.97	51,047,170.88	2,642,055.02
Including: Medical insurance premium	2,355,265.93	41,104,319.36	41,968,505.89	1,491,079.40
Work-related	23,940.57	1,080,728.72	1,061,980.87	42,688.42

injury insurance premium				
Maternity insurance premium	101,615.37	1,921,907.02	2,012,225.83	11,296.56
Others	1,485,688.06	5,615,760.87	6,004,458.29	1,096,990.64
4. Housing provident fund	1,170,410.63	52,986,056.83	52,823,814.44	1,332,653.02
5. Labor union expenditures and employee education expenses	1,849,996.28	16,100,397.24	15,502,858.42	2,447,535.10
Total	363,552,256.44	1,710,928,534.18	1,648,061,837.24	426,418,953.38

### (3) Presentation of defined contribution plan

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
1. Basic endowment insurance	-200,875.01	77,762,209.77	73,127,108.98	4,434,225.78
2. Unemployment insurance premium	-13,061.49	2,642,989.15	2,553,849.97	76,077.69
Total	-213,936.50	80,405,198.92	75,680,958.95	4,510,303.47

Other descriptions:

N/A

### 40. Taxes payable

Unit: RMB

Item	Ending balance	Beginning balance
Value-added tax	23,318,831.81	24,465,282.79
Enterprise income tax   corporate income tax	38,287,915.35	41,200,824.52
Individual income tax	3,980,639.04	3,003,711.78
City maintenance and construction tax	1,272,202.20	1,285,143.07
Housing property tax	3,461,082.38	2,606,120.56
Educational surcharges	583,579.21	563,465.87
Stamp duty	578,901.82	511,387.44

Local educational surcharge	392,404.07	376,896.97
Land use tax	161,790.97	117,149.40
Others	352,447.57	355,267.20
<b>Total</b>	<b>72,389,794.42</b>	<b>74,485,249.60</b>

Other descriptions:

N/A

#### 41. Other payables

Unit: RMB

Item	Ending balance	Beginning balance
Dividends payable	1,631,042.91	31,042.91
Other payables	165,009,649.50	99,369,030.07
<b>Total</b>	<b>166,640,692.41</b>	<b>99,400,072.98</b>

##### (1) Interest payable

Unit: RMB

Item	Ending balance	Beginning balance

Significant interests due but unpaid:

Unit: RMB

Borrower	Overdue amount	Overdue reason

Other descriptions:

N/A

##### (2) Dividends payable

Unit: RMB

Item	Ending balance	Beginning balance
Ordinary share dividends	1,631,042.91	31,042.91
<b>Total</b>	<b>1,631,042.91</b>	<b>31,042.91</b>

Other notes, including significant dividends payable unpaid over 1 year, with the reasons for non-payment disclosed:

N/A

##### (3) Other payables

###### 1) Other payables listed by the nature of payment

Unit: RMB

Item	Ending balance	Beginning balance
Deposit and security	18,630,653.13	4,322,490.66
Temporary receipts payable	50,557,378.79	49,018,234.63
Equity investments payable	2,829,535.36	8,764,359.45
Others (Note 1)	92,992,082.22	37,263,945.33
<b>Total</b>	<b>165,009,649.50</b>	<b>99,369,030.07</b>

## 2) Other major payables aged over 1 year

Unit: RMB

Item	Ending balance	Reason for outstanding or not carrying forward
<b>Total</b>	<b>0.00</b>	<b>--</b>

Other description

Note 1: Other payables: Other payables are mainly the funds to be paid for the order by Centre Testing International Pinzheng (Shanghai) Co., Ltd. for housings under the "rental for sales" public rent housing program (phase 1) of Pujiang High Tech Park, Caohejing Development Zone, Shanghai. The Company plans to rent out and sell the housings to its employees. The total amount payable by employees for the public rent housings is RMB 74,415,500. As at the balance sheet date, formalities for transferring the ownership of these housings hadn't been gone through.

## 42. Held-for-sale liabilities

Unit: RMB

Item	Ending balance	Beginning balance
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Other descriptions:

N/A

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

Unit: RMB

Item	Ending balance	Beginning balance
Long-term borrowings due within one year	53,917,854.21	32,717,177.86
Lease liabilities due within one year	81,426,546.47	49,577,399.46
<b>Total</b>	<b>135,344,400.68</b>	<b>82,294,577.32</b>

Other descriptions:

N/A

**44. Other current liabilities**

Unit: RMB

Item	Ending balance	Beginning balance
Value-added tax output tax to be written off (tax in contract liabilities)	1,659,984.93	2,170,093.66
Total	1,659,984.93	2,170,093.66

Increase/decrease of short-term bonds payable:

Unit: RMB

Name of bond	Par value	Issued on	Bond period	Issue amount	Beginning balance	Current issue	Interest accrued by par value	Amortization of premiums or discounts	Repayment in current period	Ending balance
Total	--	--	--							

Other descriptions:

N/A

**45. Long-term borrowings****(1) Classification of long-term borrowings**

Unit: RMB

Item	Ending balance	Beginning balance
Mortgage borrowing	1,758,040.60	
Guaranteed borrowings	36,295,900.40	84,823,699.31
Credit borrowings	4,813,133.36	
Total	42,867,074.36	84,823,699.31

Description of long-term borrowings classification:

On May 25, 2020, CIT Holdings (Hong Kong) Co., Ltd., a subsidiary of the Company, and The Hong Kong and Shanghai Banking Corporation Limited signed a credit facility numbered CARM200407 to obtain a three-year guaranteed borrowing in the amount of USD 20,000,000.00. The borrowing period is from June 2, 2020 to June 5, 2023, and the interest is charged at the January London Interbank Offered Rate (LIBOR) + an annual interest rate of 0.9%. The part due within one year has been reclassified as non-current liabilities maturing within one year.

Other notes, including the interest rate range:

N/A

## 46. Bonds payable

### (1) Bonds payable

Unit: RMB

Item	Ending balance	Beginning balance
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### (2) Increase/decrease of bonds payable (excluding preferred shares, perpetual bonds and other financial instruments classified as financial liabilities)

Unit: RMB

Name of bond	Par value	Issued on	Bond period	Issue amount	Beginning balance	Current issue	Interest accrued by par value	Amortization of premiums or discounts	Repayment in current period		Ending balance
Total	--	--	--								

### (3) Conditions and time for the conversion of convertible corporate bonds to equity

N/A

### (4) Other financial instruments classified as financial liabilities

Basic information of outstanding preferred shares, perpetual bonds and other financial instruments at the end of the period

N/A

Table of changes in outstanding preferred shares, perpetual bonds and other financial instruments at the end of the period

Unit: RMB

Outstanding financial instruments	Beginning		Increase in the current period		Decrease in the current period		Ending	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value

Bases for the classification of other financial instruments into financial liabilities

N/A

Other description

N/A

**47. Lease liabilities**

Unit: RMB

Item	Ending balance	Beginning balance
Within 1 year	92,050,428.43	56,053,919.09
1-2 years	65,010,941.38	43,497,203.62
2-3 years	54,422,264.51	27,855,012.42
3-4 years	50,854,849.11	21,784,386.75
4-5 years	32,365,014.88	19,468,908.36
5 years and above	36,030,223.08	33,501,363.32
Unacknowledged financial charges	-32,100,459.87	-21,279,244.72
Lease liabilities due within one year	-81,426,546.47	-49,577,399.46
<b>Total</b>	<b>217,206,715.05</b>	<b>131,304,149.38</b>

Other description

N/A

**48. Long-term payables**

Unit: RMB

Item	Ending balance	Beginning balance
Long-term payables		0.00

**(1) Long-term payables presented by the nature of payment**

Unit: RMB

Item	Ending balance	Beginning balance

Other descriptions:

N/A

**(2) Special payables**

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Reasons for incurrence

Other descriptions:

N/A

## 49. Long-term payroll payable

### (1) Table of long-term payroll payable

Unit: RMB

Item	Ending balance	Beginning balance
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### (2) Changes in defined benefit plans

Present value of defined benefit plan obligations:

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
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Plan assets:

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
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Net liabilities of defined benefit plans (net assets)

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
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Contents of defined benefit plans, their related risks, as well as their impact on the Company's future cash flow, time and uncertainty:

N/A

Major actuarial assumptions and sensitivity analysis results of defined benefit plans:

N/A

Other descriptions:

N/A

## 50. Estimated liabilities

Unit: RMB

Item	Ending balance	Beginning balance	Reasons for incurrence
Pending litigation	110,417.74	2,153,982.00	
Others	3,317,275.84	2,605,033.78	Centre Testing International (Beijing) Co., Ltd. hasn't obtained the property ownership certificate. The housing property tax, interest on late payment and other amounts probable to be paid in future shall be accrued from the account.
Total	3,427,693.58	4,759,015.78	--

Other descriptions, including major relevant assumptions and estimations of significant estimated liabilities:

N/A

**51. Deferred income**

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Reasons for incurrence
Government grants related to assets	97,151,267.66	12,127,173.00	19,078,583.73	90,199,856.93	See Table 1 for details
Government grants related to income	10,062,331.87	2,480,963.00	6,648,467.81	5,894,827.06	See Table 1 for details
Total	107,213,599.53	14,608,136.00	25,727,051.54	96,094,683.99	--

Projects involving government grants:

Unit: RMB

Liabilities items	Beginning balance	New grants in the current period	Amount included in non-operating income in the current period	Amount included in other income in the current period	Amount of cost offset in the current period	Other changes	Ending balance	Asset-related/income-related
Shenzhen Electronic Information Material Testing Public Service Platform 2012 (RMB 4.5 million)	848,376.13			272,820.52			575,555.61	Related to asset
Technology shares - South China Testing Base project (RMB 15.78 million)	14,661,268.60			353,283.60			14,307,985.00	Related to asset
Subsidy for	364,152.0			359,893.3			4,258.72	Related to

agricultural product quality and safety projects	5			3				asset
Funds for building the agricultural product quality and safety system	100,000.00			100,000.00				Related to income
The Reply by the Development and Reform Commission of Shenzhen Municipality to the Fund Application for Public Service Platform Project of Home Service Robot Detection Technology in Shenzhen (RMB 4 million)	3,667,416.25			1,266,184.11			2,401,232.14	Related to asset
Key Technology Research and Development Project of Air Pollutant Sampling and Calibration Devices (project No.: 3011601)	1,867.55			1,867.55				Related to asset
Project of constructing	465,542.27			462,032.68			3,509.59	Related to asset

public service platforms for life safety and health examination								
Special fund for agricultural development 2016	511,333.08			399,999.96			111,333.12	Related to asset
Research and development of separation effect testing method for mechanical pollutant purification system	1,885,755.32			1,132,242.56			753,512.76	Related to asset
Study on selection and determination methods for core elements of technical standards	149,935.53			25,233.90			124,701.63	Related to income
Research and application demonstration on evaluation technical standard for typical classic environment-friendly products	5,447.67			5,447.67				Related to income
Special fund of the SME Administration for enterprise informatization projects 2017	56,000.00			56,000.00				Related to asset

Research on standards for key technologies like emergency stop devices and two-hand operation devices 2017	26,733.74			25,750.83			982.91	Related to income
Industry development projects 2018	1,183,890.35			572,211.81			611,678.54	Related to asset
Fund for public technical service platform projects 2019	1,687,771.62			1,000,000.08			687,771.54	Related to asset
Special fund for agricultural development 2017	1,746,499.01			134,492.52			1,612,006.49	Related to asset
R&D and application of integrated testing service platform for emerging industries -- project 1 (3011901)	182,899.30	10,000.00		96,993.89			95,905.41	Related to income
Shares - R&D and application of integrated testing service platform for emerging industries -- project 5 (3011902)	1,618,999.97	100,000.00		1,135,621.22			583,378.75	Related to income

Research on calibration methods for PM2.5 monitors	83,121.15			77,835.57			5,285.58	Related to income
Provincial innovation capacity building fund (first batch) 2015	119,458.40			36,824.19			82,634.21	Related to asset
2015 Suzhou municipal special fund for industrial and economic upgrading - project supporting fund	40,194.38			7,246.31			32,948.07	Related to asset
2015 municipal fund for guiding the development of services	1,359,756.12			36,585.36			1,323,170.76	Related to asset
2015 Hi-tech Zone special fund for promoting the development of services (RMB 1.59 million)	53,517.09			53,517.09				Related to asset
Municipal special fund for service development of Hi-tech Zone 2016 (RMB 2.407 million)	1,106,135.36			325,216.16			780,919.20	Related to asset

Subsidy for service platforms of small and micro businesses in Ningbo City 2016	600,000.0 0			600,000.0 0				Related to asset
Subsidy for public service platforms of small and micro businesses in Ningbo City 2017	489,312.8 3			295,609.4 8			193,703.35	Related to asset
Subsidy for public service platforms of small and micro businesses in Ningbo City 2018	1,103,715. 00			467,803.0 4			635,911.96	Related to asset
Demonstration projects of comprehensive testing service platforms	505,764.5 1			211,031.1 2			294,733.39	Related to asset
Special fund for development of TCM decoction pieces in Yunnan Province 2018	751,818.1 5			434,226.2 8			317,591.87	Related to asset
Technical platform of Dalian Huaxin Physical and Chemical	81,039.48			66,500.04			14,539.44	Related to asset

Testing Center								
Special fund for supporting and planning organizations of scientific and technical innovation entities	1,104.07			1,104.07				Related to asset
Technical platform of Dalian Huaxin Physical and Chemical Testing Center	120,942.67			120,942.67				Related to asset
Fund for enterprise supporting and science & technology awarding	3,430,546.49			84,013.40			3,346,533.09	Related to asset
Right to use government equipment	5,898,752.72	3,838,500.00		3,008,478.06			6,728,774.66	Related to asset
Projects under and fund for the ninth scientific and technical development program (policy-based fund for scientific and technical innovation) of Suzhou City 2019	119,262.70			38,172.92			81,089.78	Related to asset
Political incentive for high-quality development	536,682.15			171,778.14			364,904.01	Related to asset

of scientific and technical innovation in Xiangcheng District 2018 (development of research and development organizations/technical contract incentive/support for building innovation carriers, etc.)								
Reward for service system building	2,790,697.67			1,395,348.84			1,395,348.83	Related to asset
Nanjing municipal subsidy for headquarters enterprise and headquarters building certification application in the second half of 2019 (RMB 1 million)	933,333.33			100,000.00			833,333.33	Related to income
Bao'an District incentive for technological projects 2020 (research on standards for key technologies like emergency	170,000.00						170,000.00	Related to income

stop devices and two-hand operation devices)								
Bao'an District incentive for technological projects 2020 (R&D and application of integrated testing service platform for emerging industries)	808,756.00						808,756.00	Related to income
Government grant for promoting the development of inspection, testing/certification and accreditation industry for Nanjing Economic and Technological Development Zone (RMB 2.024 million)	1,905,933.33			202,400.00			1,703,533.33	Related to income
Subsidy for Suzhou based demonstration enterprises of service industry innovation	952,000.00			952,000.00				Related to income
Liaoning Coastal Economic Belt construction subsidy	951,660.53			474,964.85			476,695.68	Related to asset
Special	1,225,171.			1,225,171.				Related to

subsidy for the 4th batch of industry transformation and upgrading projects in 2020	85			85				income
Special subsidy for technological transformation	49,050,000.00			96,937.32			48,953,062.68	Related to asset
The 6th batch of industry supporting fund in 2020 (RMB 284,100)	271,655.29			76,354.96			195,300.33	Related to asset
Subsidy for investment in recycling economic projects	689,379.82			207,579.54			481,800.28	Related to asset
Subsidy for start-up	900,000.00			100,000.00			800,000.00	Related to income
Subsidy for science and technology services	1,000,000.00			1,000,000.00				Related to income
One-off subsidy for entities building postdoctoral centers		500,000.00		280,012.88			219,987.12	Related to income
Incentive for building national/provincial/municipal innovation platforms 2020		2,500,000.00		2,340,050.27			159,949.73	Related to asset
Subsidy for		500,000.00		208,333.2			291,666.75	Related to

building postdoctoral centers (innovation practice bases) in Bao'an District		0		5				asset
Bao'an District incentive for technological projects 2021 (research on standards for key technologies like emergency stop devices and two-hand operation devices)		10,000.00					10,000.00	Related to income
Bao'an District incentive for technological projects 2021 (R&D and application of integrated testing service platform for emerging industries)		288,963.00					288,963.00	Related to income
2020 subsidy for enterprise R&D		1,022,000.00		1,022,000.00				Related to income
2021 subsidy for enterprise R&D		300,000.00		300,000.00				Related to income
2021 industry support funds		125,600.00		10,928.49			114,671.51	Related to asset
The first batch of support		3,500,000.00		2,298,009.16			1,201,990.84	Related to asset

funds for promoting the high-quality development of the fashion industry in 2021								
Special fund for supporting foreign trade		1,663,073.00					1,663,073.00	Related to asset
Daily management expenditures of entities operating work stations (first + second batches in 2021)		250,000.00					250,000.00	Related to income
Total	107,213,599.53	14,608,136.00		25,727,051.54			96,094,683.99	

## Other descriptions:

(1) According to the *Approval of the Fund Application for the Shenzhen Electronic Information Material Testing Public Service Platform Project of Shenzhen CTI Testing Technology Co., Ltd.* (SFG [2012] No. 729) by the Development and Reform Commission of Shenzhen Municipality, on July 24, 2012, Centre Testing International Group Co., Ltd. received a subsidy from the Finance Commission of Shenzhen Municipality in an amount of RMB 4,500,000.00. The subsidy has been used for purchasing equipment by the enterprise and been included into current profit or loss by installments since the day when assets are accrued for impairment, with RMB 272,820.52 included into other incomes in the current period.

(2) According to the *Notice on the Issuance of 2014 Investment Plan within the Central Budget for Industrial Transformation and Upgrading Projects (the First Batch of Industrial Revitalization and Technological Transformation Projects)* (SFG [2014] No. 859) jointly released by the Development and Reform Commission of Shenzhen Municipality and the Economy, Trade and Information Committee of Shenzhen Municipality, Centre Testing International Group Co., Ltd. received grants from the Finance Commission of Shenzhen Municipality in an amount of RMB 11,000,000.00 (on December 23, 2014) and RMB 4,780,000.00 (on November 16, 2016). The subsidy has been used for civil works of South China Testing Base and has been included in current profit or loss by installments since the assets were put into service, with RMB 353,283.60 included in other incomes in the current period.

(3) According to the Subsidy Application Contract for Agricultural Product Quality and Safety Testing Project of Special Agricultural Development Fund of Shenzhen Municipality, Centre Testing International Group Co., Ltd. respectively received an appropriation of RMB 2,000,000.00 on March 11, 2015 and on December 21, 2015 from the Finance Commission of Shenzhen Municipality. According to the *Management Measures for Special Agricultural Development Fund of Shenzhen*, and the SSYJS [2014] No. 25 and SSZL[2015] No. 11 documents, this fund has been used as the construction project subsidy for agricultural product quality and safety inspection center, which has mainly been used for purchasing equipment and been included in current profit or loss by installments since the assets were accrued for impairment, with RMB 359,893.33 included in other incomes in the current period.

(4) According to the document of the Development and Reform Commission of Shenzhen Municipality (SFG [2015] No. 963) -- the Reply by the Development and Reform Commission of Shenzhen Municipality to the Fund Application for Public Service Platform Project of Home Service Robot Detection Technology in Shenzhen; according to the document of the Development and Reform Commission of Shenzhen Municipality, the Economy, Trade and Information Committee of Shenzhen Municipality, the Science and Technology Innovation Committee of Shenzhen Municipality and the Finance Commission of Shenzhen Municipality (SFG [2015] No. 863) -- the Notice on the Release of the Support Plan on Shenzhen's Strategic Emerging Industries and Future Industry Development Special Funds for the First Half of 2015 (the First, Second and Third Batches) by the Development and Reform Commission of Shenzhen Municipality, the Economy, Trade and Information Committee of Shenzhen Municipality, the Science and Technology Innovation Committee of Shenzhen Municipality and the Finance Commission of Shenzhen Municipality, Centre Testing International Group Co., Ltd. received an appropriation from Shenzhen Municipal Treasury in the amount of RMB 4,000,000.00 on October 29, 2015 and an appropriation from the Finance Bureau of Bao'an District, Shenzhen in the amount of RMB 2,000,000.00 on October 31, 2016. The appropriation has been used for its dedicated purpose, mainly used for purchasing instruments and equipment, improving existing process equipment and testing conditions and purchasing necessary technology, software, etc., and has been included into current profit or loss by installments since the assets were accrued for impairment, with RMB 1,266,184.11 included in other incomes in the current period.

(5) According to the document (SFG [2015] No. 793) of the Development and Reform Commission of Shenzhen Municipality -- the Notice of Decomposing and Distributing National Service Industry Development and Capital Guide Plan within Central Budget 2015 by the National Development and Reform Commission, Centre Testing International Group Co., Ltd. received an appropriation of RMB 5,000,000.00 on July 11, 2016 and RMB 710,000.00 on December 22, 2017 respectively from the Finance Commission of Shenzhen Municipality for purchasing platform equipment. According to the document of the Technology Innovation Bureau of Bao'an District, Shenzhen Municipality (SBK [2017] No. 64) -- the Notice of Technology Innovation Bureau of Bao'an District on Capital Arrangement Plan for 24 Projects Including the Construction Subsidy for Testing Laboratories with State-recognized Qualification in Bao'an District 2017, Centre Testing International Group Co., Ltd. received the special fund from the Finance Bureau of Bao'an District on September 30, 2017. The amount has been used for its dedicated purpose, i.e., purchasing equipment for the public service platform of life safety and health testing and for technological innovation, research and development of the platform project. The amount has been included in current profit or loss by installments since the assets were put into service, with RMB 462,032.68 included into other incomes in the current period.

(6) According to the Document SFG [2017] No. 713, Centre Testing International Group Co., Ltd. and the Science and Technology Innovation Committee of Shenzhen Municipality executed the Shenzhen Science and Technology Plan Project Agreement (Project No. JSGG20170413162752680, Project Name: Research and Development of Testing Methods for Separation Effect of Mechanical Pollutant Purification System). As agreed in the contract, the fund of RMB 4.5 million will be provided to the Company as the subsidy for research and development of testing methods for separation effect of mechanical pollutant purification system. The subsidy has mainly been used for purchasing equipment and been included in current profit or loss since the assets were accrued for impairment. On June 30, 2017, Centre Testing International Group Co., Ltd. received a fund appropriated by the Finance Commission of Shenzhen Municipality, which has been carried forward to current profit or loss as per actual usage amount, with RMB 1,132,242.56 included in other incomes in the current period.

(7) According to the document of the Economy, Trade and Information Committee of Shenzhen Municipality -- the *Notice of the Economy, Trade and Information Committee of Shenzhen Municipality about Publicity of Proposed Projects Covered by the Public Service Platform Support Program of Special Industrial Development Fund for Productive Service Industry 2018*, (SJMXXSCZ [2018] No. 264), Centre Testing International Group Co., Ltd. received the fund of the Public Service Platform Support Program for Productive Service Industry, RMB 10,000,000.00, on December 20, 2018 from Finance Commission of Shenzhen Municipality. The fund has been used for its dedicated purpose for construction of the National Service Platform Project of Quality Testing Center of Toxic and Harmful Substance from Electric Products. The subsidy has been mainly used for purchasing relevant equipment for the enterprise and has been included in current profit or loss since the assets were used, with RMB 572,211.81 included in other incomes

in the current period.

(8) According to the *Notice of Shenzhen Industrial and Information Technology Bureau about Publicity of Proposed Funding Program (First Batch) of Special Public Technology Service Platform Program of Technical Transform and Multiplication 2019* (SGXTCZ [2019] No. 54), Centre Testing International Group Co., Ltd. received the public technology service platform fund 2019, RMB 5,000,000.00, from the Finance Commission of Shenzhen Municipality on May 9, 2019. The subsidy has been used for purchasing equipment and has been included in current profit or loss by installments since the assets were put into service, with RMB 1,000,000.08 included in other incomes in the current period.

(9) According to the *Circular of Market and Quality Supervision Commission of Shenzhen Municipality about Publicizing Agricultural Product Quality and Safety Testing Project Funding Program by the Special Agricultural Development Fund 2017* (SSZTG [2018] No. 55), Centre Testing International Group Co., Ltd. received the special agricultural development supporting fund of 2017 of RMB 2,000,000.00 from the Market and Quality Supervision Commission of Shenzhen Municipality on November 30, 2018. The subsidy has been used for purchasing equipment and has been included in current profit or loss by installments since the assets were put into service, with RMB 134,492.52 included into other incomes in the current period.

(10) According to documents such as the *Several Opinions of the State Council on Improving and Strengthening Administration of Scientific Research Projects and Funds Supported by Central Finance* (GF [2014] No. 11) and the *Publicity List of Proposed Projects of Key and Special Projects 2018 of "General Key Technology Research and Development and Application Demonstration for Modern Service Industry" in the National Key Research and Development Program* in the *Notice of Arrangement Publicity of Key and Special Projects 2018 of "General Key Technology Research and Development and Application Demonstration for Modern Service Industry" in the National Key Research and Development Program* by the Hi-tech Research and Research Development Center of the Ministry of Science and Technology of the People's Republic of China, Centre Testing International Group Co., Ltd. received the subsidy from the Hi-tech Research and Research Development Center of the Ministry of Science and Technology on September 27, 2019, totaling RMB 7,460,000.00 (9,460,000.00), including RMB 1,617,000.00 for CTI. On June 16, 2020, Centre Testing International Group Co., Ltd. received the subsidy from the Hi-tech Research and Research Development Center of the Ministry of Science and Technology in the amount of RMB 3,380,000.00, including RMB 580,000.00 for CTI. On April 29, 2021, Centre Testing International Group Co., Ltd. received the subsidy from the Hi-tech Research and Research Development Center of the Ministry of Science and Technology in the amount of RMB 670,000.00, including RMB 110,000.00 for CTI. The subsidy has been used for paying various costs incurred in connection with research and development projects and carried forward to current profit or loss as per the actual amount used, with RMB 1,232,615.11 included other incomes in the current period.

(11) According to the document of the Development and Reform Bureau of Xiangcheng District, Suzhou Municipality and the Finance Bureau of Xiangcheng District, Suzhou Municipality, the *Notice about Distributing Municipal Service Industry Development Guide Fund 2015 to Suzhou CTI Testing Technology Co., Ltd.* (XFGF (2017) No. 1 and XCQ (2017) No. 7), the subsidiary Suzhou CTI Testing Technology Co., Ltd. received a special fund of RMB 1,500,000.00 from the Finance Department of Weitang Town, Xiangcheng District on March 17, 2017. The subsidy has been used for the construction of lab bases by the enterprise and included into current profit or loss by installments since the day when the assets were accrued for impairment, with RMB 36,585.36 included in other incomes in the current period.

(12) According to the document of the Economic Development Bureau of National Hi-tech Zone of Ningbo Municipality and the Financial Bureau of National Hi-tech Zone of Ningbo Municipality -- the *Notice of Distributing Municipal Special Fund for Service Industry Development of Hi-Tech Zone 2016* (YGXJ [2017] No. 30), the subsidiary Ningbo CTI Testing Technology Co., Ltd. received a special fund of RMB 2,407,000.00 on March 29, 2017 from the State-owned Assets Management and Accounting Center of Ningbo National Hi-tech Zone. The subsidy has been used for purchasing relevant equipment by the enterprise and included into current profit or loss by installments since the day when the assets were accrued for impairment, with RMB 325,216.16 included in other incomes in the current period.

(13) According to the document of the Finance Bureau of Ningbo Municipality -- *About Clearing and Distributing Special Funds (First Batch) for Entrepreneurship and Innovation Model Bases of Small and Micro Businesses in Cities 2017* (YCFZ [2017]

No. 734), the subsidiary Ningbo CTI Testing Technology Co., Ltd. received a special fund of RMB 3,000,000.00 on December 21, 2017 from the State-owned Assets Management and Accounting Center of Ningbo National Hi-tech Zone. The subsidy has been used for purchasing relevant equipment by the enterprise and included into current profit or loss by installments since the day when assets were accrued for impairment, with RMB 600,000.00 included in other incomes in the current period.

(14) According to the *Notice on 2019 Granting Fund (Fourth Batch) for Model Urban Small- and Micro-sized Entrepreneurship and Innovation Bases* (YCZF [2019] No. 612) of Finance Bureau of Ningbo Municipality, the subsidiary Ningbo CTI Testing Technology Co., Ltd. received the special fund of RMB 1,774,300.00 from Ningbo Finance Bureau on August 22, 2019. The subsidiary has been used for setting up the public service platform and included in current profit or loss by installments within remaining service life of the assets, with RMB 467,803.04 included in other incomes in the current period.

(15) According to the Notice of Finance Bureau of Kunming Municipality and the Industry and Information Technology Bureau of Kunming Municipality about Distributing Special Development Fund for TCM Decoction Piece Industry 2018 (KCCY [2018] No. 273), the Company received the special fund for development of TCM decoction piece industry, RMB 3 million, from the Treasury Payment Center of the Kunming Economic and Technological Development Zone on December 25, 2018. The subsidy has been used for equipment for the capacity improvement project of TCM decoction piece testing organizations and has been included in current profit or losses by installments since the assets were put into service, with RMB 434,226.28 included in other incomes in the current period.

(16) According to the 2nd Scientific and Technical Innovation Joint Conference Minute of Investment Attraction Administration of Kunshan Hi-tech Zone (GXQ [2012] No. 179), the subsidiary CTI Biotechnology (Suzhou) Co., Ltd. respectively received the construction subsidy for Kunshan GLP Project Base of RMB 1 million in 2015, RMB 1 million in 2016 and RMB 1.8 million in 2017 from the Investment Attraction Administration of Kunshan Hi-tech Zone. The subsidy has been used for construction of the Kunshan GLP Base Project and included in current profit or loss by installments since the assets were put into service, with RMB 84,013.40 included in other incomes in the current period.

(17) In 2010, CTI Group and the Management Committee of Kunshan New and High Tech Industrial Development Zone inked an investment intention agreement on constructing Suzhou Biotechnology (the Pre-clinical CRO Research Base) in Kunshan Hi-tech Zone. On June 5, 2012, a supplementary agreement was entered into, under which Kunshan Hi-tech Zone committed that Jiangsu Kunshan Hi-Tech Industry Investment Development Co., Ltd., its subordinate company, would contribute an accumulative amount of RMB 50 million to purchase the listed instruments and equipment for the platform within 4 years since 2012. Later, Jiangsu Kunshan Hi-Tech Industry Investment Development Co., Ltd. executed an *Entrusted Operation Management Agreement* with Suzhou Biotechnology, to invest not less than RMB 50 million in purchasing equipment for free use by Suzhou Biotechnology for 20 years from January 10, 2013 to January 9, 2033. Kunshan Hi-Tech Industry Investment Development Co., Ltd. owns such equipment. Suzhou Biotechnology had received the equipment from 2013 to 2016, with a total amount of RMB 49,775,842.00. As at late 2016, the net equipment amount reached RMB 26,656,503.38. The equipment amount received in 2021 was RMB 3,838,500.00. In the current period, RMB 3,008,478.06 is transferred to other incomes.

(18) According to the *Notice of Beijing Municipal Bureau of Economy and Information Technology on Collecting Construction Projects of Capital Service System Supporting Development of SMEs in Beijing* issued on March 12, 2018, capital subsidiaries will be proportionally granted as per the project investment amount to support public service platforms of SMEs and entrepreneurship and innovation base construction or renovation projects of small and micro enterprises, which were completed during the period from March 1, 2017 to March 1, 2018 and have a construction period not longer than 2 years. On June 24, 2019, the Company received RMB 5,000,000.00 transferred by Beijing Municipal Bureau of Economy and Information Technology in the name of "Construction Rewards for Service System", RMB 1,395,348.84 of which was included in other incomes in the current period.

(19) According to the *Notice on Certifying the Second Batch of Municipal Headquarters Enterprises of Nanjing City* (NZB [2020] No. 1) issued at the Nanjing Joint Conference on Promoting the Development of Headquarters Economy, an amount of RMB 1,000,000.00 allocated by Nanjing Economic and Technological Development Zone Management Committee was received on May 28, 2020, with RMB 100,000.00 included in other incomes in the current period.

(20) According to the *Notice on the Issuance of the Support Measures of Nanjing Economic and Technological Development Zone for Promoting the Development of Inspection, Testing, Certification and Accreditation Industries* (NKWKZ [2015] No. 183), on June 22, 2020, the Company received a government grant from the Nanjing Economic and Technological Development Zone Management Committee in an amount of RMB 2,024,000.00, with RMB 202,400.00 included in other incomes in the current period.

(21) According to the *Notice of Allocating the Subsidy Funds for Service Industry Innovation Demonstration Enterprises in Suzhou* (XFGT [2020] No. 1) issued by Xiangcheng District Development and Reform Commission, Suzhou, on July 9, 2020, the Company received a subsidy from Xiangcheng District Development and Reform Commission in an amount of RMB 3,380,000.00. The subsidy has been used for the Suzhou CTI Base Project (Phase 2), with RMB 952,000.00 included in other incomes in the current period.

(22) According to the *Notice on the Issuance of the 2019 Liaoning Coastal Economic Belt Construction Subsidy Fund Plan* (DFGYHZ [2019] No. 484) by the development and reform commissions of Liaoning Province and Dalian City and the finance bureaus of Liaoning Province and Dalian City and the *Notice on the Issuance of the 2019 Liaoning Coastal Economic Belt Construction Subsidy Fund Plan* (DJPFGE [2019] No. 22) by Dalian Jinpu New District Development and Reform Bureau, the subsidiary Dalian Huaxin Physical and Chemical Testing Center Co., Ltd. received RMB 1.525 million on January 22, 2020 and RMB 1.525 million on August 11, 2020, a total of RMB 3.05 million, from the Financial Services Center, Dalian Jinpu New District. The subsidy has been used for the equipment cost and housing rental cost of the project from January 2015 to December 2018. The use of project fund needs to be carried forward after the inspection and acceptance by the Dalian municipal finance bureau, with RMB 474,964.85 inspected, accepted and carried forward into other incomes in the current period.

(23) According to Document No. HJXT [2019] 843 of the Shanghai Municipal Commission of Economy and Informatization, on September 9, 2020, the Company received the special fund (technological renovation) for the 4th batch of industrial transformation and upgrading projects in 2020 from the Shanghai Municipal Commission of Economy and Informatization in an amount of RMB 7,200,000.00. The special fund has been applied based on equipment and infrastructure investment, with RMB 1,225,171.85 included in other incomes in the current period.

(24) According to the *Notice on Forwarding and Allocating the 2020 (First Batch) Central Budget Investment Plan for Technical Transformation Projects* by the Economic Development Department of Qingdao High-tech Industrial Development Zone Management Committee, on September 14, 2020, the Company received a subsidy from Qingdao High-tech Industrial Development Zone Management Committee in an amount of RMB 49,050,000.00. The subsidy has been used for technological renovation of the base, with RMB 96,937.32 included in other incomes in the current period.

(25) According to the *Joint Notice of the Development and Reform Bureau of Huangpu District, Guangzhou and the Development and Reform Bureau of Guangzhou Development Zone on Granting the District Green and Low-carbon Development Special Fund for the Third Batch of Projects Inspected and Accepted in 2020* (SPFG [2020] No. 100), on December 8, 2020, the Company received a circular economy project investment subsidy in an amount of RMB 1,000,000.00, with RMB 207,579.54 included in other incomes in the current period.

(26) According to the *Investment Cooperation Agreement on Xijiao CTI Rail Transit Inspection Base Project* signed with the Jinniu District People's Government, Chengdu on October 19, 2020, the Jinniu District People's Government will grant the project company within 30 days from the date of signing the agreement an one-off start-up subsidy of RMB 1 million, which will be used for the project company's technical standard development, equipment procurement, evaluation and certification process construction, and application for various rail transit certification and qualifications. On December 7, 2020, the Company received a fund from the Investment Promotion Bureau of Jinniu District, Chengdu City in an amount of RMB 1,000,000.00, with RMB 100,000.00 included in other incomes in the current period.

(27) According to the *Joint Notice of Sichuan Provincial Bureau of Finance and Science and Technology Department of Sichuan Province on Allocating the Special Funds for the Development of Science and Technology Service Industry in 2020* (CCJ [2020] No. 137), the Company received the subsidy from the S&T and Talent Bureau of Chengdu Hi-Tech Industrial Development Zone in an amount of RMB 2,000,000.00 on December 21, 2020, with RMB 1,000,000.00 included in other incomes in the current period.

(28) According to the *Notice of Shenzhen Industrial and Information Technology Bureau on Publicity of the Proposed Funding Plan (First Batch) for Public Technical Service Platforms for the 2019 Technical Transformation and Multiplication Program* (SGXTCZ [2019] No. 54), Centre Testing International Group Co., Ltd. received a subsidy of RMB 2,500,000.00 from Bao'an District Finance Bureau on March 30, 2021. In the current period, RMB 2,340,050.27 is transferred to other incomes.

(29) According to the guidelines on applying for subsidy for research and development by enterprises in 2019 issued by the Science and Technology Innovation Committee of Shenzhen Municipality -- the *Notice of Science and Technology Innovation Committee of Shenzhen Municipality on Changing the Time of Receiving in Advance the Application Documents and Fund Granting Documents for the First-Batch Subsidy under the 2020 Enterprise R&D Funding Program*, on June 11, 2021, Centre Testing International Group Co., Ltd. received an amount of RMB 1,022,000.00 as the subsidy from the Science and Technology Innovation Committee of Shenzhen Municipality, with RMB 1,022,000.00 included into other incomes in the current period.

(30) According to the notice of the municipal industry and information technology bureau on granting the first batch of subsidies for the 2021 fashion industry high-quality development support program, on October 29, 2021, Centre Testing International Group Co., Ltd. received the first subsidy for the 2021 fashion industry high-quality development support program of RMB 3.5 million, with RMB 2,298,009.16 included into other incomes in the current period.

(31) According to *Notice of Guangzhou Municipal Commerce Bureau on Issuing the Guidelines for Public Service Platform Projects to Apply for the 2021 Foreign Trade Development Fund (Matters on Promoting Innovative Development of Trade in Services)*, Guangzhou CTI Testing and Certification Technology Co., Ltd. received a foreign trade development fund of RMB 1,663,073.00 on November 30, 2021, with RMB 0 included into other incomes in the current period.

## 52. Other non-current liabilities

Unit: RMB

Item	Ending balance	Beginning balance
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Other descriptions:

N/A

## 53. Capital stock

Unit: RMB

	Beginning balance	Current increase/decrease (+, -)					Ending balance
		New issue of shares	Issue of bonus shares	Conversion of provident fund into shares	Others	Subtotal	
Total number of shares	1,665,135,714.00				7,952,500.00	7,952,500.00	1,673,088,214.00

Other descriptions:

The current stock options are exercised, and 7,952,500.00 shares of capital stock are increased.

## 54. Other equity instruments

### (1) Basic information of other financial instruments outstanding at the end of period, such as preferred shares and perpetual bonds

N/A

### (2) Movement statement of outstanding preferred shares, perpetual bonds and other financial instruments at the end of period

Unit: RMB

Outstanding financial instruments	Beginning		Increase in the current period		Decrease in the current period		Ending	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value

Increase/decrease in other equity instruments in the current period and reasons, and bases of related accounting treatment:

N/A

Other descriptions:

N/A

## 55. Capital reserves

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Capital premium (capital stock premium)	77,606,672.63	59,868,733.08		137,475,405.71
Other capital reserves	35,824,897.85	28,718,891.65	15,325,248.08	49,218,541.42
Total	113,431,570.48	88,587,624.73	15,325,248.08	186,693,947.13

Other notes, including increase/decrease in the current period & the reasons for the change:

Change in capital reserves - capital premium (capital stock premium): (1) The current stock options are exercised, and capital reserves - equity premium are increased by RMB 44,543,485.00. (2) The current exercise is paid with equity-settled share-based payment, and capital reserve - other capital reserve of RMB 15,325,248.08 recognized in the waiting period is carried forward to the capital stock premium.

Change in capital reserve - other capital reserve: (1) The amount of current share-based payment booked in capital reserve - other capital reserve is RMB 5,152,452.81. (2) In the current period of stock options exercise, the amount allowed by the tax law is deducted, and the part exceeding the book share-based payment is correspondingly included as expense, with an impact on income tax expense of RMB 23,566,438.84, which is included in the capital reserve. (3) The current exercise is paid with equity-settled share-based payment, and capital reserve - other capital reserve of RMB 15,325,248.08 recognized in the waiting period is carried forward to the capital stock premium.

**56. Treasury share**

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
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Other notes, including increase/decrease in the current period &amp; the reasons for the change:

N/A

**57. Other comprehensive incomes**

Unit: RMB

Item	Beginning balance	Current amount incurred						Ending balance
		Amount before income tax in current period	Less: amount included in other comprehensive income previously and then transferred into current profit or loss	Less: Amount included in other comprehensive incomes previously and then transferred into current retained earnings	Less: Income tax expense	Attributable to the parent company after tax	Attributable to minority shareholders after tax	
II. Other comprehensive income reclassified into profits or losses	14,688,390.68	590,555.11				590,555.11		15,278,945.79
Converted difference in foreign currency statements	14,688,390.68	590,555.11				590,555.11		15,278,945.79
Total other comprehensive income	14,688,390.68	590,555.11				590,555.11		15,278,945.79

Other notes, including the adjustment converting effective part of profit and loss of cash flow hedges to the initial recognition amount of the hedged item:

N/A

**58. Special reserves**

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
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Other notes, including increase/decrease in the current period &amp; the reasons for the change:

N/A

**59. Surplus reserves**

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserves	179,193,512.40	40,946,479.46		220,139,991.86
Total	179,193,512.40	40,946,479.46		220,139,991.86

Surplus reserves, including increases/decreases in the current period and reasons:

N/A

**60. Undistributed profit**

Unit: RMB

Item	Current period	Prior period
Undistributed profits at the end of prior period before adjustment	1,771,832,899.47	1,295,758,239.33
Initial undistributed profits after adjustment	1,771,832,899.47	1,295,758,239.33
Add: Net profit attributable to owners of the parent company in the current period	746,186,939.78	577,610,518.76
Less: Withdrawal of statutory surplus reserve	40,946,479.46	40,960,036.16
Dividends payable on ordinary shares	58,490,921.14	58,219,023.87
Add: Other	9,105,276.75	
Less: Acquisition of minority equity	65,579,942.18	2,356,798.59
Undistributed profit at the end of period	2,362,107,773.22	1,771,832,899.47

Details of adjustment of initial undistributed profits:

- 1) Retroactive adjustment shall be made according to the *Accounting Standards for Business Enterprises* and related new regulations, and the impact on the initial undistributed profit is RMB 0.00.
- 2) Due to alteration of accounting policies, the impact on the initial undistributed profit is RMB 0.00.
- 3) Due to alteration of major errors in accounting policies, the impact on the initial undistributed profit is RMB 0.00.
- 4) Change in consolidation scope due to common control imposes impact on RMB 0.00 of initial undistributed profits.
- 5). Other adjustments exert an impact on the initial undistributed profit of RMB 0.00.

**61. Operating income and operating cost**

Unit: RMB

Item	Current amount incurred		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Primary business	4,319,307,391.07	2,126,281,762.99	3,559,785,273.30	1,784,006,120.71

Other business	9,781,237.43	2,168,752.89	7,927,488.35	1,110,280.23
Total	4,329,088,628.50	2,128,450,515.88	3,567,712,761.65	1,785,116,400.94

Whether the lower of the net profits before and after net of non-recurring gains/losses is negative through audit

Yes  No

Related income information:

Unit: RMB

Contract classification	Segment 1	Segment 2		Total
Product type	4,329,088,628.50			4,329,088,628.50
Including:				
Trade guarantee	573,557,240.09			573,557,240.09
Consumer goods test	495,310,144.36			495,310,144.36
Industrial test	803,467,933.38			803,467,933.38
Life sciences	2,087,322,872.97			2,087,322,872.97
Medicine and medical services	369,430,437.70			369,430,437.70
By business region	4,329,088,628.50			4,329,088,628.50
Including:				
Domestic	4,183,507,491.19			4,183,507,491.19
Overseas	145,581,137.31			145,581,137.31
Market or customer type				
Including:				
Contract type				
Including:				
By the commodity transfer time				
Including:				
By contract period				
Including:				
By sales channel				
Including:				

Total				

Information on performance obligations:

As to sample testing revenue, when the testing services provided have been completed and the test report delivered to the customer, customers obtain control of the relevant commodity and the Company completes its performance obligations. As to project and engineer testing, customers acquire control of said service at the same time as the Company performs it, and the Company recognizes completed performance obligations based on performance throughout the period in which the service is provided.

Information about transaction prices apportioned to the remaining performance obligations:

The income corresponding to the performance obligations that have been signed but not performed or fully performed at the end of the reporting period is RMB 0.00, of which revenue of RMB \_\_\_ is estimated to be recognized in \_\_\_ (year), revenue of RMB \_\_\_ is estimated to be recognized in \_\_\_ (year), and revenue of RMB \_\_\_ is estimated to be recognized in \_\_\_ (year).

Other description

N/A

## 62. Taxes and surcharges

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
City maintenance and construction tax	6,999,803.43	5,420,061.13
Educational surcharges	3,125,533.96	2,416,449.39
Housing property tax	6,520,389.81	5,227,769.93
Land use tax	721,482.31	584,589.76
Vehicle and vessel usage tax	67,842.68	83,428.30
Stamp duty	2,286,209.00	2,235,307.56
Local education surcharge	2,089,334.59	1,632,684.33
Other taxes	710,419.70	661,090.22
Total	22,521,015.48	18,261,380.62

Other descriptions:

N/A

## 63. Selling expenses

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
Employee remuneration	486,130,477.16	404,863,783.34
Depreciation and amortization	11,160,427.48	5,738,113.39
Rents and utilities	7,844,264.88	14,134,979.05
Office expenses	25,402,075.20	26,743,104.51

Travel expenses	50,405,410.74	57,242,759.85
Entertainment expenses	56,573,353.00	41,567,848.05
Training expenses	675,704.72	800,102.53
Marketing expenses	124,917,271.22	112,209,445.95
Others	5,865,010.72	4,464,877.74
<b>Total</b>	<b>768,973,995.12</b>	<b>667,765,014.41</b>

Other descriptions:

N/A

**64. Administrative expenses**

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
Employee remuneration	173,499,651.87	139,900,058.46
Share-based payment	5,152,452.81	9,664,000.00
Depreciation and amortization	20,357,773.39	14,533,659.87
Rents and utilities	6,303,453.61	9,817,557.35
Office expenses	24,345,130.07	21,238,613.63
Travel expenses	6,649,001.57	5,651,210.49
Consulting service & training expenses	24,408,961.15	19,677,790.24
Certification charge	1,608,716.47	1,574,634.02
Materials and consumables	1,133,288.62	1,010,777.51
Others	12,101,394.23	12,065,616.38
<b>Total</b>	<b>275,559,823.79</b>	<b>235,133,917.95</b>

Other descriptions:

N/A

**65. R&D expenses**

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
Employee remuneration	261,008,619.80	201,370,181.75
Materials	34,453,274.54	30,446,513.63
Depreciation and amortization	57,702,286.21	53,625,263.92
Rents and utilities	19,514,140.58	18,090,300.81
Others	3,296,151.66	4,696,533.93

Total	375,974,472.79	308,228,794.04
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Other descriptions:

N/A

**66. Financial expenses**

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
Interest expense	13,617,262.15	7,014,416.56
Less: Interest income	9,526,911.57	4,052,159.50
Exchange losses/gains	4,856,586.81	6,397,710.43
Bank handling fee and others	2,760,409.54	2,062,879.21
<b>Total</b>	<b>11,707,346.93</b>	<b>11,422,846.70</b>

Other descriptions:

N/A

**67. Other incomes**

Unit: RMB

Sources of other incomes	Current amount incurred	Amount incurred in the previous period
Value-added tax offset	16,507,299.56	13,330,724.49
Refund of service charge on personal income tax	1,010,821.48	556,190.40
Transferred to deferred income	25,727,051.54	35,098,064.38
Subsidy for work-based training	46,000.00	12,000.00
Technical subsidy for technically advanced enterprises		200,000.00
"Employment guarantee" program		518,579.80
09 second-batch government grant for scientific and technological projects		300,000.00
2016 award for high-tech enterprise recognition		120,000.00
2017 subsidy for enterprises after R&D investment		236,300.00
Fund for of Entrepreneurship and Innovation Talent Team Program of Kunshan Municipality 2017		150,000.00
2018 and 2019 second-batch scientific		3,600.00

and technical innovation coupon subsidy		
One-off incentive for enterprises included in the Gusu Program of Urgently Needed Professionals for Key Industries 2018		10,000.00
Fund for public technical service platform projects 2018		770,000.00
2018 municipal/county-level incentive for newly recognized enterprises above designated size		60,000.00
2019 (fifth-batch) special support funding in an amount of RMB 520,000		520,000.00
2019 second-batch intellectual property self-aid funding		4,200.00
2019 first-batch patent funding authorized by central budget		7,000.00
2019 award for rapidly growing enterprises in the High-tech Zone		100,000.00
2019 policies for outstanding enterprises of technical innovation		1,090,000.00
2019 provincial fund for innovation capacity building (third batch)		12,800.00
Subsidy for municipal scientific and technical innovation coupon 2019	63,100.00	63,100.00
2019 Xiangcheng District's special fund for supporting new domestic sales of enterprises		125,854.00
Political support fund for brand construction and high-quality development of Xiangcheng District (first batch) 2019		462,000.00
2019 rent subsidy for recognized small and medium technical enterprises in the Economic Development Zone		150,000.00
Subsidy for Party building of new economy organizations and new social organizations 2019		127.50
Enterprise research and development grant 2019		346,000.00

2019 Shaanxi Province's special reward funding for technical renovation of small and medium enterprises		314,000.00
2019 subsidy under Shenzhen special fund for standardization		2,032,347.00
Political incentive for high-quality development of scientific and technical innovation (subsidy for increased R&D expenses) in Xiangcheng District 2019		1,000,000.00
2019 Xiangcheng District fund for the "scientific and technological innovation drives high-quality development" policy (R&D institution construction/scientific and technological achievement transfer and transformation/industry-university-research cooperation projects)		350,000.00
2019 R&D grant		64,000.00
2019 provincial subsidy for R&D input		10,000.00
2019 domestic patent authorization policies towards intellectual property rights		6,000.00
2020 funding for public technical service platform projects		2,000,000.00
2020 innovative provincial construction fund (seventh batch) 62029484		222,000.00
Provincial scientific and technical innovation coupon subsidy 2020		25,000.00
2020 special provincial funding for intellectual property rights		2,125.00
2020 special fund program for technological transformation and enhancement projects & funding program for quality-brand improvement programs		570,000.00
2020 Ningbo social insurance premium refund		203,696.00
2020 enterprise unemployment subsidy	4,403.69	7,393.19
2020 Shanghai trade in service		151,700.00
Subsidy for enterprises (first batch)		20,000.00

included in the provincial high-tech enterprise cultivation pool in 2020		
2020 reward for standardization of market supervision in an amount of RMB 50,000		50,000.00
2020 Suzhou Xiangcheng District's special fund for high-end services and Suzhou City's funding for guiding service industry development (demonstration enterprises for AI and big data application)		300,000.00
2020 subsidy for micro-sized enterprises		50,000.00
2020 subsidy for labor employment (labor absorption and filing)		5,000.00
2020 Xiangcheng District's poverty alleviation funding supporting service enterprises in response to the epidemic		41,845.00
2020 special fund for business development		125,200.00
E-INVOICING REGISTRATION		1,013.08
Global Ready Talent Programme		14,210.82
Government Paid childcare leave		1,821.58
HMRC JRS Grant		172,985.77
Jobs Support Scheme	638,157.74	3,213,628.37
Malaysia government's subsidy		27,449.87
Marine and Process Safe Restart Package		36,081.06
TEMPORARY HOUSING SUBSIDY		10,637.39
Temporary Housing Support		14,031.52
Wage Credit Scheme	87,979.69	49,331.15
Large instrument subsidy of Anhui Province	314,000.00	
Research and development instrument subsidy of Anhui Province		100,000.00
Bao'an District's subsidy for work resumption and COVID-19 prevention and control of enterprises above designated size, qualified construction businesses and all real estate		122,400.00

development and operation businesses, wholesale and retail businesses above designated size and accommodation and catering businesses and service industry legal entities above designated size		
Bao'an District's subsidy for work resumption and COVID-19 prevention and control of enterprises above designated size, qualified construction businesses and all real estate development and operation businesses, wholesale and retail businesses above designated size and accommodation and catering businesses and service industry legal entities above designated size		159,700.00
Subsidy for booth fee of attending Bao'an Industry Development Expo and Small City Expo		59,200.00
Beijing - Reward for economic contribution growth in 2020	1,480,000.00	316,775.04
Subsidy for enterprises participating in the Industry Talents Program in an amount of RMB 100,000		100,000.00
Subsidy for entrepreneurship creating jobs		60,000.00
Subsidy for post practice		11,000.00
Subsidy for patents for invention	3,000.00	
Subsidy for pandemic prevention and control		33,000.00
Social insurance subsidy for persons not with employment difficulties	136,883.65	49,562.28
Provincial funding for service trade		110,400.00
Reward for operation contribution of service enterprises		90,000.00
Guidance for the service industry		800,000.00
Subsidy for pre-job training	34,700.00	46,000.00
High-end innovative and entrepreneurial talent introduction program	900,000.00	1,110,000.00
Subsidy for high-tech enterprises		200,000.00

Subsidy for internship of college graduates		48,012.73
Subsidies for high-tech enterprises		200,000.00
Reward for recognized high-tech enterprises		100,000.00
Refund of service charge on personal income tax		200,626.78
Refund of individual tax handling fee (2017)		12,790.00
Fund for public health programs	247,040.00	680,020.00
Encouraging professional service enterprises to expand		5,000.00
Decision on Commending Enterprises Winning Weitang Town's 2018 Tax Contribution Award		50,000.00
Guangdong Province's reward funding for scientific and technical innovation		250,073.00
National subsidy for newly recognized high-tech enterprises	100,000.00	50,000.00
National funding for second-batch scientific and technical projects in 2020 in high-tech zones		170,000.00
2019 policy funding for promoting the development of service industry of the Economy and Trade Development Bureau, Hefei Economic Development Zone		50,000.00
2019 second-batch district-level policy reward subsidy for promoting scientific and technical innovation of the Market Supervision Administration, Hefei Economic Development Zone		4,800.00
Subsidy for technical contracts	71,000.00	139,300.00
Deduction of patent fees		1,250.00
Internship subsidy	37,228.00	197,685.00
Intern subsidy	276,696.00	
Subsidy of Productivity Promotion Center of Jiangsu Province	39,000.00	200,000.00
Specially-funded economy and trade		100,000.00

development programs		
Employment insurance subsidy	1,256.64	
Employment internship subsidy		4,630.92
Notice on carrying out epidemic prevention and control training for projects		180,900.00
Reward for scientific and technical innovation bases		500,000.00
Subsidy after research and development investment of scientific and technical enterprises	740,000.00	530,000.00
Reward for trans-provincial employment	1,000.00	2,120.00
Kunshan enterprise information technology program for high-quality development of industrial economy		80,300.00
LCS (2018) No. 14 - social insurance subsidy		67,928.00
Subsidy for delayed resumption of work of Hubei-nationality employees working at enterprises in Bao'an District from Xin'an Subdistrict Office, Labor Management Office		33,000.00
One-off subsidy for personnel absorbed and filed by enterprises in Xin'an Subdistrict from Labor Management Office		50,000.00
Subsidy for getting rid of old cars		87,000.00
Nanchang pandemic subsidy		24,000.00
Nanchang special fund for developing service outsourcing industry	116,700.00	31,600.00
Ningbo High-tech Zone's ninth-batch funding for scientific and technical projects in 2020 in an amount of RMB 403,100		403,100.00
Ningbo's social insurance subsidy for absorbing college students	14,620.00	172,090.00
Other grants		17,253.78
Subsidy for job skill training for newly hired employees		22,600.00

Social insurance subsidy for new jobs in enterprises	31,044.88	15,794.30
District special fund for talent development	13,500.00	12,500.00
Subsidy for human resources training		23,500.00
Standardization capital subsidy of Quality Supervision Administration of Xiamen Municipality	300,000.00	400,000.00
"Small Technology Giants" Program of Shanghai Minhang District		500,000.00
Social insurance subsidy for unemployment	1,693.63	4,524.20
Social insurance subsidy for return-to-work after unemployment		9,230.47
Hi-tech subsidy of Scientific and Technical Innovation Committee of Bao'an District, Shenzhen Municipality 2019	84,000.00	
Shenzhen 2019 unemployment insurance refund for affected enterprises		54,710.17
Training subsidy from unemployment insurance fund	16,500.00	15,900.00
Unemployment welfare		698.89
Subsidy for food and drug detection and inspection equipment		104,300.00
Subsidy from National Autonomous Innovation Demonstration Zone in Southern Jiangsu	500,000.00	
Reward for providing employment	2,932.11	500.00
Subsidies for employment stabilizing	748,874.22	4,737,177.65
Xi'an City's subsidy for employment in implementing the ten measures for enhancing enterprise employment guarantee during the epidemic of COVID-19		4,000.00
Social insurance subsidy for including college students		32,231.00
Xiangcheng District subsidy for improving job skills of enterprise		77,600.00

employees		
Reward for development performance of service outsourcing enterprises during the epidemic of COVID-19		2,500.00
Subsidy for detection of COVID-19		103,300.00
Xinjiang Kerui's subsidy for work-based training		5,400.00
Reward for R&D input		304,000.00
Government grant for research and development projects	773,480.00	386,480.00
One-off subsidy for employment absorption	35,500.00	9,000.00
One-off subsidy for employment		3,000.00
Subsidy for work-based training	619,568.50	163,000.00
Special subsidy for the epidemic		50,000.00
Government grant for small and medium enterprises in preventing and controlling the pandemic		50,000.00
Educational surcharges/local educational surcharges exemption for enterprises with monthly sales revenue less than RMB 100,000		354.49
Yunnan's 2020 reward for enterprise upsizing		100,000.00
Zhangjiang Development Fund		1,000,000.00
Special Fund Project for Innovation and Entrepreneurship of Small and Micro Businesses of Economic Development Zone in Changsha City	200,000.00	200,000.00
Changsha County's 2019 Building Policy Reporting Program		163,917.94
Social insurance subsidy for recruiting talents	46,300.00	34,500.00
Reward for intellectual property rights		8,000.00
Reward fund for SME service organizations		500,000.00
Subsidy for employing college students for small and medium enterprises		122,000.00

One-off subsidy for absorption employment by key enterprises	12,000.00	13,500.00
Anhui - Anhui Province's subsidy for instrument R&D		67,300.00
Items under government grant: Dalian City's subsidy for vocational skills upgrading training during the epidemic in micro, small and medium-sized enterprises		119,000.00
2019 Bao'an District's funding for standardization strategy		4,030,000.00
2019 funding for standardization strategy		75,000.00
2020 Bao'an District project of fund support for inspection and testing service providers	8,025,000.00	
Reward for recognition of public service demonstration platforms	500,000.00	
Reward for qualification confirmation of testing and inspection institutions	20,000.00	
The Coronavirus Job Retention Scheme	110,937.50	
Safe Management Measure-FWLV for Jan21	5,182.93	
E-Invoicing Registration Grant	959.80	
Government-Paid Leave Schemes	15,214.52	
Mom TEMP HOUSING SUPPORT PROGRAMME	6,718.61	
FAQs on levy rebate and levy waiver for business employers	105,818.14	
Special Employment Credit	1,482.89	
Manage NSmen	5,426.58	
JOBS GROWTH INCENTIVE	639,074.36	
Wage Credit Scheme	10,950.04	
Job Support Scheme	274,287.33	
Senior Employment Credit	3,129.68	
CREDIT DISBURSEMENT OF SKILLSFUTURE ENTERPRISE CREDIT	151.17	

Subsidy for enterprises included in the provincial high-tech enterprise cultivation pool in 2020	660,000.00	
Training subsidy	31,000.00	
Software copyright subsidy	9,000.00	
Subsidy for Tianjin 131 Innovative Talents Training Project	100,000.00	
Subsidy for work-based training for enterprises newly hiring workers	2,700.00	
One-off subsidy for hiring college graduates	39,000.00	
2019 annual subsidy for invention patents granted domestically	2,600.00	
One-off subsidy for enterprises included in the 2019 program of urgently-needed talents	10,000.00	
2020 Henan subsidy for enterprise research and development	680,000.00	
One-off subsidy for engaging college graduates	45,000.00	
Nanchang subsidy for enterprise research and development	91,000.00	
Subsidy for micro-, small- and medium-sized enterprises engaging fresh graduates	6,000.00	
Subsidy for enterprises included in the provincial high-tech enterprise cultivation pool in 2020	150,000.00	
2020 municipal scientific and technological innovation coupon subsidy	31,200.00	
2020 subsidy for the standardization strategy	4,800,000.00	
Post R&D subsidy	15,000.00	
Employment and social insurance subsidies for the disabled	67,665.28	
2020 incentive for outstanding enterprises of scientific and technological innovation	500,000.00	
2020 incentive for rapidly growing	100,000.00	

enterprises		
One-off incentive for creating jobs	4,000.00	
Social insurance subsidy for hiring workers from registered impoverished families	5,904.32	
Domestic patent granting policies	3,000.00	
2019 subsidy for the recognition as technological SMEs	10,000.00	
IP subsidy	1,000.00	
Financial support fund	21,000.00	
One-off subsidy for micro-, small- and medium-sized enterprises providing jobs	20,000.00	
Incentive for building national/provincial/municipal innovation platforms 2020	385,000.00	
Incentive for providing more-than-quota jobs to the disabled	780.60	
2020 municipal IP protection	300,767.00	
2020 subsidy for college graduate and youth internship bases and internship subsidy in Xiangcheng District	90,000.00	
RMB 50,000 was granted under the "Heaven and Earth Project"	50,000.00	
Reward for tax payment	30,000.00	
Technical service subsidy for Guangzhou innovated environment plan	500,000.00	
Outstanding scientific and technological innovation enterprises	500,000.00	
2020 provincial fund for innovation building (first batch)	9,300.00	
2021 industry support funds	20,000.00	
One-off subsidy for hiring workers from registered impoverished families	5,000.00	
Xin'an Sub-district one-off subsidy for enterprises hiring registered persons	105,000.00	
2020 Xiangcheng District fund for the "scientific and technological innovation drives high-quality development" policy	100,000.00	

(incentive for high-tech enterprise recognition)		
2020 first-batch IP subsidy	1,000.00	
Government grant for national high-tech enterprises	991,200.00	
First-batch Bao'an District subsidy for enterprise booth expenses in June 2021	82,080.00	
2020 subsidy under Shenzhen special fund for standardization	2,227,605.00	
2021 Kunming subsidy for enterprises passing innovation platform recognition	200,000.00	
2020 R&D subsidy	64,000.00	
July 2020 rent subsidy for technological SMEs	43,800.00	
2020 incentive for profit-making services	41,593.20	
Jing'an District fiscal support	210,000.00	
The 14th batch of enterprise support fund in 2020	1,070,000.00	
Insurance subsidy for hiring college graduates	43,969.81	
2019 subsidy for high-tech enterprises	50,000.00	
2018 post R&D subsidy for enterprises	97,100.00	
2020 incentive for recognition as national high-tech enterprises	50,000.00	
2020 incentive for recognition as national high-tech enterprises granted by Scientific and Technical Innovation Committee of Bao'an District, Shenzhen Municipality	50,000.00	
2021 first-batch provincial special fund for developing into an innovation-oriented province	16,200.00	
Special support fund for gazelle companies	500,000.00	
ZZB 2021 Municipal Special Fund for Industrial and IT-based Industrial Development	350,000.00	
Social insurance subsidy for micro-,	90,781.28	

small- and medium-sized enterprises engaging college graduates		
Unemployment insurance refund to enterprises without decruitment	5,365.37	
Employment subsidy for micro-, small- and medium-sized enterprises engaging college graduates	4,000.00	
Rent subsidies	55,000.00	
The first grant under the second-batch GXCB 2020 Enterprise R&D Funding Project (SKJCX [2021] No. 227)	225,000.00	
Technological innovation subsidy granted by the High-tech Zone Bureau of Science, Technology and Human Resources	340,000.00	
Suzhou municipal subsidy for R&D resource sharing services	79,620.00	
2021 subsidy for gazelle companies	200,000.00	
Unemployment welfare subsidy	7,824.73	
2021 Bao'an subsidy (second batch) for enterprise R&D	350,000.00	
Tax exemption and reduction for employment and business starting by key groups of people	20,150.00	
Incentive for recognition as technical SMEs	10,000.00	
Job creation subsidy for enterprises in Kunming	2,400.00	
Unemployment insurance refund to enterprises without decruitment	56,131.81	
Projects proposed to be funded under the 2021 Minhang District Special Fund for Advanced Manufacturing	100,000.00	
Living subsidy for supporting postdoctoral talents	105,020.00	
Liupanshui subsidy for registered persons	5,242.44	
2021 provincial special fund for integrated military-civilian development	500,000.00	

Subsidy for technological SMEs	20,000.00	
Technological transformation subsidy for manufacturing	761,000.00	
2021 Shanghai special fund for development of trade in services	51,281.00	
Subsidy for public technical platform services	200,000.00	
2020 Xiangcheng District fund for the "scientific and technological innovation drives high-quality development" policy (incentive for technical contract registration)	100,000.00	
Fund for 2017 second-batch Gusu Innovation and Entrepreneurship Leading Talent Program	300,000.00	
Special fund for high-quality development	5,000.00	
Service enterprises above the designated scale that support revenue growth	50,000.00	
Reward for recognition as high-tech enterprises	500,000.00	
Incentive for the first recognition of gazelle companies	300,000.00	
Jiangsu special fund for commercial development	93,800.00	
Incentive and subsidy for improving technological service capacity -- 2020 support for accelerating and expanding technological services	200,000.00	
Incentive and subsidy for improving quality and number of technological platforms -- 2020 incentive for recognition of technological platforms	200,000.00	
2020 Changsha County special fund for building economy	237,484.65	
2020 enterprise subsidy	1,420,000.00	
RMB 10,000 subsidy for water conservation promotion (water conservancy bureau)	10,000.00	

2020 subsidy for new-type R&D institutions (RMB 150,000)	150,000.00	
Value-added tax reduction	4,953.48	
Unemployment welfare subsidy	1,447.64	
Direct subsidy for work-based training (without the need for application)	20,580.00	
(2020 enterprise production support fund)	93,000.00	
Major R&D plans of subsidized gazelle companies (major technological projects)	800,000.00	
Performance incentive for service outsourcing	133,661.00	
2021 support fund for major R&D plans	33,100.00	
Application for subsidy for implementation of the <i>Enterprise Intellectual Property Management Standards</i>	100,000.00	
Subsidy for small technical enterprises to retain talents	14,000.00	
Total	85,252,973.49	86,875,074.01

## 68. Investment income

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
Long-term equity investment income calculated by equity method	25,468,714.26	13,802,874.46
Investment income from disposal of long-term equity investments	-806,560.32	911,312.38
Gains from remeasurement of remaining equity interests to fair value upon the loss of control		1,288,794.67
Investment income from the holding of other non-current financial assets	1,267,300.00	
Financial income	4,405,658.49	13,084,507.96
Investment income from the disposal of other non-current financial assets		2,569.03

Profit from remeasurement of equity at fair value upon acquisition of control	7,254,805.39	
<b>Total</b>	<b>37,589,917.82</b>	<b>29,090,058.50</b>

Other descriptions:

N/A

## 69. Gains from net exposure hedge

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
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Other descriptions:

N/A

## 70. Income from changes in fair value

Unit: RMB

Sources of income from changes in fair value	Current amount incurred	Amount incurred in the previous period
Financial assets held for trading	20,058,637.18	9,369,010.39
Financial liabilities held for trading	-450,453.70	
<b>Total</b>	<b>19,608,183.48</b>	<b>9,369,010.39</b>

Other descriptions:

N/A

## 71. Credit impairment loss

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
Bad debt losses	-35,996,620.78	-19,767,231.76
<b>Total</b>	<b>-35,996,620.78</b>	<b>-19,767,231.76</b>

Other descriptions:

N/A

## 72. Assets impairment loss

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
XII. Contract assets impairment loss	-2,452,581.37	4,283,330.48
Total	-2,452,581.37	4,283,330.48

Other descriptions:

N/A

**73. Asset disposal income**

Unit: RMB

Sources of asset disposal income	Current amount incurred	Amount incurred in the previous period
Gains or losses from disposal of non-current assets	259,673.92	447,705.19
Total	259,673.92	447,705.19

**74. Non-operating income**

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period	Amount included in non-recurring gain or loss of the current period
Government grants	420,000.00	1,224,190.13	420,000.00
Amounts unable to be paid	188,805.34	128,632.93	188,805.34
Gains from disposal of non-current assets	146,002.32	30,855.00	146,002.32
Compensation from claim settlement	1,607,534.10	1,351,610.49	1,607,534.10
Others	2,948,593.33	892,219.57	2,948,593.33
Total	5,310,935.09	3,627,508.12	5,310,935.09

Government grants included in the current profit or loss:

Unit: RMB

Subsidy	Granting entity	Reason for granting	Nature	The subsidy affects the profit and loss of the current year (Yes or No?)	Special subsidy (Yes or No?)	Accruals in the current period	The amount incurred in the previous period	Asset-related /income-related
2019 subsidy	Dalian Science	Subsidies	Subsidy	Yes	No		100,000.00	Related to

for high-tech enterprises	and Technology Bureau		from engaging in specific trades and industries encouraged and supported by the state (in accordance with national policies and regulations )					income
2019 supportive fund for advanced manufacturing industry	Development and Reform Bureau of Laoshan District, Qingdao City	Subsidies	Subsidy from compliance with local government support policies, such as investment promotion policy	Yes	No	350,000.00	150,000.00	Related to income
Subsidy for high-tech enterprises	S&T and Talent Bureau of Chengdu Hi-Tech Industrial Development Zone: RMB 50,000; Chengdu Productivity Promotion Center: RMB 50,000	Subsidies	Subsidy from engaging in specific trades and industries encouraged and supported by the state (in accordance with national policies and	Yes	No		100,000.00	Related to income

			regulations )					
Reward for recognized high-tech enterprises	Science and Technology Innovation Commission of Laoshan District, Qingdao City: RMB 220,000; Management Committee of Qingdao High-tech Industry Park: RMB 180,000; Chongqing Beibei District Science and Technology Bureau: RMB 20,000	Reward	Subsidy from engaging in specific trades and industries encouraged and supported by the state (in accordance with national policies and regulations )	Yes	No		420,000.00	Related to income
High-tech Zone's 2019 reward funding for the inclusion of new service enterprises above designated size included into government statistics	Economic Development Bureau of Shijiazhuang High-tech Industrial Development Zone	Reward	Subsidy from compliance with local government support policies, such as investment promotion policy	Yes	No		20,000.00	Related to income
National High-Tech Enterprises Review Program	Science and Technology Bureau of Dongli District, Tianjin	Subsidies	Subsidy from engaging in specific trades and industries encouraged	Yes	No		100,000.00	Related to income

			and supported by the state (in accordance with national policies and regulations )					
Special fund for developing the inspection, testing and certification industry	Market Supervision Administration of Laoshan District, Qingdao City	Subsidies	Subsidy from engaging in specific trades and industries encouraged and supported by the state (in accordance with national policies and regulations )	Yes	No		31,856.00	Related to income
Tianjin evaluation of eyas and gazelle enterprises	Science and Technology Bureau of Dongli District, Tianjin	Subsidies	Subsidy from compliance with local government support policies, such as investment promotion policy	Yes	No		210,000.00	Related to income
Government grant (in an amount of	Economic Development Bureau of	Reward	Subsidy from compliance	Yes	No		30,000.00	Related to income

RMB 30,000) for new enterprises above designated size included into government statistics	Shijiazhuang High-tech Industrial Development Zone		with local government support policies, such as investment promotion policy					
Yuhang Direct subsidy (new fiscal funds going directly to the grass-roots level of cities and counties and directly benefiting enterprises and people) for small and micro enterprises	Market Supervision Administration of Yuhang District, Hangzhou City	Subsidies	Subsidy from compliance with local government support policies, such as investment promotion policy	Yes	No		10,000.00	Related to income
Subsidy for employee caring	Hangzhou Qiantang New District Finance Bureau	Subsidies	Subsidy from compliance with local government support policies, such as investment promotion policy	Yes	No		500.00	Related to income
Technical subsidy for products and technologies	Bureau of Industry and Information Technology in	Subsidies	Subsidy from compliance with local	Yes	No	70,000.00	15,000.00	Related to income

of technically advanced enterprises	Laoshan District of Qingdao City		government support policies, such as investment promotion policy					
Subsidy for demonstrative technically advanced enterprises	Bureau of Industry and Information Technology in Laoshan District of Qingdao City	Subsidies	Subsidy from compliance with local government support policies, such as investment promotion policy	Yes	No		15,000.00	Related to income
Incentive for enterprise employing dependents of soldiers	Veteran Affairs Bureau of Shenzhen Municipality	Reward	Grant for assuming national product supply or price control functions for a public utility or socially necessary product	Yes	No		3,300.00	Related to income
Standardization grant and reward	Qingdao Bureau of Quality and Technical Supervision	Reward	Subsidy from engaging in specific trades and industries encouraged and supported by the state (in accordance	Yes	No		12,000.00	Related to income

			with national policies and regulations )					
Government Paid childcare leave	the Ministry of Social and Family Development	Subsidies	Subsidy from engaging in specific trades and industries encouraged and supported by the state (in accordance with national policies and regulations )	Yes	No		6,534.13	Related to income
Total						420,000.00	1,224,190.13	

Other descriptions:

N/A

**75. Non-operating expenses**

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period	Amount included in non-recurring gain or loss of the current period
External donations	358,923.33	372,000.00	358,923.33
Loss from scrapping of non-current assets	1,496,639.32	2,657,450.61	1,496,639.32
Fines and overdue fine	1,671,926.53	665,880.71	1,671,926.53
Others	2,402,036.11	741,321.08	2,402,036.11
Total	5,929,525.29	4,436,652.40	5,929,525.29

Other descriptions:

N/A

## 76. Income tax expense

### (1) Presentation of income tax expenses

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
Income tax expenses in the current period	83,128,598.50	58,223,846.31
Deferred income tax expenses	3,188,122.03	3,949,050.60
Total	86,316,720.53	62,172,896.91

### (2) Adjustment of accounting profit and income tax expense

Unit: RMB

Item	Current amount incurred
Total profit	849,544,414.87
Income tax expense calculated at statutory/applicable tax rate	127,431,662.23
Effect of subsidiaries' application of different tax rates	2,519,423.16
Influence of income tax during periods prior to adjustment	-1,204,073.33
Effect of non-taxable income	-3,820,307.14
Effect of non-deductible costs, expenses and losses	11,382,072.66
Effect of using the deductible loss of unrecognized deferred tax assets in the prior period	-7,336,277.55
Effect of deductible temporary difference or deductible losses of deferred tax assets not recognized in the current period	2,347,011.59
Effect of additional deduction of R&D expenses	-42,422,179.65
Effect of tax rate changes	-445,186.57
Others	-2,135,424.86
Income tax expense	86,316,720.53

Other description

N/A

## 77. Other comprehensive income

Refer to notes.

## 78. Consolidated cash flow statement

### (1) Other cash received relating to operating activities

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
Deposit and security	84,077,263.80	93,806,938.58
Government grant received	54,077,508.89	118,869,584.70
Current accounts	22,104,507.17	22,029,743.10
Interest income from current deposits	9,112,670.22	3,739,552.67
Others	59,017,779.45	110,600,488.67
<b>Total</b>	<b>228,389,729.53</b>	<b>349,046,307.72</b>

Other cashes received related to operating activities:

N/A

### (2) Other cashes paid relating to operating activities

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
Period expense	385,350,090.19	386,837,335.70
Deposit and security	79,385,601.66	100,079,502.57
Current accounts	30,476,135.10	24,144,128.19
Others	48,477,816.98	102,811,301.74
<b>Total</b>	<b>543,689,643.93</b>	<b>613,872,268.20</b>

Other cash paid relating to operating activities:

N/A

### (3) Other cash received from investment activities

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
Wealth investment products	3,183,110,560.98	2,477,418,207.24
Principal of term deposit in banks		10,000,000.00
Fixed-term deposit interest income	363,919.07	691,038.60
Borrowing	960,000.00	
Others	39,777,026.00	31,685,724.00
<b>Total</b>	<b>3,224,211,506.05</b>	<b>2,519,794,969.84</b>

Other cash received and related to investing activities:

N/A

#### (4) Other cash paid relating to investment activities

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
Wealth investment products	2,580,000,000.00	2,650,000,000.00
Performance commitment compensation		2,000,000.00
Total	2,580,000,000.00	2,652,000,000.00

Other cash paid relating to investment activities:

N/A

#### (5) Cash received from other financing activities

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period

Description of cash received from other financing activities:

N/A

#### (6) Other cash paid for financing activities

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
Amount paid to acquire minority equity	79,784,000.00	9,526,125.68
Repayment of lease liabilities	67,464,507.36	
Others	46,146.02	44,877.59
Total	147,294,653.38	9,571,003.27

Description of cash paid for other financing activities:

The Company has adopted new lease standards, and adjusted the nature of the cash activities to repay lease liabilities for 2021.

Item - before adjustment	Q1	Q2	Q3
Net cash flow from operating activities	-34,253,373.50	189,781,488.65	245,108,583.81
Net cash flow from financing activities	25,840,579.82	218,508,346.82	60,069,068.57
Item - after adjustment	Q1	Q2	Q3
Net cash flow from operating activities	-22,003,216.98	203,846,984.71	263,024,827.72
Net cash flow from financing activities	13,590,423.30	204,442,850.76	42,152,824.66

**79. Supplementary information of Cash Flow Statement****(1) Supplementary information of Cash Flow Statement**

Unit: RMB

Supplementary information	Amount of current period	Amount of prior period
1. Converting net profit into cash flow from operating activities:	--	--
Net profit	763,227,694.34	589,100,312.61
Add: Provision for impairment of assets	38,449,202.15	15,483,901.28
Fixed assets depreciation, oil and gas assets depletion, productive biological assets depreciation	281,414,498.98	257,237,024.63
Depreciation of assets with right of use	69,584,293.56	
Amortization of intangible assets	8,455,930.45	7,648,717.46
Amortization of long-term deferred expenses	60,363,544.85	56,358,783.57
Loss of disposing fixed assets, intangible assets and other long-term assets (profit shall be filled with "-")	-259,673.92	-447,705.19
Losses on scrapping of fixed assets (profit expressed with "-")	1,496,639.32	2,657,450.61
Loss from changes in fair value (profit expressed with "-")	-19,608,183.48	-9,369,010.39
Financial expenses (profit expressed with "-")	18,473,848.96	13,412,126.99
Loss from investment (profit expressed with "-")	-37,589,917.82	-29,090,058.50
Reduction of deferred tax assets (increase shall be expressed with "-")	1,890,462.14	-13,325,087.64
Increase of deferred tax liabilities (decrease shall be filled in with "-")	-381,554.92	17,617,446.09
Decrease in Inventories (increase expressed with "-")	-23,035,618.41	-12,458,537.12

Decrease of operating receivables (increase expressed with "-")	-318,292,034.85	-139,955,633.51
Increase in operating payables (decrease expressed with "-")	223,271,158.01	166,419,236.00
Others	5,152,452.81	9,664,000.00
Net cash flow from operating activities	1,072,612,742.17	930,952,966.89
2. Significant investment and financial activities not involving cash receipts and payments:	--	--
Debt into capital		
Convertible corporate bonds due within one year		
Fixed assets leased under finance leases		
3. Net change in cash and cash equivalents:	--	--
Ending balance of cash	1,141,031,904.89	542,921,176.89
Less: Beginning balance of cash	542,921,176.89	489,840,154.72
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase of cash and cash equivalents	598,110,728.00	53,081,022.17

**(2) Net cash paid for acquiring subsidiaries in the current period**

Unit: RMB

	Amount
Cash or cash equivalents paid for business combination incurred in the current period	155,031,543.05
Including:	--
Including: How-To NPD Consulting Co., Ltd.	19,200,000.00
imat-uve gmbh	135,831,543.05
Less: Cash and cash equivalents held by the subsidiaries at the purchase date	11,120,148.99
Including:	--

Including: How-To NPD Consulting Co., Ltd.	5,325,475.89
imat-uve gmbh	5,794,673.10
Including:	--
Net cash paid for acquisition of subsidiaries	143,911,394.06

Other descriptions:

N/A

### (3) Net cash received from disposing subsidiaries in current period

Unit: RMB

	Amount
Including:	--
Including:	--
Including:	--

Other descriptions:

N/A

### (4) Composition of cash and cash equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	1,141,031,904.89	542,921,176.89
Including: Cash on hand	221,707.84	212,612.19
Bank deposits available for payment at any time	1,139,910,589.84	542,264,225.03
Other monetary funds available on demand	899,607.21	444,339.67
III. Ending balance of cash and cash equivalents	1,141,031,904.89	542,921,176.89

Other descriptions:

N/A

## 80. Notes to items in the Statement of Changes in Owner's Equity

"Other" items seeing adjustment to the ending balance of the previous year and adjustment amount:

N/A

**81. Assets with the ownership or right of use restricted**

Unit: RMB

Item	Closing book value	Reasons
Monetary fund	22,061,288.73	Security, litigation restricted account funds, restricted funds in the bank account itself, etc.
Total	22,061,288.73	--

Other descriptions:

N/A

**82. Monetary items denominated in foreign currencies****(1) Monetary items in foreign currency**

Unit: RMB

Item	Ending balance in foreign currencies	Translation rate	Ending balance in RMB
Monetary fund	--	--	
Including: USD	14,392,916.69	6.3757	91,764,918.94
EUR	726,514.31	7.2197	5,245,215.36
HKD	979,769.52	0.8176	801,059.56
GBP	174,687.87	8.6064	1,503,433.68
NTD	25,881,820.25	0.2302	5,957,995.02
SGD	8,275,392.56	4.7179	39,042,474.56
ZAR	1,323,450.33	0.4004	529,909.51
Mexican pesos	2,850,421.08	0.3116	888,191.21
Accounts receivable	--	--	
Including: USD	1,837,527.29	6.3757	11,715,522.74
EUR	2,570,159.58	7.2197	18,555,781.12
HKD	332,860.61	0.8176	272,146.83
GBP	42,199.55	8.6064	363,186.21
NTD	10,488,252.00	0.2302	2,414,395.61
SGD	4,180,324.85	4.7179	19,722,354.62
ZAR	787,516.01	0.4004	315,321.41
Mexican pesos	7,457,819.27	0.3116	2,323,856.48
Long-term borrowings	--	--	

Including: USD	5,000,000.00	6.3757	31,878,500.00
EUR	1,522,026.20	7.2197	10,988,572.56
HKD		-	
Other receivables			
Including: HKD	243,368.94	0.8176	198,978.45
USD	45,699.57	6.3757	291,366.75
GBP	1,543.00	8.6064	13,279.68
NTD	271,400.00	0.2302	62,476.28
SGD	107,115.24	4.7179	505,358.99
EUR	479,773.64	7.2197	3,463,821.75
Mexican pesos	28,240.00	0.3116	8,799.58
Short-term borrowings			
Including: EUR	348,628.84	7.2197	2,516,995.64
Accounts payable			
Including: HKD	296,195.54	0.8176	242,169.47
USD	15,090.76	6.3757	96,214.16
GBP	4,653.59	8.6064	40,050.66
NTD	2,910,169.16	0.2302	669,920.94
SGD	725,647.42	4.7179	3,423,531.96
EUR	408,017.81	7.2197	2,945,766.18
Mexican pesos	189,715.96	0.3116	59,115.49
ZAR	73,763.82	0.4004	29,535.03
Other payables			
Including: HKD	634,714.31	0.8176	518,942.42
USD	15,470.93	6.3757	98,638.01
EUR	974,093.11	7.2197	7,032,660.03
GBP	37,830.75	8.6064	325,586.57
NTD	5,331,091.30	0.2302	1,227,217.22
SGD	596,050.14	4.7179	2,812,104.96
Non-current liabilities maturing within one year			
Including: USD	8,000,000.00	6.3757	51,005,600.00
EUR	394,095.25	7.2197	2,845,249.48

Other descriptions:

N/A

**(2) Description for overseas operating entities, including the disclosure of the main business location overseas, recording currency and selection basis for the important business entity overseas as well as the reason for the change of bookkeeping base currency (if any).**

Applicable  Not Applicable

**83. Hedging**

Disclose hedged items and relevant hedging tools, quantitative and qualitative information of hedged risks by hedging type:

N/A

**84. Government grants**

**(1) Basics of government grants**

Unit: RMB

Category	Amount	Presented items	Amounts included in current profit or loss
Government grants included in the deferred income	14,608,136.00	See note 51 in Note VII	25,727,051.54
Government grants included in other incomes	42,007,800.91	See note 67 of Note VII	42,007,800.91
Government grants included in non-operating income	420,000.00	See note 74 of Note VII	420,000.00
Government grant writing off the book value of the relevant assets	0.00		0.00
Government grant writing off cost and expense	0.00		0.00
Total	57,035,936.91		68,154,852.45

**(2) Refund of government grants**

Applicable  Not Applicable

Other descriptions:

N/A

**85. Others**

N/A

**VIII. Changes in the scope of consolidated financial statements****1. Business combination not under the same control****(1) Business combination not under the same control in the current period**

Unit: RMB

Name of the acquiree	Date of equity acquisition	Cost of equity acquisition	Proportion of equity acquisition	Equity acquisition method	Purchase date	Confirmation basis for purchase date	Income of the acquiree from the purchase date to the end of the period	Net profits of the acquiree from the purchase date to the end of the period
imat-uve gmbh	December 6, 2021	144,904,274.37	90.00%	Purchase with cash	December 6, 2021	Acquisition of control	11,585,838.17	839,488.19
How-To NPD Consulting Co., Ltd.	January 1, 2021	19,200,000.00	60.00%	Purchase with cash	January 1, 2021	Acquisition of control	42,371,576.03	7,209,406.84

Other descriptions:

N/A

**(2) Combination cost and goodwill**

Unit: RMB

Combination cost	imat-uve gmbh	How-To NPD Consulting Co., Ltd.
-- Cash	135,831,543.05	19,200,000.00
-- Fair value of non-cash assets		
--Fair value of debt issued or assumed		
-- Fair value of equity securities issued		
-- Fair value of contingent consideration	9,072,731.32	
-- Fair value at purchase date of equity held before the purchase date		9,600,000.00
-- Others		
Total combination cost	144,904,274.37	28,800,000.00
Less: Fair value of identifiable net assets acquired	24,131,751.30	2,555,189.92
Goodwill/amount of combination cost	120,772,523.07	26,244,810.08

less than the fair value of the identifiable net assets acquired		
--	--	--

Determination method for the fair value of combination cost, contingency consideration and its changes:

The fair value of combination cost shall be determined subject to the cash actually paid and contingent consideration.

Main reason for the formation of large goodwill:

The amount of the fair value of combination cost is greater than the fair value of identifiable net assets acquired by the acquiree in the merger.

Other descriptions:

N/A

### (3) Identifiable assets and liabilities of the acquiree on the purchase date

Unit: RMB

	imat-uve gmbh		How-To NPD Consulting Co., Ltd.	
	Fair Value at the purchase date	Book value on the purchase date	Fair Value at the purchase date	Book value on the purchase date
Assets:	83,527,953.14	83,527,953.14	20,493,286.08	20,493,286.08
Monetary fund	5,794,673.10	5,794,673.10	5,325,475.89	5,325,475.89
Receivables	27,736,337.02	27,736,337.02	10,265,609.91	10,265,609.91
Inventory	4,242,319.05	4,242,319.05	0.00	0.00
Fixed assets	15,160,888.21	15,160,888.21	968,038.23	968,038.23
Intangible assets	198,404.43	198,404.43	258,647.86	258,647.86
Advance payment	789,539.16	789,539.16	201,126.53	201,126.53
Other receivables	8,266,570.05	8,266,570.05	1,628,801.37	1,628,801.37
Other current assets	31,867.99	31,867.99	39,530.00	39,530.00
Long-term receivables	145,696.61	145,696.61	0.00	0.00
Construction in progress	0.00	0.00	629,513.62	629,513.62
Right-of-use assets	13,515,162.20	13,515,162.20	0.00	0.00
Long-term deferred expenses	6,269,906.46	6,269,906.46	470,542.67	470,542.67
Deferred tax assets	1,376,588.86	1,376,588.86	0.00	0.00
Other non-current assets	0.00	0.00	706,000.00	706,000.00
Liabilities:	56,714,896.12	56,714,896.12	16,234,636.21	16,234,636.21
Borrowing	2,804,027.47	2,804,027.47	0.00	0.00
Accounts payable	2,988,903.07	2,988,903.07	4,696,772.79	4,696,772.79

Deferred tax liabilities	0.00	0.00	0.00	0.00
Contract liabilities	6,274,257.26	6,274,257.26	976,822.08	976,822.08
Payroll payable	2,749,324.88	2,749,324.88	2,611,582.88	2,611,582.88
Taxes payable	2,044,683.43	2,044,683.43	642,839.26	642,839.26
Other payables	12,997,776.03	12,997,776.03	7,306,619.20	7,306,619.20
Non-current liabilities maturing within one year	5,595,729.75	5,595,729.75	0.00	0.00
Long-term borrowings	13,900,904.85	13,900,904.85	0.00	0.00
Lease liabilities	7,359,289.38	7,359,289.38	0.00	0.00
Net assets	26,813,057.02	26,813,057.02	4,258,649.87	4,258,649.87
Less: Minority equity	2,681,305.72	2,681,305.72	1,703,459.95	1,703,459.95
Net assets acquired	24,131,751.30	24,131,751.30	2,555,189.92	2,555,189.92

Method for determining fair values of identifiable assets and liabilities:

N/A

Contingent liabilities of the acquiree undertaken in business combination:

N/A

Other descriptions:

N/A

#### (4) Gains or losses from re-measurement at fair value of equity held before the purchase date

Whether there is a transaction where a business combination is realized step by step through multiple transactions and the controlling rights are acquired within the reporting period

Yes  No

Unit: RMB

Name of the acquiree	Book value at purchase date of equity held before the purchase date	Fair value at purchase date of equity held before purchase date	Gains or losses from re-measurement at fair value of equity held before the purchase date	Method and key assumption for determining fair value at purchase date of equity held before purchase date	Amount of other comprehensive incomes related to the originally held equity and transferred to investment income before purchase date
How-To NPD Consulting Co., Ltd.	2,345,194.61	9,600,000.00	7,254,805.39	Equity transfer price is divided by equity transfer ratio, and	

				multiplied by the originally shareholding ratio before purchase date	
Total	2,345,194.61	9,600,000.00	7,254,805.39		

Other descriptions:

N/A

**(5) Explanation for failure to reasonably determine the combination consideration or fair value of identifiable assets and liabilities of the acquiree at purchase date or at the end of the combination period**

N/A

**(6) Other explanations**

N/A

**2. Business combination under the same control**

**(1) Business combination under the same control**

Unit: RMB

Name of the combined party	Proportion of equity acquired in business combination	Basis for business combination under the same control	Date of combination	Basis for determination of date of combination	Income of the combined party from the beginning of the combination period to the date of combination	Net profit of the combined party from the beginning of the combination period to the date of combination	Revenue of the combined party during comparison	Net profit of combined party during comparison

Other descriptions:

N/A

**(2) Combination cost**

Unit: RMB

Combination cost	
-- Cash	
-- Book value of non-cash assets	
-- Book value of debt issued or assumed	
-- Par value of equity securities issued	
-- Contingent consideration	

Contingent consideration and its change:

N/A

Other descriptions:

N/A

### (3) Book value of assets and liabilities of the combined party at the date of combination

Unit: RMB

	Date of combination	End of the previous period
Assets:		
Monetary fund		
Receivables		
Inventory		
Fixed assets		
Intangible assets		
Liabilities:		
Borrowing		
Accounts payable		
Net assets		
Less: Minority equity		
Net assets acquired		

Contingent liabilities of the combined party taken in business combination:

N/A

Other descriptions:

N/A

### 3. Counter purchase

Basic information of the transaction, bases for determining the transaction as counter purchase, whether assets and liabilities retained by the listed company constitute business and the bases, determination of the combination cost, and amount and calculation process of the equity adjustment when being treated as an equity transaction:

N/A

### 4. Disposal of subsidiaries

Whether there is a situation in which the control over subsidiaries is lost after a single disposal of the investment in them

Yes  No

Whether there is a situation in which the control over subsidiaries is lost in the current period after several disposals of investment in them?

Yes  No

### 5. Combination scope change for other reasons

Changes in the combination scope for other reasons (such as the establishment and liquidation of subsidiaries) and related information:

Newly established subsidiaries in the current period: CTI Germany Management GmbH, CTI Germany Holding GmbH & Co. KG, Maritec (Shanghai) Co., Ltd., Zhengzhou CTI-Medlab Medical Testing Institute Co., Ltd., Qingdao CTI Medical Testing Lab Co., Ltd., Tianjin CTI Medical Testing Lab Co., Ltd., Suzhou CTI Medical Testing Lab Co., Ltd., Kunming CTI Medical Testing Lab Co., Ltd., Beijing CTI Medical Testing Lab Co., Ltd., Shanghai CTI Aiyuan Medical Testing Institute Co., Ltd., Jiangxi Application CTI Testing Co., Ltd., Tibet CTI Testing Technology Co., Ltd., CTI Guoruan Technical Services (Nanjing) Co., Ltd., Nanfang Pinbiao CTI Testing (Shenzhen) Co., Ltd., CTI Pindong Testing (Shanghai) Co., Ltd. and Beifang Pinbiao CTI Testing (Beijing) Co., Ltd.

Subsidiaries cancelled in the current period: Shenzhen CTI Occupational Health Outpatient Department, CTI Biotechnology (Suzhou) Co., Ltd., Huayi Testing and Certification (Shenzhen) Co., Ltd. and Tianjin Jinbin CTI Product Testing Center Co., Ltd.

### 6. Others

N/A

## IX. Equities in other entities

### 1. Equity in subsidiaries

#### (1) Group composition

Name of subsidiary	Principal place of business	Place of registration	Business nature	Shareholding ratio		Acquisition method
				Direct	Indirect	
Shenzhen CTI Testing Co.,	Shenzhen City	Shenzhen City	Technical testing industry	100.00%	0.00%	Establishment

Ltd.						
Centre Testing International (Beijing) Co., Ltd.	Beijing City	Beijing City	Technical testing industry	100.00%	0.00%	Establishment
Suzhou CTI Testing Technology Co., Ltd.	Suzhou City	Suzhou City	Technical testing industry	95.00%	5.00%	Establishment
Centre Testing International (Hong Kong) Co., Ltd.	Hong Kong, China	Hong Kong, China	Technical testing industry	100.00%	0.00%	Establishment
CENTRE TESTING INTERNATIONAL PTE. LTD.	Singapore	Singapore	Technical testing industry	0.00%	100.00%	Establishment
Taiwan CTI Testing Technology Co., Ltd.	Taiwan	Taiwan	Technical testing industry	0.00%	100.00%	Establishment
CTI U.S. INC.	USA	USA	Technical testing industry	0.00%	100.00%	Establishment
CEM INTERNATIONAL LIMITED	Britain	Britain	Technical testing industry	0.00%	70.00%	Business combination not under the same control
CTI-CEM INTERNATIONAL LIMITED	Britain	Britain	Technical testing industry	0.00%	100.00%	Business combination not under the same control
POLY NDT (PRIVATE) LIMITED	Singapore	Singapore	Technical testing industry	0.00%	100.00%	Business combination not under the same control
MARITEC PTE. LTD.	Singapore	Singapore	Technical testing industry	0.00%	100.00%	Business combination not under the same control
CTI Germany	Germany	Germany	Technical	0.00%	100.00%	Newly

Management GmbH			testing industry			established
CTI Germany Holding GmbH & Co. KG	Germany	Germany	Technical testing industry	0.00%	100.00%	Newly established
imat-uve gmbh	Germany	Germany	Technical testing industry	0.00%	90.00%	Business combination not under the same control
IMAT-UVE AUTOMOTIVE TESTING CENTRE (PTY) LTD.	South Africa	South Africa	Technical testing industry	0.00%	90.00%	Business combination not under the same control
IMAT AUTOMOTIVE TECHNOLOGY SERVICES INC.	USA	USA	Technical testing industry	0.00%	90.00%	Business combination not under the same control
IMAT AUTOMOTIVE TECHNOLOGY SERVICES MEXICO.S. DE R.L. DE C.V.	Mexico	Mexico	Technical testing industry	0.00%	90.00%	Business combination not under the same control
Imat (Shenyang) Automotive Technology Co., Ltd.	Shenyang City	Shenyang City	Technical testing industry	0.00%	90.00%	Business combination not under the same control
Shanghai Imat Automotive Technology Service Co., Ltd.	Shanghai City	Shanghai City	Technical testing industry	0.00%	90.00%	Business combination not under the same control
Qingdao CTI Testing Technology Co., Ltd.	Qingdao City	Qingdao City	Technical testing industry	100.00%	0.00%	Establishment

Shanghai CTI Pinbiao Testing Technology Co., Ltd.	Shanghai City	Shanghai City	Technical testing industry	78.73%	21.27%	Establishment
Xiamen CTI Testing Technology Co., Ltd.	Xiamen City	Xiamen City	Technical testing industry	100.00%	0.00%	Establishment
Ningbo CTI Testing Technology Co., Ltd.	Ningbo City	Ningbo City	Technical testing industry	100.00%	0.00%	Establishment
Shenzhen CTI International Certification Co., Ltd.	Shenzhen City	Shenzhen City	Technical certification	0.00%	100.00%	Business combination not under the same control
Beijing CTI Excellent Technology Service Co., Ltd.	Beijing City	Beijing City	Technical testing industry	0.00%	100.00%	Establishment
Zhejiang Hua'an Energy Saving Engineering Co., Ltd.	Hangzhou City	Hangzhou City	Technical testing industry	0.00%	100.00%	Establishment
Shenzhen CTI Commodity Testing and Survey Co., Ltd.	Shenzhen City	Shenzhen City	Technical qualification	100.00%	0.00%	Business combination not under the same control
CTI Biotechnology (Suzhou) Co., Ltd.	Suzhou City	Suzhou City	Technical testing industry	0.00%	100.00%	Establishment
Guangdong CTI Judicial Authentication Center	Shenzhen City	Shenzhen City	Technical qualification	100.00%	0.00%	Establishment
Shenzhen CTI Training Center	Shenzhen City	Shenzhen City	Service industry	100.00%	0.00%	Establishment

Shenzhen CTI Institute of Reference Materials	Shenzhen City	Shenzhen City	Technical testing industry	100.00%	0.00%	Establishment
Shanghai CTI Biological Technology Co., Ltd.	Shanghai City	Shanghai City	Trade	100.00%	0.00%	Establishment
CTI Investment Management (Shenzhen) Limited	Shenzhen City	Shenzhen City	Service industry	100.00%	0.00%	Establishment
Shenzhen CTI Information Technology Co., Ltd.	Shenzhen City	Shenzhen City	Technical service	100.00%	0.00%	Establishment
Anhui CTI Testing Technology Co., Ltd.	Hefei City	Hefei City	Technical testing industry	100.00%	0.00%	Establishment
Centre Testing International Pinbiao (Guangzhou) Co., Ltd.	Guangzhou City	Guangzhou City	Technical testing industry	100.00%	0.00%	Establishment
Guangzhou CTI Occupational Health Outpatient Department Co., Ltd.	Guangzhou City	Guangzhou City	Service industry	0.00%	100.00%	Establishment
Shanghai CTI-Medlab Medical Testing Institute Co., Ltd.	Shanghai City	Shanghai City	Service industry	0.00%	100.00%	Establishment
Chongqing CTI Testing Technology Co., Ltd.	Chongqing City	Chongqing City	Technical testing industry	100.00%	0.00%	Establishment

CTI CSERC (Suzhou) Co., Ltd.	Suzhou City	Suzhou City	Technical service	0.00%	100.00%	Business combination not under the same control
Wuhan CTI Testing Technology Co., Ltd.	Wuhan City	Wuhan City	Technical testing industry	100.00%	0.00%	Establishment
Huai'an CTI Testing Technology Co., Ltd.	Huai'an City	Huai'an City	Technical testing industry	100.00%	0.00%	Establishment
Dalian Huaxin Physical and Chemical Testing Center Co., Ltd.	Dalian City	Dalian City	Technical testing industry	100.00%	0.00%	Business combination not under the same control
Heilongjiang CTI Testing Technology Co., Ltd.	Harbin City	Harbin City	Technical testing industry	100.00%	0.00%	Business combination not under the same control
Hangzhou CTI Testing Technology Co., Ltd.	Hangzhou City	Hangzhou City	Technical testing industry	100.00%	0.00%	Establishment
Hunan Pinbiao CTI Testing Technology Co., Ltd.	Changsha City	Changsha City	Technical testing industry	100.00%	0.00%	Establishment
Hangzhou Hua'an Testing Technology Co., Ltd.	Hangzhou City	Hangzhou City	Technical testing industry	100.00%	0.00%	Business combination not under the same control
Xinjiang Kerui Testing Technology Co., Ltd.	Karamay City	Karamay City	Technical testing industry	0.00%	100.00%	Establishment
Shenzhen Taikenilin Technology Development	Shenzhen City	Shenzhen City	Technical testing industry	0.00%	100.00%	Establishment

Co., Ltd.						
Hangzhou Huacheng Equipment Engineering Supervision Co., Ltd.	Hangzhou City	Hangzhou City	Technical testing industry	0.00%	100.00%	Establishment
Zhoushan Jingwei Shipping Service Co., Ltd.	Zhoushan City	Zhoushan City	Technical testing industry	0.00%	60.00%	Business combination not under the same control
Shanghai CTI Pinzheng Testing Technology Co., Ltd.	Shanghai City	Shanghai City	Technical testing industry	100.00%	0.00%	Establishment
Guizhou CTI Testing Technology Co., Ltd.	Guiyang City	Guiyang City	Technical testing industry	100.00%	0.00%	Establishment
Nanchang CTI Testing Certification Co., Ltd.	Nanchang City	Nanchang City	Technical testing industry	100.00%	0.00%	Establishment
Henan CTI Testing Technology Co., Ltd.	Zhengzhou City	Zhengzhou City	Technical testing industry	0.00%	100.00%	Business combination not under the same control
Tianjin CTI Testing Certification Co., Ltd.	Tianjin City	Tianjin City	Technical testing industry	100.00%	0.00%	Establishment
Yunnan CTI Testing Certification Co., Ltd.	Kunming City	Kunming City	Technical testing industry	100.00%	0.00%	Establishment
CTI Engineering Testing Co., Ltd.	Guangzhou City	Guangzhou City	Technical testing industry	100.00%	0.00%	Business combination not under the same control

Ningbo Quality Assurance Co., Ltd. (NQA)	Ningbo City	Ningbo City	Technical testing industry	100.00%	0.00%	Business combination not under the same control
Hebei CTI Testing Services Co., Ltd.	Shijiazhuang City	Shijiazhuang City	Technical testing industry	100.00%	0.00%	Establishment
Beijing CTI Agro-food Certification Co., Ltd.	Beijing City	Beijing City	Technical certification	0.00%	100.00%	Business combination not under the same control
Gansu CTI Testing Certification Co., Ltd.	Lanzhou City	Lanzhou City	Technical testing industry	100.00%	0.00%	Establishment
Jiangsu CTI Pinbiao Testing Technology Co., Ltd.	Nanjing City	Nanjing City	Technical testing industry	100.00%	0.00%	Establishment
Jiangyin CTI Zhi'an Outpatient Department Co., Ltd.	Jiangyin City	Jiangyin City	Service industry	0.00%	80.00%	Business combination not under the same control
Suzhou Wuzhong Economic Development Zone Jiakang Outpatient Department Co., Ltd.	Suzhou City	Suzhou City	Service industry	0.00%	80.00%	Business combination not under the same control
Shenzhen CTI Pest Control Co., Ltd.	Shenzhen City	Shenzhen City	Service industry	67.00%	0.00%	Establishment
Shenzhen CTI Laboratory Technology Service Co., Ltd.	Shenzhen City	Shenzhen City	Service industry	67.00%	0.00%	Establishment

Centre Testing Electronic Certification Co., Ltd.	Zhengzhou City	Zhengzhou City	Technical certification	71.26%	0.00%	Business combination not under the same control
Henan Hucheng Information Technology Co., Ltd.	Zhengzhou City	Zhengzhou City	Service industry	0.00%	71.26%	Business combination not under the same control
Fujian Science Way Testing Co., Ltd. (SW)	Putian City	Putian City	Technical testing industry	51.00%	0.00%	Business combination not under the same control
Guangxi CTI Testing Certification Co., Ltd.	Nanning City	Nanning City	Technical testing industry	100.00%	0.00%	Establishment
Shenzhen CTI Metrology Technology Co., Ltd.	Shenzhen City	Shenzhen City	Technical testing industry	0.00%	100.00%	Establishment
Ningguo CTI Testing Technology Co., Ltd.	Ningguo City	Ningguo City	Technical testing industry	100.00%	0.00%	Establishment
Guangzhou CTI Testing Certification Technology Co., Ltd.	Guangzhou City	Guangzhou City	Technical testing industry	100.00%	0.00%	Establishment
CTI River Environment Technology (Shenzhen) Co., Ltd.	Shenzhen City	Shenzhen City	Service industry	0.00%	51.00%	Establishment
Inner Mongolia CTI QC Technology Service Co., Ltd.	Hohhot City	Hohhot City	Technical testing industry	100.00%	0.00%	Establishment
Suzhou CTI	Suzhou City	Suzhou City	Technical	100.00%	0.00%	Establishment

Engineering Testing Co., Ltd.			testing industry			
Shenzhen CTI Reference Materials Research Center Co., Ltd.	Shenzhen City	Shenzhen City	Service industry	100.00%	0.00%	Establishment
Centre Testing International Pinbiao (Fuzhou) Co., Ltd.	Fuzhou City	Fuzhou City	Technical testing industry	100.00%	0.00%	Establishment
Centre Testing International Pinbiao (Liaoning) Co., Ltd.	Shenyang City	Shenyang City	Technical testing industry	100.00%	0.00%	Establishment
Zhongshan CTI Testing Technology Co., Ltd.	Zhongshan City	Zhongshan City	Technical testing industry	100.00%	0.00%	Establishment
Dongguan CTI Testing Certification Co., Ltd.	Dongguan City	Dongguan City	Technical testing industry	100.00%	0.00%	Establishment
Sichuan CTI Jianxin Testing Technology Co., Ltd.	Chengdu City	Chengdu City	Technical testing industry	68.00%	0.00%	Business combination not under the same control
Chengdu CTI Testing Technology Co., Ltd.	Chengdu City	Chengdu City	Technical testing industry	100.00%	0.00%	Establishment
Shenyang CTI Testing Technology Co., Ltd.	Shenyang City	Shenyang City	Technical testing industry	100.00%	0.00%	Establishment
Shanghai CTI Zhike Materials Technology	Shanghai City	Shanghai City	Technical testing industry	51.00%	0.00%	Establishment

Co., Ltd.						
Pinbiao Environmental Technology Co., Ltd.	Xi'an City	Xi'an City	Technical testing industry	100.00%	0.00%	Establishment
Shanxi CTI Testing Certification Co., Ltd.	Taiyuan City	Taiyuan City	Technical testing industry	100.00%	0.00%	Establishment
Centre Testing International Group (Shandong) Co., Ltd.	Qingdao City	Qingdao City	Technical testing industry	100.00%	0.00%	Establishment
Wuhan Huaxin Physical and Chemical Testing Technology Center Co., Ltd.	Wuhan City	Wuhan City	Technical testing industry	0.00%	100.00%	Establishment
Hebei CTI Junrui Testing Technology Co., Ltd.	Shijiazhuang City	Shijiazhuang City	Technical testing industry	68.00%	0.00%	Business combination not under the same control
Henan CTI Quantong Engineering Testing Co., Ltd.	Zhengzhou City	Zhengzhou City	Technical testing industry	80.00%	0.00%	Establishment
Zhejiang CTI Yuanjian Testing Co., Ltd.	Hangzhou City	Hangzhou City	Technical testing industry	51.00%	0.00%	Business combination not under the same control
Zhejiang Huajian Technology Development Co., Ltd.	Hangzhou City	Hangzhou City	Technical testing industry	0.00%	51.00%	Business combination not under the same control
Chengdu Xijiao CTI Rail Transit	Chengdu City	Chengdu City	Technical testing industry	60.00%	0.00%	Establishment

Technology Co., Ltd.						
Shanghai CTI Pinchuang Medical Testing Co., Ltd.	Shanghai City	Shanghai City	Technical testing industry	100.00%	0.00%	Establishment
Tianjin Eco-City Environmental Technology Co., Ltd.	Tianjin City	Tianjin City	Technical testing industry	51.00%	0.00%	Business combination not under the same control
Shenzhen CTI Medical Laboratory	Shenzhen City	Shenzhen City	Service industry	0.00%	100.00%	Establishment
CTI Hubei Co., Ltd.	Wuhan City	Wuhan City	Technical testing industry	100.00%	0.00%	Establishment
CTI Special Equipment Testing (Beijing) Co., Ltd.	Beijing City	Beijing City	Technical testing industry	0.00%	70.00%	Establishment
Maritec (Shanghai) Co., Ltd.	Shanghai City	Shanghai City	Technical testing industry	0.00%	100.00%	Newly established
Zhengzhou CTI-Medlab Medical Testing Co., Ltd.	Zhengzhou City	Zhengzhou City	Service industry	0.00%	70.00%	Newly established
Qingdao CTI Medical Laboratory	Qingdao City	Qingdao City	Service industry	0.00%	100.00%	Newly established
Tianjin CTI Medical Laboratory	Tianjin City	Tianjin City	Service industry	0.00%	100.00%	Newly established
Suzhou CTI Medical Laboratory	Suzhou City	Suzhou City	Service industry	0.00%	100.00%	Newly established
Kunming CTI Medical	Kunming City	Kunming City	Service industry	0.00%	100.00%	Newly established

Laboratory						
Beijing CTI Medical Laboratory	Beijing City	Beijing City	Service industry	0.00%	100.00%	Newly established
Shanghai CTI Aiyuan Medical Testing Institute Co., Ltd.	Shanghai City	Shanghai City	Service industry	0.00%	100.00%	Newly established
How-To NPD Consulting Co., Ltd.	Shanghai City	Shanghai City	Service industry	60.00%	0.00%	Business combination not under the same control
How-To Technology (Shanghai) Co., Ltd.	Shanghai City	Shanghai City	Service industry	0.00%	60.00%	Business combination not under the same control
Jiangxi Yingyong CTI Testing Co., Ltd.	Ganzhou City	Ganzhou City	Service industry	100.00%	0.00%	Newly established
Tibet CTI Testing Technology Co., Ltd.	Linzhi City	Linzhi City	Technical testing industry	100.00%	0.00%	Newly established
CTI Guoruan Technical Services (Nanjing) Co., Ltd.	Nanjing City	Nanjing City	Service industry	51.00%	0.00%	Newly established
Nanfang Pinbiao CTI Testing (Shenzhen) Co., Ltd.	Shenzhen City	Shenzhen City	Service industry	100.00%	0.00%	Newly established
Centre Testing International Pindong (Shanghai) Co., Ltd.	Shanghai City	Shanghai City	Service industry	100.00%	0.00%	Newly established
Beifang	Beijing City	Beijing City	Service	100.00%	0.00%	Newly

Pinbiao CTI Testing (Beijing) Co., Ltd.			industry			established
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Explanation for the difference between the shareholding ratio and voting right ratio in subsidiaries:

N/A

Bases for the fact that the investee is controlled with half or less voting rights and the fact that the investee is not controlled with half or more voting rights:

N/A

For the important structured entity included in the scope of consolidation, the basis of control is as follows:

N/A

The basis for determining whether the company is an agent or a customer:

N/A

Other descriptions:

N/A

## (2) Major non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Shareholding ratio of minority shareholders	Profit and loss attributable to minority shareholders in the current period	Dividend announced to be distributed to minority shareholders in the current period	Ending balance of minority equity
Shenzhen CTI Pest Control Co., Ltd.	33.00%	-1,495,085.02		-1,319,713.61
Shenzhen CTI Laboratory Technology Service Co., Ltd.	33.00%	1,918,274.06		6,154,077.70
Centre Testing Electronic Certification Co., Ltd.	28.74%	3,609,319.84		32,936,176.29
Fujian Science Way Testing Co., Ltd. (SW)	49.00%	562,406.36		1,597,495.49
Sichuan CTI Jianxin Testing Technology Co., Ltd.	32.00%	2,529,474.81		7,881,833.49
Shanghai CTI Zhike Materials Technology Co., Ltd.	49.00%	245,915.54		4,412,675.21
Hebei CTI Junrui	32.00%	2,003,229.22		2,280,528.39

Testing Technology Co., Ltd.				
Henan CTI Quantong Engineering Testing Co., Ltd.	20.00%	-541,151.16		856,914.21
Zhejiang CTI Yuanjian Testing Co., Ltd.	49.00%	621,327.11		5,327,359.56
Chengdu Xijiao CTI Rail Transit Technology Co., Ltd.	40.00%	-549,527.36		513,519.84
Tianjin Eco-City Environmental Technology Co., Ltd.	49.00%	1,453,804.67		22,803,798.37
How-To NPD Consulting Co., Ltd.	40.00%	2,883,762.74		4,587,222.69
CTI Guoruan Technical Services (Nanjing) Co., Ltd.	49.00%	-45,463.59		1,074,536.41

Explanation for the difference between the shareholding ratio and the voting right ratio of minority shareholders in subsidiaries:

N/A

Other descriptions:

N/A

### (3) Main financial information of important partially-owned subsidiaries

Unit: RMB

Name of subsidiary	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen CTI Pest Control Co., Ltd.	5,297,206.96	222,801.58	5,520,008.54	9,890,350.72	2,820.00	9,893,170.72	774,316.22	176,191.05	950,507.27	1,714,765.44	8,396.88	1,723,162.32
Shenzhen CTI Laboratory Technology Service Co., Ltd.	38,432,108.08	126,279.69	38,558,387.77	19,488,703.05	2,064.92	19,490,767.97	29,341,054.61	175,385.10	29,516,439.71	16,680,671.10		16,680,671.10

Centre Testing Electronic Certification Co., Ltd.	122,006,837.64	2,868,356.35	124,875,193.99	10,192,179.99	82,539.80	10,274,719.79	108,765,041.01	3,645,794.97	112,410,835.98	10,329,975.71	38,910.22	10,368,885.93
Fujian Science Way Testing Co., Ltd. (SW)	4,784,345.83	1,136,092.56	5,920,438.39	2,493,045.38	167,198.14	2,660,243.52	2,606,838.17	749,709.34	3,356,547.51	1,244,120.72		1,244,120.72
Sichuan CTI Jianxin Testing Technology Co., Ltd.	45,576,626.99	15,165,364.11	60,741,911.00	30,880,521.41	5,230,740.02	36,111,261.43	28,459,748.88	10,272,528.32	38,732,277.20	21,667,502.15	338,654.16	22,006,156.31
Shanghai CTI Zhike Materials Technology Co., Ltd.	5,454,444.37	4,365,674.94	9,820,119.31	812,272.81	1,414.58	813,687.39	3,656,126.11	5,121,039.23	8,777,165.34	273,514.54	59.64	273,574.18
Hebei CTI Junrui Testing Technology Co., Ltd.	10,032,648.69	4,442,109.13	14,474,757.82	7,169,626.57	112,742.66	7,282,369.23	818,020.66	2,628,310.68	3,446,331.34	2,221,769.21	358,002.22	2,579,771.43
Henan CTI Quantong Engineering Testing Co., Ltd.	2,553,563.52	14,140,110.27	16,693,673.79	2,842,267.31	8,380,191.16	11,222,458.47	2,646,075.63	7,485,028.51	10,131,104.14	1,954,133.01		1,954,133.01
Zhejiang CTI Yuanjian Testing Co., Ltd.	7,916,160.08	8,856,859.88	16,773,019.96	4,520,296.99	1,399,090.05	5,919,387.04	5,819,079.52	4,910,106.08	10,729,185.60	1,143,567.20		1,143,567.20
Chengdu Xijiao CTI Rail Transit Technology Co., Ltd.	5,992,018.88	367,078.02	6,359,096.90	1,928,499.99	1,046,797.32	2,975,297.31	6,279,575.50	46,324.41	6,325,899.91	668,281.91	900,000.00	1,568,281.91
Tianjin Eco-City Environment	65,445,432.87	272,126.08	65,717,558.9	19,176,011.36	3,183.57	19,179,194.93	63,204,099.19	432,910.12	63,637,009.31	20,062,809.62	2,783.98	20,065,593.60

al Technology Co., Ltd.			5									
How-To NPD Consulting Co., Ltd.	15,54 6,819. 24	9,818, 870.4 1	25,3 65,6 89.6 5	10,91 8,383. 78	2,979, 249.1 6	13,897 ,632.9 4						
CTI Guoruan Technical Services (Nanjing) Co., Ltd.	1,698, 363.9 2	3,637. 44	1,70 2,00 1.36	164,7 84.19		164,78 4.19						

Unit: RMB

Name of subsidiary	Current amount incurred				Amount incurred in the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Shenzhen CTI Pest Control Co., Ltd.	12,420,899 .91	-4,600,507. 13	-4,600,507. 13	516,371.40	3,335,378. 88	-654,295.5 6	-654,295.5 6	241,276.11
Shenzhen CTI Laboratory Technolog y Service Co., Ltd.	55,614,700 .36	6,231,851. 19	6,231,851. 19	11,028,429. 37	43,746,775 .51	2,589,107. 87	2,589,107. 87	1,026,153. 99
Centre Testing Electronic Certificatio n Co., Ltd.	42,974,079 .91	12,558,524 .15	12,558,524 .15	8,733,183. 34	39,481,087 .26	10,627,601 .50	10,627,601 .50	6,751,214. 36
Fujian Science Way Testing Co., Ltd. (SW)	6,274,181. 43	1,147,768. 08	1,147,768. 08	2,410,067. 47	4,882,432. 19	713,492.96	713,492.96	1,349,295. 22
Sichuan CTI Jianxin	37,531,390 .77	7,904,608. 78	7,904,608. 78	3,643,948. 82	28,287,425 .44	7,340,193. 75	7,340,193. 75	1,646,892. 43

Testing Technology Co., Ltd.								
Shanghai CTI Zhike Materials Technology Co., Ltd.	3,589,448.84	502,840.76	502,840.76	-1,416,184.54	1,807,062.34	-248,652.66	-248,652.66	1,866,711.11
Hebei CTI Junrui Testing Technology Co., Ltd.	12,256,623.88	6,325,828.68	6,325,828.68	1,659,363.74	100,890.05	-1,466,975.79	-1,466,975.79	-955,508.52
Henan CTI Quantong Engineering Testing Co., Ltd.	2,169,926.55	-2,705,755.81	-2,705,755.81	-408,665.12	367,533.76	-1,817,809.19	-1,817,809.19	-1,984,635.56
Zhejiang CTI Yuanjian Testing Co., Ltd.	13,691,922.64	1,268,014.52	1,268,014.52	3,326,339.87	7,060,935.66	26,585.23	26,585.23	-2,249,614.54
Chengdu Xijiao CTI Rail Transit Technology Co., Ltd.	3,972,174.86	-1,373,818.41	-1,373,818.41	-1,509,421.04	819,200.35	-836,829.00	-836,829.00	-162,865.33
Tianjin Eco-City Environmental Technology Co., Ltd.	17,518,383.79	2,966,948.31	2,966,948.31	-2,598,420.51	10,828,429.19	300,464.92	300,464.92	233,930.37
How-To NPD Consulting Co., Ltd.	42,371,576.03	7,209,406.84	7,209,406.84	9,724,455.72				
CTI Guoruan Technical	56,603.77	-92,782.83	-92,782.83	39,332.23				

Services (Nanjing) Co., Ltd.								
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Other descriptions:

N/A

#### (4) Major restriction on using the assets of the Group and debt liquidation of the Group

N/A

#### (5) Financial or other supports provided for structured entities included in the consolidated financial statements

N/A

Other descriptions:

N/A

### 2. Transaction where the share of equity interest in the subsidiary by its owner has changed, with control retained over the subsidiary

#### (1) Owners' equity shares changed in subsidiaries

CTI Biotechnology (Suzhou) Co., Ltd.: The Company convened the 18th Meeting of the Strategy and M&A Committee under the fifth Board of Directors on May 12, 2021, at which the *Proposal on Acquiring the Minority Equity of CTI Biotechnology (Suzhou) Co., Ltd.* was approved. According to that, subsidiary of the Company Shanghai CTI Pinchuang Medical Testing Co., Ltd. acquired 16.6666% of equities in CTI Biotechnology (Suzhou) Co., Ltd. for RMB 79,784,000. After the deal, CTI Biotechnology (Suzhou) Co., Ltd. became a wholly-owned subsidiary of Shanghai CTI Pinchuang Medical Testing Co., Ltd.

#### (2) Impact on minority equity and owner's equity attributable to the parent company

Unit: RMB

	CTI Biotechnology (Suzhou) Co., Ltd.
Purchase cost/disposal consideration	
-- Cash	79,784,000.00
-- Fair value of non-cash assets	
Total purchase cost/disposal consideration	79,784,000.00
Less: Subsidiaries' share of net assets calculated based on equity ratio received / disposed of	14,204,057.82
Differences	65,579,942.18
Including: Adjusted capital reserves	

Adjusted surplus reserve	
Adjusted undistributed profits	65,579,942.18

Other description

Adjusted undistributed profits: A positive number represents a reduction in undistributed profits.

### 3. Equity in joint ventures or associates

#### (1) Important joint ventures or associates

Name of joint venture or associates	Principal place of business	Place of registration	Business nature	Shareholding ratio		Accounting method for investments in joint ventures or associates
				Direct	Indirect	
Zhengjiang Fangyuan Electrical Equipment Testing Co., Ltd.	Jiaxing City	Jiaxing City	Technical service	13.00%		Accounting by equity method
Xi'an Dongyi Integrated Technology Laboratory Co., Ltd.	Xi'an City	Xi'an City	Technical service	22.00%		Accounting by equity method

Explanation for the difference between shareholding ratio and voting right ratio in joint ventures or associates:

N/A

Bases for one having voting rights of below 20% and significant influences or one having voting rights of 20% or above but no significant influences:

N/A

#### (2) Main financial information of important joint ventures

Other description

N/A

#### (3) Main financial information of important associates

Unit: RMB

	Ending balance/amount incurred in current period	Beginning balance/amount incurred in the previous period

	Xi'an Dongyi Integrated Technology Laboratory Co., Ltd.	Zhengjiang Fangyuan Electrical Equipment Testing Co., Ltd.	Xi'an Dongyi Integrated Technology Laboratory Co., Ltd.	Zhengjiang Fangyuan Electrical Equipment Testing Co., Ltd.
Current assets	33,234,768.70	349,275,334.09	33,224,881.06	200,378,588.93
Non-current assets	5,787,334.82	438,367,502.43	7,109,368.95	374,607,399.71
Total assets	39,022,103.52	787,642,836.52	40,334,250.01	574,985,988.64
Current liabilities	1,499,524.59	237,948,969.13	1,737,613.84	146,893,709.87
Non-current liabilities				
Total liabilities	1,499,524.59	237,948,969.13	1,737,613.84	146,893,709.87
Minority equity				
Shareholders' equity attributable to the parent company	37,522,578.93	549,693,867.39	38,596,636.17	428,092,278.77
Share of net assets calculated by the shareholding ratio	8,254,967.36	71,460,202.76	8,491,259.96	55,651,996.24
Adjustments				
- Goodwill				
- Unrealized profits of internal transactions				
-- Others				
Book value of equity investment in associates	10,986,790.17	115,961,211.71	11,223,082.77	100,153,005.19
Fair value of equity investment in associates with public offer				
Operating income	23,694,003.05	313,387,885.05	23,679,414.70	209,864,528.76
Net profit	4,925,942.76	136,601,588.62	4,348,071.64	84,104,585.47
Net profit from termination of operation				
Other comprehensive income				
Total comprehensive income	4,925,942.76	136,601,588.62	4,348,071.64	84,104,585.47

Dividends received from associates in the current year	1,320,000.00	1,950,000.00	770,000.00	1,300,000.00

Other description

N/A

**(4) Summary of the financial information of minor joint ventures and associates**

Unit: RMB

	Ending balance/amount incurred in current period	Beginning balance/amount incurred in the previous period
Joint ventures:	--	--
Total of the following items calculated as per respective shareholding ratios	--	--
Associates:	--	--
Total book value of investments	88,660,163.00	5,244,592.20
Total of the following items calculated as per respective shareholding ratios	--	--
--Net profit	6,626,800.34	1,912,702.59
- Total comprehensive income	6,626,800.34	1,912,702.59

Other description

N/A

**(5) Explanation for major restrictions on capital transferring from joint ventures or associates to the Company****(6) Excess deficit from joint ventures or associates**

Unit: RMB

Name of joint venture or associates	Accumulated unrealized pre-period loss	Unrecognized loss in the current period (or net profit shared in the current period)	Cumulative unrecognized loss at the end of the current period

Other description

**(7) Unrecognized commitments related to the investment of joint ventures**

**(8) Contingent liabilities related to investments in joint ventures or associates**

**4. Important joint operation**

Name of joint operation	Principal place of business	Place of registration	Business nature	Shareholding ratio/shares enjoyed	
				Direct	Indirect

Explanation for the difference between shareholding ratio or equity shared in joint operation and the voting right ratio in such operation:

Where the joint operation is an independent entity, bases for classifying it as joint operation:

Other description

**5. Equity in structured entities not included in the consolidated financial statements**

Notes on structured entities not included in consolidated financial statements:

**6. Others**

**X. Risks relating to financial instruments**

The objective of the Company's risk management is to strike a balance between risk and return, minimize the negative impact of risk on the Company's operating performance, and maximize the interests of shareholders and other equity investors. Based on this objective, the Company's basic policy for risk management is to confirm and analyze all kinds of risks faced by the Company, set up appropriate risk bottom line, conduct risk management, and monitor all risks promptly and reliably to limit risks within a specific range.

The Company faces various risks relevant to financial instruments in its daily operation, mainly including credit risk, liquidity risk and market risk. The Management has deliberated and approved the policies governing such risks, as outlined below.

**(I) Credit risk**

Credit risks refer to the risks that default of obligations by a party of a financial instrument causes financial losses to the other party. The Company mainly faces customer credit risk resulting from sales on account. Before signing any new contract, the Company will conduct a credit risk evaluation on new customers, including external credit ratings and bank reference letters in certain circumstances (when this information is available). The Company has set a credit limit for each customer, which is the maximum amount that does not require any additional approval.

The Company monitors the credit rating of existing customers on a quarterly basis and reviews the aging analysis of accounts receivable on a monthly basis, in order to ensure that the overall credit risk of the Company is under control. When monitoring the credit risk of customers, the Company classifies customers based on their credit features. Any customer rated as "high risk" will be placed in the list of restricted customers, and only with additional approval can the Company grant any credit to such customer in the future, otherwise, the customer will be required to make corresponding payments in advance.

**(II) Liquidity risk**

Liquidity risk means the risk of occurrence of capital shortage when an enterprise fulfills its obligations settled by delivering cash or other financial assets. The Company's policy is to ensure that it has sufficient cash to repay matured debts. Liquidity risk is under centralized control of the Finance Department of the Company. The Finance Department ensures that the Company has

sufficient funds to repay its debts under any appropriate forecast circumstances by monitoring cash balance, negotiable securities which can be realized at any time and through rolling forecast of cash flow over the next 12 months.

As of December 31, 2021, financial liabilities and off-balance sheet secured items of the Company were listed as undiscounted contractual cash flows by the remaining contract term as follows:

Item	Ending balance				
	Immediate repayment	Within 1 year	1-3 years	Above 3 years	Total
Short-term borrowings		4,746,245.60			4,746,245.60
Notes payable		50,759.14			50,759.14
Accounts payable		553,613,454.02			553,613,454.02
Other payables		166,640,692.41			166,640,692.41
Other current liabilities		1,659,984.93			1,659,984.93
Long-term borrowings		53,917,854.21	42,867,074.36		96,784,928.57
Total		780,628,990.31	42,867,074.36	-	823,496,064.67

### (III) Market risk management

#### 1. Interest rate risk

Market risk of a financial instrument means the risk that fair value or future cash flow of the financial instrument fluctuates due to change in market price, including exchange rate risk, interest rate risk and other price-related risks.

##### (1) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or cash flow in the future may fluctuate due to changes of market interest rate. The interest rate risk faced by the Company mainly comes from bank borrowings. The present policy of the Company is that fixed-rate borrowings account for 100% of the external borrowings. To maintain this ratio, the Company may adopt interest rate swaps to achieve the expected interest rate structure. Although the policy cannot ensure the Company to prevent the risk of the interest rate adopted from exceeding the prevailing market interest rate and it cannot eliminate the cash flow risk associated with interest rate fluctuations, the Management believes that the policy achieves a reasonable balance among these risks.

##### (2) Exchange rate risk

Exchange rate risk means the risk that fair value or future cash flow of financial instruments fluctuates due to change in foreign exchange rate. The Company tries its best to make foreign currency income offset foreign currency expenditure to reduce exchange rate risk.

##### (3) Other price risks

The Company holds no equity investment in other listed company.

## XI. Disclosure of fair value

### 1. Ending fair value of assets and liabilities measured at fair value

Unit: RMB

Item	Ending fair value			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Sustained measurement of fair value	--	--	--	--
(I) Financial assets held for trading			456,984,736.31	456,984,736.31
1. Financial assets at fair value through profit or loss			420,840,936.13	420,840,936.13
Other non-current financial assets			36,143,800.18	36,143,800.18
Total assets continuously measured at fair value			456,984,736.31	456,984,736.31
(VII) Financial liabilities at fair value through current profit or loss			9,138,508.21	9,138,508.21
Total liabilities continuously measured at fair value			9,138,508.21	9,138,508.21
II. Unsustained measurement of fair value	--	--	--	--

**2. Basis for determination of the market prices of sustained and unsustained Level 1 fair value measurement items**

N/A

**3. Qualitative and quantitative information of valuation techniques and important parameters adopted for sustained and unsustained Level 2 fair value measurement items**

N/A

**4. Qualitative and quantitative information of valuation techniques and important parameters adopted for sustained and unsustained Level 3 fair value measurement items**

N/A

**5 Adjustment information between beginning and ending book values and sensitivity analysis of unobservable parameters of sustained Level 3 fair value measurement items**

N/A

**6. Conversion causes and policy to determine the conversion time point in case of conversion between levels in the current period for items continuously measured at fair value**

N/A

**7. Changes of valuation techniques in the current period and reasons**

N/A

**8. Fair value of financial assets and financial liabilities not measured at fair value**

Financial assets and liabilities not measured at fair value mainly include: Accounts receivable, short-term borrowings, accounts payable, long-term receivables and long-term payables.

There are small differences between the book values of financial assets and liabilities that are not measured at fair value and their fair values.

**9. Others**

N/A

**XII. Related Party transactions**

**1. The Company's parent company**

Name of parent company	Place of registration	Business nature	Registered capital	Proportion of the Company's shares held by the parent company	Proportion of the Company's voting rights held by the parent company
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Information on the Company's parent company

N/A

The ultimate controller of the Company is Wan Feng.

Other descriptions:

N/A

**2. Information on subsidiaries of the Company**

See Note IX (1. Equity in subsidiaries) for information on subsidiaries of the Company.

### 3. The Company's joint ventures and associates

Please refer to Note IX (3. Equity in joint ventures or associates) for details of major joint ventures and associates of the Company.

Other joint ventures and associates that form balances in Related Party transactions with the Company in the current or previous period are as follows:

Name of joint ventures or associates	Relation with the Company
--------------------------------------	---------------------------

Other description

N/A

### 4. Other Related Parties

Name of other Related Parties	Relationship between other Related Parties and the Company
Wan Feng	Controlling shareholder and Chairman of the Company
Wan Yunxiang	Controlling shareholder of the Company
Richard Shentu	Director and senior executive of the Company
Chen Yan	Director and senior executive of the Company
Cheng Hong	Independent Director of the Company
Zeng Fanli	Independent Director of the Company
Cheng Haijin	Independent Director of the Company
Liu Jidi	Director of the Company
Chen Weiming	Supervisor of the Company
Zhang Yuming	Supervisor of the Company
Ou Jin	Supervisor of the Company
Wang Hao	Senior executive of the Company
Qian Feng	Senior executive of the Company
Xu Jiang	Senior executive of the Company
Zhou Lu	Senior executive of the Company
Li Fengyong	Senior executive of the Company
Zeng Xiaohu	Senior executive of the Company
THE SHENZHEN HK POLTECHINIC INVESTMENT CO., LTD.	A company controlled by Wan Feng, the controlling shareholder and Chairman of the Company
Beijing Tianrui Junfeng Investment Management Co., Ltd.	A company controlled by Wan Feng, the controlling shareholder and Chairman of the Company
Shenzhen Qianhai Gangli No. 1 Investment Partnership (Limited Partnership)	A company invested in and served by Wan Feng, the controlling shareholder and Chairman of Board of the Company
Institute of Quality Development Strategy (IQDS) of Wuhan	A company where Cheng Hong, an independent director of the

University	Company, serves as the president
South Sea Shenghui New Energy (Guangdong) Co., Ltd.	A company where Zeng Fanli, an independent director of the Company, serves as the legal representative and General Manager
Shenzhen Yuehai Shenghui International Trading Co., Ltd.	A company where Zeng Fanli, an independent director of the Company, serves as the legal representative, General Manager and Executive Director
Shenzhen Dafusheng Trading Co., Ltd.	A company where Zeng Fanli, an independent director of the Company, serves as the legal representative, General Manager and Executive Director
Baijiahui (Shenzhen) International Trading Co., Ltd.	A company where Zeng Fanli, an independent director of the Company, serves as the Executive Director
Yiduo Education Technology (Shanghai) Co., Ltd.	A company where Liu Jidi, an independent director of the Company, serves as the legal representative and Executive Director
Shanghai Yishi Training School Co., Ltd.	A company where Liu Jidi, an independent director of the Company, serves as the Supervisor
Shanghai Yingyi Education Technology Co., Ltd.	A company where Liu Jidi, an independent director of the Company, serves as the legal representative and Executive Director
Shanghai Huanpu Consulting Management Firm	A company where Cheng Haijin, an independent director of the Company, invests in and serves as the President
Shenzhen AVSHD Technology Co., Ltd.	A company where Chen Weiming, a supervisor of the Company, serves as the Vice General Manager
ZhongRen Time Education Technology (Beijing) Corporation Ltd.	A company where Xu Jiang, a senior executive of the Company, serves as a supervisor

Other description

N/A

## 5. Related party transactions

### (1) Related party transactions regarding purchase and sales of goods as well as provision and acceptance of labor services

Table of the purchasing of goods and receiving of labor services

Unit: RMB

Related Party	Contents of related party transaction	Current amount incurred	Trading limit approved	Whether exceeds the approved limit or not (Y/N)	Amount incurred in the previous period
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Information form on goods sold/services provided

Unit: RMB

Related Party	Contents of related party transaction	Current amount incurred	Amount incurred in the previous period
---------------	---------------------------------------	-------------------------	--

Related party transactions of goods purchase & sale and labor service rendering & receiving

N/A

## (2) Related party trusteeship/contracting as well as mandatory administration/outsourcing

Statement of trusteeship/contracting of the Company:

Unit: RMB

Name of client / employer	Name of trustee/contracting party	Type of trusted / contracted asset	Starting date of trusteeship/contracting	Ending date of trusteeship/contracting	Pricing basis for trusteeship / contracting revenue	Trusteeship / contracting revenue recognized in the current period
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Information on associated trusteeship/contracting

N/A

Statement of entrustment/outsourcing by the Company:

Unit: RMB

Name of client / employer	Name of trustee/contracting party	Type of assets entrusted/outsourced	Starting date of entrustment/outsourcing	Ending date of entrustment/outsourcing	Pricing basis for entrustment/outsourcing expense	Entrustment/outsourcing expense recognized in the current period
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Related party management/outsourcing

N/A

## (3) Related party leasing

The Company acts as the lessor:

Unit: RMB

Lessee	Type of leased asset	Rental income recognized in the current period	Lease income recognized in the previous period
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The Company acts as the lessee:

Unit: RMB

Lessor	Type of leased asset	Lease expense recognized in the current period	Lease expense recognized in the previous period
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Related party lease

N/A

#### (4) Related party guarantee

The Company as the guarantor

Unit: RMB

Guaranteed party	Guarantee amount	Starting date of guarantee	Ending date of guarantee	If the guarantee has been performed
Centre Testing International (Hong Kong) Co., Ltd.	126,000,000.00	April 19, 2021	April 18, 2022	No
Centre Testing International (Hong Kong) Co., Ltd.	100,000,000.00	October 18, 2021	October 17, 2024	No
CTI Engineering Testing Co., Ltd.	10,000,000.00	April 17, 2020	March 27, 2022	Yes
Sichuan CTI Jianxin Testing Technology Co., Ltd.	10,000,000.00	April 19, 2021	April 18, 2022	No
Total	246,000,000.00			

The Company as the guaranteed party

Unit: RMB

Guarantor	Guarantee amount	Starting date of guarantee	Ending date of guarantee	If the guarantee has been performed
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About the guarantor

N/A

**(5) Fund borrowing from/to related parties**

N/A

**(6) Asset transfer and debt restructuring of related parties**

Unit: RMB

Related Party	Contents of related party transaction	Current amount incurred	Amount incurred in the previous period

**(7) Remuneration of key management personnel**

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
Remuneration of key management personnel	14,963,600.00	12,953,900.00

**(8) Other related party transaction**

N/A

**6. Accounts receivable and payable of related parties**

**(1) Receivables**

Unit: RMB

Name	Related Party	Ending balance		Beginning balance	
		Book balance	Bad-debt provision	Book balance	Bad-debt provision

**(2) Payables**

Unit: RMB

Name	Related Party	Ending book balance	Beginning book balance
Other payables			
	Wan Feng	1,504,000.00	1,880,000.00
	Qian Feng	3,691,059.00	
	Chen Yan	3,672,563.00	
	Richard Shentu	3,839,396.00	
	Ou Jin	2,903.24	2,903.24
Total		12,709,921.24	1,882,903.24

## 7. Commitments by related parties

N/A

## 8. Other

N/A

## XIII. Share-based payment

### 1. Total share-based payments

Applicable  Not Applicable

Unit: RMB

Total amount of equity instruments granted by the Company in the current period	0.00
Total amount of equity instruments exercised by the Company in the current period	7,952,500.00
Total amount of invalid equity instruments of the Company in the current period	0.00
The range of the exercise prices for the outstanding share options of the Company at the end of the period, and their remaining contract periods	See other description
The range of the exercise prices for the other outstanding equity instruments of the Company at the end of the period, and their remaining contract periods	N/A

#### Other description

1. The *Proposal on Awarding Stock Options to Incentive Objects* was deliberated and approved at the 22nd Meeting of the fourth Board of Directors of the Company on December 17, 2018. The Board of Directors believed that the stock option awarding conditions specified in the stock option incentive plan for 2018 had been met and agreed to award 20.65 million shares of stock options to 38 incentive objects at the exercise price of RMB 6.13 per share on December 17, 2018.

1) On December 25, 2019, the Company held the second Meeting of the fifth Board of Directors, at which the *Proposal on Adjusting the Exercise Prices of the Stock Option Incentive Plan for 2018* was deliberated and approved. According to the provisions of the *Stock Option Incentive Plan for 2018 (Draft)*, considering the equity distribution implemented by the Company, the Board of Directors agreed to adjust the exercise price to RMB 6.095/share.

2) On May 15, 2020, the Company held the fifth Meeting of the fifth Board of Directors, at which the *Proposal on Adjusting the Exercise Prices of the Stock Option Incentive Plan* was approved. According to the provisions of the *Stock Option Incentive Plan for 2018 (Draft)*, considering the equity distribution implemented by the Company, the Board of Directors agreed to adjust the exercise price to RMB 6.06/share.

3) On May 20, 2021, the Company held the 15th Meeting of the fifth Board of Directors, at which the *Proposal on Adjusting the Exercise Prices of the Stock Option Incentive Plan* was approved. According to the provisions of the *Stock Option Incentive Plan for 2018 (Draft)*, considering the equity distribution implemented by the Company, the Board of Directors agreed to adjust the exercise price to RMB 6.025/share.

2. The *Proposal on Awarding Stock Options to Incentive Objects* was deliberated and approved on the 27th Meeting of the fourth Board of Directors of the Company on May 20, 2019. The Board of Directors believed that the stock option awarding conditions specified in the Company's stock option incentive plan for 2019 had been met and agreed to award 4.7 million shares of stock options to 9 incentive objects at the exercise price of RMB 9.23 per share on May 20, 2019.

1) On May 15, 2020, the Company held the fifth Meeting of the fifth Board of Directors, at which the *Proposal on Adjusting the Exercise Prices of the Stock Option Incentive Plan* was approved. Considering the 2018 and 2019 equity distribution by the Company, the Board of Directors agreed to adjust the exercise price to RMB 9.16/share.

2) On May 20, 2021, the Company held the 15th Meeting of the fifth Board of Directors, at which the *Proposal on Adjusting the Exercise Prices of the Stock Option Incentive Plan* was approved. According to the provisions of the *Stock Option Incentive Plan for 2018 (Draft)*, considering the equity distribution implemented by the Company, the Board of Directors agreed to adjust the exercise price to RMB 9.125/share.

## 2. Equity-settled share-based payment

Applicable  Not Applicable

Unit: RMB

Method for determining the fair value of equity instruments at the grant date	Black-Scholes option pricing model
Basis for determining the number of the vested equity instruments	At each balance sheet date within the waiting period, the best estimation shall be made and the number of vested equity instruments shall be updated on the basis of the newly acquired changes of vesting employee number and other subsequent information.
Reasons for material differences between the estimates of the current period and those of the previous period	N/A
Accumulative amount of equity-settled share-based payment included in capital reserve	29,579,452.81
Total expenses recognized by equity-settled share-based payment in the current period	5,152,452.81

Other description

N/A

## 3. Cash-settled share-based payment

Applicable  Not Applicable

## 4. Modification and termination of share-based payment

N/A

## 5. Other

N/A

## **XIV. Commitments and contingencies**

### **1. Major commitments**

Significant commitments at the balance sheet date

According to main irrevocable operating lease contracts signed, the minimum total rent payable for the next five years by the Company is RMB 294,703,500.

Apart from commitments above, as at December 31, 2012, the Company didn't have any significant commitments which shall be disclosed but not disclosed.

### **2. Contingencies**

#### **(1) Significant contingencies at the balance sheet date**

The Company has no major contingency that needs to be disclosed.

**(2) It's also necessary to make it clear hereby that the Company has no major contingencies that need to be disclosed.**

The Company has no major contingency that need to be disclosed.

### **3. Others**

N/A

## **XV. Events after the balance sheet date**

### **1. Significant non-adjustment events**

Unit: RMB

Item	Content	Impact on financial conditions and business performances	Reasons for failing to estimate the impact number
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### **2. Profit distribution**

Unit: RMB

### **3. Sales return**

N/A

#### 4. Other events after the balance sheet date

1. On March 1, 2022, the 22nd Meeting of the fifth Board of Directors approved the *Proposal on Using Idle Self-owned Funds for Entrusted Wealth Investment*. As is considered, using idle self-owned funds of the Company for entrusted wealth investment helps to put funds into better use, generate some investment returns and increase investment income for shareholders of the Company. All directors and subsidiaries agreed to use idle funds up to RMB 1 billion of the Company for entrusted wealth investment, and funds within such limit could be reused within 12 months after being approved by the Board of Directors.

2. On March 1, 2022, the 22nd Meeting of the fifth Board of Directors deliberated and approved the *Proposal on Providing Controlled Subsidiaries with Guarantee*. To meet its daily operation and development needs, the controlled subsidiary Sichuan CTI Jianxin Testing Technology Co., Ltd. applied to Bank of Communications Pidu (Chengdu) Branch for a current fund loan up to RMB 2 million, which is guaranteed jointly and severally by all its shareholders according to their contribution ratio. The guarantee period lasts for one year from the effective date of the borrowing contract.

3. On March 1, 2022, the 22nd Meeting of the fifth Board of Directors deliberated and approved the *Proposal on Issuing Performance Guarantee for Wholly-Owned Subsidiaries*. The wholly-owned subsidiaries CTI Engineering Testing Co., Ltd. won the bid for third-party testing services for six projects, involving an accumulated bidding amount of RMB 26,071,700, with contracts signed. As agreed under the contracts, performance guarantee shall be provided. To ease its burden from security under the guarantee occupying its working capital and increase its utilization of working capital, the Company has issued performance guarantee to the beneficiaries under the said projects for CTI Engineering Testing Co., Ltd., involving an accumulated amount of RMB 2,315,600.

4. On March 14, 2022, the 23th Meeting of the fifth Board of Directors deliberated and approved the *Proposal on Repurchasing Shares of the Company*, under which the Company plans to repurchase its shares with self-owned funds through centralized competitive bidding. Shares repurchases in such way would be used for the employee shareholding program or equity incentive. It's planned to repurchase 3-5 million shares at RMB 25/share. Considering the upper limits of 5 million shares and RMB 25/share, the repurchase amount would be less than RMB 125 million. The exact repurchase number is subject to the shares actually repurchased at the end of the repurchase. The repurchase is to be done within 12 months after the repurchase proposal is approved by the Board of Directors.

5. At the 24th Meeting of the fifth Board of Directors held on April 21, 2022, the *Profit Distribution Proposal for 2021* was deliberated and approved. Based on the total capital stock of 1,673,088,214 shares as of December 31, 2021, the Company will accordingly increase 0 shares for every 10 shares of the capital reserve, and distribute cash dividends of RMB 0.6 (tax included) for every 10 shares, totaling RMB 100,385,292.84. If the number of total shares changes for restricted stock re-purchase, share compensation for committed performance and share repurchase implemented by the Company before this profit distribution plan will be implemented, then the number of total shares will be based on to carry out profit distribution where the distribution proportion remains unchanged and the total distribution amount is adjusted accordingly. This proposal is to be deliberated and approved by 2021 General Shareholders' Meeting.

In addition to the events after the balance sheet date mentioned above, by the date on which financial reports were approved and reported, the Company was free from other significant events after the balance sheet date that should be disclosed.

## IX. Other important matters

### 1. Correction of accounting errors in the previous period

#### (1) Retrospective restatement

Unit: RMB

Contents of correction of accounting errors	Handling procedures	Name of impacted report items in each comparison period	Number of cumulative impact
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**(2) Prospective application**

Contents of correction of accounting errors	Approval procedure	Reasons for using the prospective application
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**2. Debt restructuring**

N/A

**3. Replacement of assets**

**(1) Exchange of non-monetary assets**

N/A

**(2) Replacement of other assets**

N/A

**4. Annuity plan**

N/A

**5. Discontinuing operation**

Unit: RMB

Item	Revenue	Cost	Total profit	Income tax expense	Net profit	Profit from discontinued operations attributable to owners of parent company
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Other description

N/A

## 6. Segment information

### (1) Determination basis and accounting policies for reporting segments

The Company determines the operating segment on the basis of its internal organizational structure, management requirements and internal reporting system. Operating segments refer to components within the Company satisfying all the following conditions:

- (1) It engages in business activities from which it may earn revenues and incur expenses;
- (2) The Management can evaluate the operating results of such components on a regular basis, so as to decide to allocate resources to them and evaluate their performance;
- (3) Relevant accounting information on its financial position, operating results and cash flow is available to the Company.

The Company decides on the reporting segments on the basis of operation segments. Operation segments meeting one of the following conditions are designated as reporting segments:

- (1) The segment revenue of the operating segment accounts for 10.00% or more of the total revenue of all segments;
- (2) The absolute amount of the segment profit (loss) of the segment accounts for 10.00% or more of the larger of the total profit of all profitable segments or the absolute amount of the total loss of all loss-making segments.

The Company operates in a relatively narrow range, mainly providing testing services to customers. The management divides the overall business into five major sectors: trade security, consumer goods testing, industrial testing, life sciences and medicine & medical services. Since the same entity may be engaged in two or more of the above five sectors at the same time, it is impossible to accurately calculate assets and liabilities according to the above-mentioned sectors. Therefore, the Company did not disclose segment information.

#### (1) External revenue by product

Product category	Current amount incurred		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Trade guarantee	573,557,240.09	192,258,224.58	479,649,797.53	149,689,249.01
Consumer goods test	495,310,144.36	242,539,923.37	401,810,285.54	227,183,832.56
Industrial test	803,467,933.38	445,200,294.10	696,228,126.21	374,149,986.12
Life sciences	2,087,322,872.97	1,056,453,370.27	1,782,628,959.60	902,774,464.90
Medicine and medical services	369,430,437.70	191,998,703.56	207,395,592.78	131,318,868.35
Total	4,329,088,628.50	2,128,450,515.88	3,567,712,761.65	1,785,116,400.94

#### (2) External revenue by region

Region	Current amount incurred		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Domestic	4,183,507,491.19	2,077,422,009.59	3,394,052,361.45	1,713,269,629.53
Overseas	145,581,137.31	51,028,506.29	173,660,400.20	71,846,771.41
Total	4,329,088,628.50	2,128,450,515.88	3,567,712,761.65	1,785,116,400.94

### (2) Financial information of the reporting segments

Unit: RMB

Item		Inter-segment offset	Total

**(3) In case of no reporting segment or inability to disclose the total assets and total liabilities of each reporting segment, the Company shall explain the reason**

N/A

**(4) Other explanations**

N/A

**7. Other important transactions and events impacting the investor's decision-making**

N/A

**8. Other**

N/A

## **XVII. Notes to main items of financial statements of the parent company**

### **1. Accounts receivable**

#### **(1) Classified disclosure of accounts receivable**

Unit: RMB

Category	Ending balance					Beginning balance				
	Book balance		Bad-debt provision		Book value	Book balance		Bad-debt provision		Book value
	Amount	Proportion	Amount	Percentage of provision		Amount	Proportion	Amount	Percentage of provision	
Accounts receivable with provision for bad debt reserves by individual item	1,699,753.00	0.73%	1,699,753.00	100.00%		21,256.88	0.01%	21,256.88	100.00%	
Including:										
Accounts receivable with provision for bad debt reserves based on portfolio	231,274,940.27	99.27%	10,385,720.75	4.49%	220,889,219.52	170,687,520.13	99.99%	7,991,698.08	4.68%	162,695,822.05

Including:										
Including: Portfolio of related parties within the scope of consolidation	61,700,938.98	26.48%		0.00%	61,700,938.98	49,694,390.11	29.11%		0.00%	49,694,390.11
Aging portfolio	169,574,001.29	72.79%	10,385,720.75	6.12%	159,188,280.54	120,993,130.02	70.88%	7,991,698.08	6.61%	113,001,431.94
Total	232,974,693.27	100.00%	12,085,473.75	5.19%	220,889,219.52	170,708,777.01	100.00%	8,012,954.96	4.69%	162,695,822.05

Provision for bad debt based on individual item: RMB 1,699,753.00

Unit: RMB

Name	Ending balance			
	Book balance	Bad-debt provision	Percentage of provision	Reasons for provision
Accounts receivable with provision for expected credit loss by individual item	1,699,753.00	1,699,753.00	100.00%	Possibly not recoverable
Total	1,699,753.00	1,699,753.00	--	--

Bad-debt provision by individual item:

Unit: RMB

Name	Ending balance			
	Book balance	Bad-debt provision	Percentage of provision	Reasons for provision
Accounts receivable with provision for bad debt based on portfolio (portfolio of related parties within the consolidation scope)	61,700,938.98		0.00%	
Accounts receivable with provision for bad debt based on portfolio (aging portfolio)	169,574,001.29	10,385,720.75	6.12%	

Provision for bad debt based on portfolio: RMB 10,385,720.75

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt provision	Percentage of provision
Accounts receivable with provision for bad debt based on portfolio (portfolio of related parties within the consolidation scope)	61,700,938.98		0.00%
Accounts receivable with provision for bad debt based on portfolio (aging portfolio)	169,574,001.29	10,385,720.75	6.12%

Total	231,274,940.27	10,385,720.75	--
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Description of basis for determining the portfolio:

N/A

Provision for bad debt reserve as per portfolio:

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt provision	Percentage of provision

Description of basis for determining the portfolio:

For bad debt reserve for accounts receivable by the general model of the expected credit loss, relevant information of bad debt reserves is disclosed based on the disclosure method of other receivables:

 Applicable  Not Applicable

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive of 1 year)	226,033,393.92
1 to 2 years	6,404,046.35
2 to 3 years	249,678.80
Above 3 years	287,574.20
3 to 4 years	165,735.00
4 to 5 years	22,950.00
Over 5 years	98,889.20
Total	232,974,693.27

**(2) Bad debt provision, and its recovery or reversal in the current period**

Provision for bad debts in the current period:

Unit: RMB

Category	Beginning balance	The amount of change in the current period				Ending balance
		Provision	Recovered or returned	Write-off	Others	
Accounts receivable with provision for expected credit loss by individual item	21,256.88	1,703,453.00	-3,700.00	-21,256.88		1,699,753.00
Accounts receivable with	7,991,698.08	3,475,613.54		-1,085,290.87	3,700.00	10,385,720.75

provision for expected credit loss based on portfolio (aging portfolio)						
Total	8,012,954.96	5,179,066.54	-3,700.00	-1,106,547.75	3,700.00	12,085,473.75

Including recovered or reversed bad debt reserves with significant amounts in the current period:

Unit: RMB

Company name	Reversed or recovered amount	Recovery method
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N/A

**(3) Accounts receivable actually written off in the current period**

Unit: RMB

Item	Written-off amount
Accounts receivable actually written off	1,106,547.75

Write-off of significant accounts receivable:

Unit: RMB

Company name	Nature of accounts receivable	Written-off amount	Reason for the write-off	Performed write-off procedures	Generated due to related party transactions or not
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Description of write-off of accounts receivable:

N/A

**(4) Top five debtors with the biggest ending balances of accounts receivable**

Unit: RMB

Company name	Ending balance of accounts receivable	Proportion in total ending balance of accounts receivable	Ending balance of provision for bad debts
Centre Testing International (Hong Kong) Co., Ltd.	33,641,413.87	14.44%	
CTI U.S. INC.	16,613,561.76	7.13%	
Huawei Technologies Co., Ltd.	6,408,512.44	2.75%	320,425.65
Guangzhou Era Supply Chain Management Co., Ltd.	6,114,777.19	2.62%	322,487.60
CTI Biotechnology (Suzhou) Co., Ltd.	5,110,994.00	2.19%	
Total	67,889,259.26	29.13%	

**(5) Accounts receivable derecognized due to transfer of financial assets**

N/A

**(6) Assets and liabilities resulted by transfer of accounts receivable and continuous involvement**

N/A

Other descriptions:

N/A

**2. Other receivables**

Unit: RMB

Item	Ending balance	Beginning balance
Dividends receivable	7,635,067.11	20,654,143.66
Other receivables	226,527,016.03	649,722,103.45
Total	234,162,083.14	670,376,247.11

**(1) Interest receivable**

**1) Classification of interest receivable**

Unit: RMB

Item	Ending balance	Beginning balance
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**2) Significant overdue interest**

Borrower	Ending balance	Overdue time	Overdue reason	Whether impairment occurs and its judgment basis
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Other descriptions:

N/A

**3) Bad debt provision**

Applicable  Not Applicable

**(2) Dividends receivable**

**1) Classification of dividends receivable**

Unit: RMB

Project (or investee)	Ending balance	Beginning balance
Shenzhen CTI Testing Co., Ltd.	6,625,404.63	20,654,143.66
How-To NPD Consulting Co., Ltd.	400,000.00	
Shanghai Fairyland Software Co., Ltd.	609,662.48	
Total	7,635,067.11	20,654,143.66

## 2) Significant dividends receivable aged over 1 year

Unit: RMB

Project (or investee)	Ending balance	Aging	Reason for unrecovered amount	Whether impairment occurs and its judgment basis

## 3) Bad debt provision

Applicable  Not Applicable

Other descriptions:

N/A

## (3) Other receivables

### 1) Classification of other receivables by nature

Unit: RMB

Nature	Ending book balance	Beginning book balance
Deposit and security	13,624,177.99	8,770,183.99
Suspense payment receivable	211,797,067.12	642,253,954.13
Others	2,440,018.65	138,784.44
Total	227,861,263.76	651,162,922.56

## 2) Bad debt provision

Unit: RMB

Bad-debt provision	Stage I	Stage II	Stage III	Total
	Expected credit loss in next 12 months	Expected credit loss throughout the entire duration (without credit impairment)	Expected credit loss throughout the entire duration (depreciation of credit that has occurred)	
Balance as at January 1, 2021	1,440,819.11			1,440,819.11

Balance as at January 1, 2021 in current period	---	---	---	---
Provision in the current period	-92,071.38			-92,071.38
Reversal in the current period	-2,000.00			-2,000.00
Write-off in the current period	-14,500.00			-14,500.00
Other changes	2,000.00			2,000.00
Balance as at December 31, 2021	1,334,247.73			1,334,247.73

Book balance changes with significant changes in loss provisions in the current period

Applicable  Not Applicable

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive of 1 year)	221,775,455.34
1 to 2 years	3,276,142.34
2 to 3 years	234,091.48
Above 3 years	2,575,574.60
3 to 4 years	443,512.00
4 to 5 years	921,444.60
Over 5 years	1,210,618.00
Total	227,861,263.76

### 3) Bad debt provision, and its recovery or reversal in the current period

Provision for bad debts in the current period:

Unit: RMB

Category	Beginning balance	The amount of change in the current period				Ending balance
		Provision	Recovered or returned	Write-off	Others	
Other receivables with provision for expected credit loss based on portfolio	1,440,819.11	-92,071.38	-2,000.00	-14,500.00	2,000.00	1,334,247.73

Total	1,440,819.1 1	-92,071.38	-2,000.00	-14,500.00	2,000.00	1,334,247.73
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N/A

Return or recovery of bad debt provisions of major amount in the current period:

Unit: RMB

Company name	Recovered or returned amount	Recovery method
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N/A

**4) Other receivables actually written off in the current period**

Unit: RMB

Item	Written-off amount
Other receivables actually written off	14,500.00

The write-off of major other receivables:

Unit: RMB

Company name	Nature of other receivables	Written-off amount	Reason for the write-off	Performed write-off procedures	Generated due to related party transactions or not
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Explanation of write-off of other receivables:

N/A

**5) Top five other receivables of ending balance accumulated by debtors**

Unit: RMB

Company name	Nature of the payment	Ending balance	Aging	Proportion in total ending balance of other receivables	Ending balance of provision for bad debts
Wuhan CTI Testing Technology Co., Ltd.	Suspense payment receivable	53,091,975.25	Within 1 year	23.30%	
Shanghai CTI Pinzheng Testing Technology Co., Ltd.	Suspense payment receivable	43,555,832.21	Within 1 year	19.12%	
Tianjin CTI Testing Certification Co., Ltd.	Suspense payment receivable	33,208,860.54	Within 1 year	14.57%	
Centre Testing International Group (Shandong) Co.,	Suspense payment receivable	28,600,000.00	Within 1 year	12.55%	

Ltd.					
Shenzhen CTI Metrology Technology Co., Ltd.	Suspense payment receivable	27,261,813.07	Within 1 year	11.96%	
Total	--	185,718,481.07	--	81.51%	

### 6) Receivables involving government grants

Unit: RMB

Company name	Name of government grant project	Ending balance	Aging at the end of period	Estimated time, amount and basis of collection
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N/A

### 7) Other receivables derecognized due to transfer of financial assets

N/A

### 8) Assets and liabilities resulting from transfer of other receivables and continuous involvement

N/A

Other descriptions:

N/A

## 3. Long-term equity investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	2,747,086,498.06	147,018,373.06	2,600,068,125.00	2,145,161,857.17	147,018,373.06	1,998,143,484.11
Investment in joint ventures and associates	212,648,398.76		212,648,398.76	116,620,680.16		116,620,680.16
Total	2,959,734,896.82	147,018,373.06	2,812,716,523.76	2,261,782,537.33	147,018,373.06	2,114,764,164.27

### (1) Investment in subsidiaries

Unit: RMB

Investee	Beginning balance (book value)	Increase and decrease in current period				Ending balance (book value)	Ending balance of provision for impairment
		Additional investment	Reduced investment	Provision for impairment	Others		
Anhui CTI Testing Technology Co., Ltd.	17,000,000.00					17,000,000.00	
Chengdu CTI Testing Technology Co., Ltd.	34,000,000.00		34,000,000.00				
Chengdu Xijiao CTI Rail Transit Technology Co., Ltd.	4,200,000.00					4,200,000.00	
Dalian Huaxin Physical and Chemical Testing Center Co., Ltd.	30,110,000.00					30,110,000.00	
Dongguan CTI Testing Certification Co., Ltd.	17,000,000.00					17,000,000.00	
Fujian Science Way Testing Co., Ltd. (SW)	6,766,326.94					6,766,326.94	4,963,673.06
Centre Testing International Pinbiao (Fuzhou) Co., Ltd.	10,000,000.00					10,000,000.00	
Gansu CTI Testing Certification Co., Ltd.	23,000,000.00					23,000,000.00	

Guangdong CTI Judicial Authenticatio n Center	500,000.00					500,000.00	
Guangxi CTI Testing Certification Co., Ltd.	21,000,000.0 0					21,000,000.0 0	
Guangzhou CTI Occupational Health Outpatient Department Co., Ltd.	10,000,000.0 0		10,000,000.0 0				
Guangzhou CTI Testing Certification Technology Co., Ltd.	78,150,297.2 2	86,133,372.8 9				164,283,670. 11	
Centre Testing International Pinbiao (Guangzhou) Co., Ltd.	20,000,000.0 0					20,000,000.0 0	
Guizhou CTI Testing Technology Co., Ltd.	6,000,000.00					6,000,000.00	
Hangzhou Hua'an Testing Technology Co., Ltd.	87,155,300.0 0					87,155,300.0 0	142,054,700. 00
Hangzhou CTI Testing Technology Co., Ltd.	45,000,000.0 0					45,000,000.0 0	
How-To NPD Consulting Co., Ltd.		21,545,194.6 1				21,545,194.6 1	

Hebei CTI Testing Services Co., Ltd.	18,000,000.00					18,000,000.00	
Hebei CTI Junrui Testing Technology Co., Ltd.	2,019,700.00					2,019,700.00	
Henan CTI Testing Technology Co., Ltd.	41,512,600.00		41,512,600.00				
Henan CTI Quantong Engineering Testing Co., Ltd.	8,000,000.00					8,000,000.00	
Heilongjiang CTI Testing Technology Co., Ltd.	40,000,000.00					40,000,000.00	
Hunan Pinbiao CTI Testing Technology Co., Ltd.	30,000,000.00					30,000,000.00	
Centre Testing Electronic Certification Co., Ltd.	71,000,000.00					71,000,000.00	
CTI Engineering Testing Co., Ltd.	19,921,200.00	4,000,000.00				23,921,200.00	
CTI Guoruan Technical Services (Nanjing) Co., Ltd.		510,000.00				510,000.00	
Centre Testing International	25,500,000.00	24,500,000.00				50,000,000.00	

Group Shandong Co., Ltd.							
Centre Testing International (Beijing) Co., Ltd.	50,000,000.00					50,000,000.00	
CTI Hubei Co., Ltd.	16,000,000.00	2,000,000.00				18,000,000.00	
Centre Testing International (Hong Kong) Co., Ltd.	122,781,373.32	136,941,377.82				259,722,751.14	
Tianjin Eco-City Environmental Technology Co., Ltd.	34,960,000.00					34,960,000.00	
Huai'an CTI Testing Technology Co., Ltd.	17,000,000.00					17,000,000.00	
Jiangsu CTI Pinbiao Testing Technology Co., Ltd.	35,000,000.00					35,000,000.00	
Jiangxi Yingyong CTI Testing Co., Ltd.		2,120,000.00				2,120,000.00	
Jiangyin CTI Zhi'an Outpatient Department Co., Ltd.	14,228,804.43		14,228,804.43				
Centre Testing International Pinbiao (Liaoning) Co., Ltd.	24,500,000.00					24,500,000.00	

Nanchang CTI Testing Certification Co., Ltd.	8,000,000.00					8,000,000.00	
Nanfang Pinbiao CTI Testing (Shenzhen) Co., Ltd.		44,000,000.0 0				44,000,000.0 0	
Inner Mongolia CTI QC Technology Service Co., Ltd.	19,000,000.0 0					19,000,000.0 0	
Ningbo CTI Testing Technology Co., Ltd.	10,000,000.0 0					10,000,000.0 0	
Ningbo Quality Assurance Co., Ltd. (NQA)	43,867,526.6 3					43,867,526.6 3	
Ningguo CTI Testing Technology Co., Ltd.	3,580,000.00					3,580,000.00	
Pinbiao Environmenta l Technology Co., Ltd	7,800,000.00	4,000,000.00				11,800,000.0 0	
Qingdao CTI Testing Technology Co., Ltd.	6,000,000.00					6,000,000.00	
Xiamen CTI Testing Technology Co., Ltd.	5,000,000.00					5,000,000.00	
Shanxi CTI	3,400,000.00	41,512,600.0				44,912,600.0	

Testing Certification Co., Ltd.		0				0	
Shanghai CTI Biological Technology Co., Ltd.	2,900,000.00					2,900,000.00	
Shanghai CTI Pinbiao Testing Technology Co., Ltd.	24,304,111.00					24,304,111.00	
Shanghai CTI Pinchuang Medical Testing Co., Ltd.	180,010,000.00	139,536,000.00				319,546,000.00	
Shanghai CTI Pinzheng Testing Technology Co., Ltd.	120,000,000.00	257,000,000.00				377,000,000.00	
Shanghai CTI Zhike Materials Technology Co., Ltd.	5,100,000.00					5,100,000.00	
Shenzhen CTI International Certification Co., Ltd.	47,002,500.00		47,002,500.00				
Shenzhen CTI Commodity Testing and Survey Co., Ltd.	4,186,136.80					4,186,136.80	
CTI Investment Management (Shenzhen) Limited	20,000,000.00					20,000,000.00	

Shenzhen CTI Pest Control Co., Ltd.	1,340,000.00	670,000.00				2,010,000.00	
Shenzhen CTI Occupational Health Outpatient Department	800,000.00		800,000.00				
Shenzhen CTI Institute of Reference Materials	200,000.00					200,000.00	
Shenzhen CTI Reference Materials Research Center Co., Ltd.	1,000,000.00					1,000,000.00	
Shenzhen CTI Testing Co., Ltd.	20,942,247.4 7					20,942,247.4 7	
Shenzhen CTI Training Center	2,002,600.30					2,002,600.30	
Shenzhen CTI Laboratory Technology Service Co., Ltd.	2,010,000.00					2,010,000.00	
Shenzhen CTI Information Technology Co., Ltd.	10,800,000.0 0					10,800,000.0 0	
Shenyang CTI Testing Technology Co., Ltd.	18,500,000.0 0					18,500,000.0 0	
Sichuan CTI Jianxin Testing Technology	9,180,000.00					9,180,000.00	

Co., Ltd.							
Suzhou CTI Engineering Testing Co., Ltd.	7,500,000.00					7,500,000.00	
Suzhou CTI Testing Technology Co., Ltd.	190,000,000.00					190,000,000.00	
CTI Biotechnology (Suzhou) Co., Ltd.	5,000,000.00		5,000,000.00				
Tianjin CTI Testing Certification Co., Ltd.	100,000,000.00	12,797,960.00				112,797,960.00	
Tianjin Jinbin CTI Product Testing Center Co., Ltd.	12,797,960.00		12,797,960.00				
Wuhan CTI Testing Technology Co., Ltd.	20,000,000.00					20,000,000.00	
Yunnan CTI Testing Certification Co., Ltd.	31,000,000.00					31,000,000.00	
Zhejiang CTI Yuanjian Testing Co., Ltd.	9,614,800.00					9,614,800.00	
Zhongshan CTI Testing Technology Co., Ltd.	10,000,000.00		10,000,000.00				
Chongqing CTI Testing Technology	55,000,000.00					55,000,000.00	

Co., Ltd.							
Total	1,998,143,484.11	777,266,505.32	175,341,864.43			2,600,068,125.00	147,018,373.06

**(2) Investment in joint ventures and associated companies**

Unit: RMB

Investor	Beginning balance (book value)	Increase and decrease in current period								Ending balance (book value)	Ending balance of provision for impairment
		Additional investment	Reduced investment	Investment gains or losses recognized under the equity method	Other comprehensive income adjustments	Other equity changes	Declared distribution of cash dividends or profits	Provision for impairment	Others		
<b>I. Joint ventures</b>											
<b>II. Associates</b>											
How-To NPD Consulting Co., Ltd.	3,745,194.61						1,400,000.00		-2,345,194.61	0.00	
Liangduan (Shanghai) Testing Technology Co., Ltd.	240,446.67			-35,626.67						204,820.00	
Xi'an Dongyi Integrated Technology Laboratory Co., Ltd.	11,223,082.77			1,083,707.40			1,320,000.00			10,986,790.17	
Zhengjiang Fangyuan Electrical	100,153,005.19			17,758,206.52			1,950,000.00			115,961,211.71	

Equipment Testing Co., Ltd.										
Nanjing CTI Medical Technology Service Co., Ltd.	1,258,950.92			-73,615.11					1,185,335.81	
Beijing Guoxin Tianyuan Quality Assessment and Certification Co., Ltd.		13,000,000.00		529,227.27					13,529,227.27	
Shanghai Fairyland Software Co., Ltd.		65,000,000.00		6,390,676.28			609,662.48		70,781,013.80	
Subtotal	116,620,680.16	78,000,000.00		25,652,575.68			5,279,662.48		-2,345,194.61	212,648,398.76
Total	116,620,680.16	78,000,000.00		25,652,575.68			5,279,662.48		-2,345,194.61	212,648,398.76

### (3) Other explanations

N/A

### 4. Operating income and operating cost

Unit: RMB

Item	Current amount incurred		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Primary business	1,015,229,865.02	498,159,887.98	844,320,406.50	444,590,092.81
Other business	11,139,147.49	1,866,950.31	9,478,206.84	1,711,050.88

Total	1,026,369,012.51	500,026,838.29	853,798,613.34	446,301,143.69
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Related income information:

Unit: RMB

Contract classification	Segment 1	Segment 2		Total
Product type				
Including:				
By business region				
Including:				
Market or customer type				
Including:				
Contract type				
Including:				
By the commodity transfer time				
Including:				
By contract period				
Including:				
By sales channel				
Including:				
Total				

Information on performance obligations:

N/A

Information about transaction prices apportioned to the remaining performance obligations:

The income corresponding to the performance obligations that have been signed but not performed or fully performed at the end of the reporting period is RMB 0.00, of which revenue of RMB \_\_\_\_ is estimated to be recognized in \_\_\_\_ (year), revenue of RMB \_\_\_\_ is estimated to be recognized in \_\_\_\_ (year), and revenue of RMB \_\_\_\_ is estimated to be recognized in \_\_\_\_ (year).

Other descriptions:

N/A

**5. Investment income**

Unit: RMB

Item	Current amount incurred	Amount incurred in the previous period
Long-term equity investment income calculated by cost method	230,400,000.00	309,180,524.92
Long-term equity investment income calculated by equity method	25,652,575.69	12,780,392.67
Investment income from disposal of long-term equity investments	-1,756,378.46	-2,203,473.62
Gains from remeasurement of remaining equity interests to fair value upon the loss of control	0.00	1,288,794.67
Financial income	3,587,834.92	5,313,512.86
Investment income from the holding of other non-current financial assets	1,267,300.00	0.00
Total	259,151,332.15	326,359,751.50

**6. Others**

N/A

**XVIII. Supplementary information****1. Breakdown of non-recurring gain or loss in the current period**√ Applicable     Not Applicable

Unit: RMB

Item	Amount	Notes
Gain or loss from disposal of non-current assets	5,357,281.99	Gain or loss from disposal of fixed assets and investment income from disposal of long-term equity investment.
Government grants recorded in the current profit or loss (excluding the government grants closely related to the normal business of the Company and enjoyed continuously per certain standard quota or ration in accordance with the national policy)	85,672,973.49	Government grants
Gains/losses from the entrusted investment or management assets	21,771,461.39	Income from wealth investment products

Except effective hedging business related to the normal business operations of the Company, gains and losses from change in fair value of financial assets held for trading and financial liabilities held for trading, and investment income from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets	2,242,380.58	Other gains or losses from the change in fair value of non-current financial assets and financial liabilities held for trading
Other non-operating incomes and expenditures except for the aforementioned items	312,046.80	
Less: Affected amount of income tax	14,993,434.46	
Affected amount of minority equity	746,267.45	
Total	99,616,442.34	--

Other gain/loss items falling within the definition of non-recurring gain or loss

Applicable  Not Applicable

There is no other gain/loss items falling within the definition of non-recurring gain or loss.

Explanation for defining the non-recurring gain or loss items listed in the *No.1 Explanatory Announcement on Information Disclosure by Companies Issuing Securities to the Public - Non-Recurring Gain or Loss* as recurring profit or loss items

Applicable  Not Applicable

## 2. Net return on equity and earnings per share (EPS)

Profit within the reporting period	Weighted average return on net assets	Earnings per share (EPS)	
		Basic earnings per share (RMB per share)	Diluted earnings per share (RMB per share)
Net profit attributable to common shareholders of the Company	18.17%	0.4465	0.4446
Net profit attributable to common shareholders of the Company after deducting non-recurring gain or loss	15.74%	0.3869	0.3852

## 3. Accounting data differences under domestic and foreign accounting standards

### (1) Differences of net profits and net assets in the financial report disclosed as per the IAS and CAS

Applicable  Not Applicable

**(2) Differences of net profits and net assets in the financial report disclosed as per the foreign accounting standard and CAS**

Applicable  Not Applicable

**(3) Explanation of the reasons of accounting data differences under domestic and foreign accounting standards shall be made, and where data audited by an overseas audit authority has been adjusted based on the differences, the name of the overseas institution shall be indicated**

N/A

**4. Miscellaneous**

N/A