

**Hubei Granules Biocause
Pharmaceutical Co., Ltd.**

Audit Report

Wuyige Certified [2019] 2-00647

Wuyige Certified Public Accountants LLP

(Special General Partnership)

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.



(Stamp: Wuyige Report Attachment specialized stamp)

Audit Report

Wuyige Certified [2019] 2-00647

Hubei Granules Biocause Pharmaceutical Co., Ltd.

I. Audit Opinions

We audited the financial statements of Hubei Granules Biocause Pharmaceutical Co., Ltd. (hereinafter referred to as "your company"), including the balance sheet dated on 31 December, the profit statement in 2018, the cash flow statement, the statement of changes in owners' equity and notes to the financial statements.

We believe that the attached financial statements are prepared in accordance with the provisions of the Accounting Standards for Enterprises in all major aspects. They are fairly reflecting the financial position of your company as at 31 December 2018, as well as the operating results and cash flows for 2018.

II. Foundation for Forming Audit Opinions

We have carried out the audit work in accordance with the provisions of the Chinese CPA Auditing Standards. The "CPA's Responsibility for Auditing Financial Statements" section of the audit report further elaborates our responsibilities under these standards. In accordance with the Code of Professional Ethics for Certified Public Accountants of China, we are independent of your company and have fulfilled professional ethics responsibilities.

We believe that the audit evidence that we have obtained is adequate and appropriate and provides a basis for the issuance of audit opinions.

III. Responsibility of management and management to financial statements

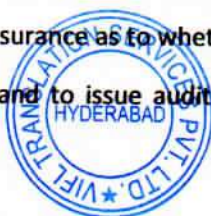
The management is responsible for compiling financial statements in accordance with the provisions of the Accounting Standards of the Enterprise, making them fairly reflected, and designing, implementing and maintaining the necessary internal controls. Therefore, the financial statements do not contain material misstatements caused by fraud or error.

In preparing financial statements, the management is responsible for assessing your company's sustainability, disclosing business-related matters (if applicable) and using the sustainability assumption, unless the management plans to liquidate your company, terminate operations or has no other realistic option.

The management is responsible for supervising the financial reporting process of your company.

IV. CPA's Responsibility for Auditing Financial Statements

Our goal is to obtain reasonable assurance as to whether the financial statements as a whole do not contain material misstatements due to fraud or error, and to issue audit reports containing audit opinions. Reasonable assurance is a



high-level assurance, but it cannot guarantee that audits carried out in accordance with audit standards will always be found in the presence of a major misstatement. Misreporting may be caused by fraud or error. If it is reasonably expected that misreporting alone or collectively may affect the economic decisions made by users of financial statements based on financial statements, it is generally considered to be significant.

In the process of carrying out audit work according to the auditing standards, we use professional judgment and maintain professional suspicion. At the same time, we also carry out the following tasks:

(1) Identify and evaluate the risk of material misstatement of financial statements caused by fraud or error, design and implement audit procedures to deal with these risks, and obtain sufficient and appropriate audit evidence as the basis for issuing audit opinions. As fraud may involve collusion, forgery, intentional omission, false statements or override internal control, the risk of failing to detect significant misstatement due to fraud is higher than that of failing to detect significant misstatement due to error.

(2) Understanding the internal controls related to auditing in order to design appropriate auditing procedures.

(3) Evaluate the appropriateness of management's choice of accounting policies and the reasonableness of making accounting estimates and related disclosures.

(4) To draw a conclusion from the appropriateness of management's use of the going concern assumption. At the same time, based on the audit evidence obtained, we can draw a conclusion on whether there are significant uncertainties in matters or situations that may cause serious doubts about your company's sustainability. If we come to the conclusion that there are significant uncertainties, the auditing standards require us to draw the attention of the users of the financial statements to the relevant disclosures in the auditing reports; if the disclosures are insufficient, we should issue non-unreserved opinions. Our conclusions are based on information available as of the audit report date. However, future events or circumstances may result in your company's unsustainable operation.

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

We communicate with the management on the scope, timing and major audit findings of the planned audit, including communicating the internal control deficiencies that we have identified in the audit.

Wuyige Certified Public Accountant China CPA: (signature: Wu Zhichao)
(Special General Partnership)

China. Beijing China China CPA: (signature: Liao Mei)

(Stamp: Wuyige Certified Public Accountant

(Special General Partnership) 1101080210400)



April 3, 2019

Wuyige Certified Public Accountants LLP
15/F, Xueyuan International Tower
No. 1, Zhichun Road, Haidian Dist.
Beijing, China, 100083

Telephone: +86 (10) 82330558
Fax: +86 (10) 82327668
Internet: www.daxincpa.com.cn



Balance sheet

Compilation Unit: Hubei Granules Biocause
Pharmaceutical Co., Ltd.

31 December 2018

Unit: RMB

Projects	Note appended	Ending balance	Initial balance
Current assets:			
Monetary Fund	V. (1)	112,952,390.60	31,068,349.21
Financial Assets Measured at Fair Value and Their Changes Included in Current Profits and Losses			
Derivative financial assets			
Notes Receivable and Accounts Receivable	V. (2)	63,807,717.07	60,201,269.39
Among them: Notes receivable		21,223,201.83	4,126,303.74
Accounts receivable		42,584,515.24	56,074,965.65
Advanced payment	V. (3)	3,988,367.53	3,598,938.54
Other receivables	V. (4)	11,662,422.05	7,602,403.95
Among them: Interest receivable			
Dividend Receivable			
Stock	V. (5)	63,548,351.40	48,346,859.44
Holding assets for sale			
Non-current assets maturing within one year			
Other current assets	V. (6)	2,268,358.27	4,354,318.15
Total current assets		258,227,606.92	155,172,138.68
Non-current assets:			
Sellable financial assets			
Holding up to maturity investment			
Long-term receivables			
Long-term equity investment			
Investment Real Estate			
Fixed assets	V. (7)	37,193,293.34	24,685,351.84
Construction in progress	V. (8)	7,159,414.28	7,877,393.45
Productive biological assets			
Oil and gas assets			
Intangible assets			
Development expenditure			
Goodwill			
Long-term unamortized expenses			
Deferred tax assets	V. (9)	216,040.65	271,888.40
Other non-current assets	V. (10)	200,997.49	293,223.79
Total non-current assets		44,769,745.76	33,127,857.48
Total Assets		302,997,352.68	188,299,996.16

Legal Representative:

Accountant in Charge:

Head of Accountant Department:



Balance sheet (continued)

Compilation Unit: Hubei Granules Biocause Pharmaceutical Co.,Ltd.

31 December 2018

Unit: RMB

Projects	Note appended	Ending balance	Initial balance
Current liabilities:			
Short term loan			
Financial liabilities measured at fair value and recorded in current profits and losses			
Derivative financial liabilities			
Notes payable and accounts payable	V. (11)	30,736,270.64	21,055,217.85
Advance payment	V. (12)	22,957,579.17	8,521,483.36
Payroll payable	V. (13)	2,946,615.09	2,151,711.61
Taxes payable	V. (14)	10,534,113.58	2,793,064.32
Other accounts payable	V. (15)	7,588,498.64	11,982,127.81
Among them: Interest payable			
Dividends payable			
Holding liabilities for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total Current Liabilities		74,763,077.12	46,503,604.95
Non-current liabilities:			
Long term loan			
Bonds payable			
Long-term accounts payable			
Long-term payroll payable			
Projected liabilities			
Deferred income	V. (16)	241,105.09	271,884.49
Deferred income tax liability	V. (9)	950,590.97	
Other non-current liabilities			
Total Non-current Liabilities		1,191,696.06	271,884.49
Total liabilities		75,954,773.18	46,775,489.44
Owner's equity:			
Paid-in capital	V. (17)	66,000,000.00	66,000,000.00
Other equity instruments			
Capital surplus	V. (18)	45,604.99	45,604.99
Reduction: Inventory Unit			
Other comprehensive benefits			
Special reserve			
Surplus reserves	V. (19)	16,437,658.77	7,885,851.49
Undistributed profits	V. (20)	144,559,315.74	67,593,050.24
Total Owner's equity		227,042,579.50	141,524,506.72
Total liabilities and owner's equity		302,997,352.68	188,299,996.16

Legal Representative:

Accountant in Charge:

Head of Accountant Department:



Profit statement

Compilation Unit: Hubei Granules Biocause Pharmaceutical Co., Ltd.

Year of 2018

Unit: RMB

Projects	Note appended	Amount of occurrence in the current period	Previous occurrence
I. Business Income	V. (21)	353,542,688.13	269,965,391.05
Reduction: Operating Cost	V. (21)	220,310,207.40	213,022,260.09
Taxes and surcharges	V. (22)	2,471,670.06	2,091,426.50
Selling expenses		8,121,140.63	6,088,424.00
Management cost		13,647,609.55	5,045,570.78
R & D expenses	V. (23)	11,316,774.37	11,274,248.24
Financial cost	V. (24)	-1,835,671.96	2,807,021.42
Among them: interest expense			
Interest income		218,967.21	183,871.09
Assets impairment loss	V. (25)	-372,318.36	843,546.25
Add: Other benefits	V. (26)	269,579.40	1,692,009.27
Income from investment (loss listed as "-")			
Among them: income from investment in joint ventures and joint ventures			
Fair Value Change Income (Losses listed as "-")			
Income from disposal of assets (loss listed as "-")	V. (27)	-442,736.98	
II. Operating Profits (Losses listed under -)		99,710,118.86	30,484,903.04
Add: Non-business income			60,700.00
Reduction: Non-business expenses	V. (28)	47.74	25,813.05
III. Total Profit (Total Loss listed as "-")		99,710,071.12	30,519,789.99
Reduction: Income Tax Expenses	V. (29)	14,191,998.34	3,206,989.19
IV. Net Profit (Net Loss Listed as "-")		85,518,072.78	27,312,800.80
(1) Net profit from continuing operation (net loss listed as "-")		85,518,072.78	27,312,800.80
(2) Net profit from termination of operation (net loss listed as "-")			
V. Net after-tax amount of other comprehensive income			
(1) Other comprehensive gains that cannot be reclassified as gains and losses			
(2) Other comprehensive gains to be reclassified into gains and losses			
VI. Total Comprehensive Income		85,518,072.78	27,312,800.80
Earnings per share			
(1) Basic earnings per share			
(2) Diluting earnings per share			

Legal Representatives

Accountant in Charge:

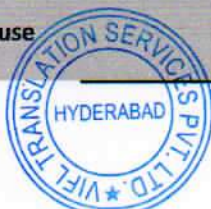
Head of Accounting Department:

Statement of Cash Flow

Compilation Unit: Hubei Granules Biocause Pharmaceutical Co., Ltd.

Year of 2018

Unit: RMB



Projects	Note appended	Amount of occurrence in the current period	Previous occurrence
I. Cash flows from business activities:			
Cash received for selling goods and providing services		392,843,687.84	184,301,693.05
Refunds of taxes		3,759,067.23	
Receiving other cash related to business activities		146,225,172.41	164,675,649.92
Cash flow subtotal of operating activities		542,827,927.48	348,977,342.97
Cash for Purchase of Goods and Acceptance of Labor Services		237,748,860.33	110,467,444.39
Cash paid to and for employees		27,223,866.36	21,710,725.71
Payments of all types of taxes		17,479,203.52	12,734,147.28
Payment of other cash related to business activities		163,544,901.38	217,306,190.95
Cash flow subtotal of business activities		445,996,831.59	362,218,508.33
Net cash flow from operating activities		96,831,095.89	-13,241,165.36
II. Cash flows from investment activities:			
Recovery of Cash Received from Investment			
Cash received in return for investment			
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets			
Receiving cash related to other investment activities			
Cash flow subtotal of investment activities			
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		17,907,054.50	7,760,095.54
Cash for investment payments			
Payment of cash related to other investment activities			
Cash flow subtotal of investment activities		17,907,054.50	7,760,095.54
Net cash flow from investment activities		-17,907,054.50	-7,760,095.54
III. Cash flows from fund-raising activities:			
Cash received by investment absorption			
Acquire the cash received by borrowing			
Cash received by issuing bonds			
Receiving other cash related to fund-raising activities			2,200,115.50
Cash flow subtotal of fund-raising activities			2,200,115.50
Cash for debt repayment			
Cash paid for the distribution of dividends, profits or interest payments			
Payment of other cash related to fund-raising activities			2,010,000.00
Cash flow subtotal of fund-raising activities			2,010,000.00
Net cash flow from fund-raising activities			190,115.50
IV. The Impact of Exchange Rate Changes on Cash and Cash Equivalents			
V. Net Increase in Cash and Cash Equivalents		78,924,041.39	-20,811,145.40
Plus: Cash and cash equivalents balance at the beginning of the period		29,058,349.21	49,869,494.61
VI. Cash and cash equivalents balance at the end of the period		107,982,390.60	29,058,349.21



Legal Representative

Accountant in Charge:

Head of Accounting Department:



Statement of changes in owner's equity

Implementation Unit: Hubei
Anules Blocause
Pharmaceutical Co., Ltd

Year of
2018

Unit: RMB

Projects	Current issue								
	Paid in capital	Other equity instruments	Capital surplus	Reduction: Inventory Unit	Other comprehensive benefits	Special reserve	Surplus reserves	Undistributed profits	Total Owner's Rights and Interests
Last year's End Balance	66,000,000.00		45,604.99				7,885,851.49	67,593,050.24	141,524,506.72
Plus: Accounting Policy Change									
Early error correction									
Other									
Balance at the beginning of the current year	66,000,000.00		45,604.99				7,885,851.49	67,593,050.24	141,524,506.72
Increase or decrease in the amount of change in the current period (increase by "+", decrease by "-")							8,551,807.28	76,966,265.50	85,518,072.78
(1) Total aggregate income								85,518,072.78	85,518,072.78
(2) Owner Input and capital reduction									
1. Common stock invested by the owner									
2. Investing capital by other equity instrument holders									
3. Amount of Share payment Included in Owner's Rights and Interests									
4. Other									
(3) Profit Distribution							8,551,807.28	-8,551,807.28	
1. Drawing surplus							8,551,807.28	-8,551,807.28	



Statement of changes in owner's equity

Preparation Unit: Hubei Granules
Pharmaceutical Co., Ltd.

Year of 2018

Unit: RMB

Projects	Previous period							Total Owner's Rights and Interests
	Paid in capital	Other equity instruments	Capital surplus	Reduction: Inventory Unit	Other comprehensive benefits	Special reserve	Surplus reserves	
Last year's End Balance	66,000,000.00		45,604.99				5,154,571.41	114,211,705.92
Plus: Accounting Policy Change								
Early error correction								
Other								
Balance at the beginning of the current year	66,000,000.00		45,604.99				5,154,571.41	114,211,705.92
Increase or decrease in the amount of change in the current period (decrease by "-")							2,731,280.08	27,312,800.80
(1) Total aggregate income								
(2) Owner input and capital deduction								
1. Common stock invested by owner								
2. Investing capital by other equity instrument holders								
3. Amount of Share Payment included in Owner's Rights and Interests								
4. other								
(3) Profit Distribution							2,731,280.08	-2,731,280.08
1. Drawing surplus reserve							2,731,280.08	-2,731,280.08



Head of Accounting Department:

Accountant in Charge:

Legal Representative:



Hubei Granules Biocause Pharmaceutical Co., Ltd.

Notes to the financial statements

(Except as specified, the monetary units in this note are in RMB yuan)

I. Basic Situation of Enterprises

Hubei Granules Biocause Pharmaceutical Co., Ltd. (hereinafter referred to as "Company") is a Sino-foreign joint venture company jointly invested by Hubei Biocause Pharmaceutical Heilien Co., Ltd. and Granules India Ltd. The registered capital of the company is RMB 66,000,000.00, of which: Hubei Biocause Heilien Pharmaceutical Co., Ltd. holds 50.00% of the company's equity and Granules India Ltd. holds 50.00% of the equity. On March 5, 2007, it was approved and registered by Jingmen Administration for Industry and Commerce.

Corporate Representative: Cheng Zhigang

Unified Social Credit Code: 914208007987502725

Company registration: No. 122 Yangwan Road, Jingmen City, Hubei Province

Company Type: Limited Liability Company (Sino-foreign Joint Venture)

Business Scope: To design, develop, produce and process ibuprofen and other new products at all levels as API, to provide technical support and after-sales service for the above products, and to promote and sell the above products. (Projects must be approved according to law, and business activities can only be carried out after approval by relevant departments)

II. Foundation of Financial Statements

(1) Preparation basis: The company's financial statements are prepared on the basis of continuous operation, according to actual transactions and events, in accordance with the provisions of the Accounting Standards for Enterprises - Basic Standards and Specific Accounting Standards promulgated by the Ministry of Finance (hereinafter referred to as the "Accounting Standards for Enterprises"), and on the basis of the important accounting policies and accounting estimates mentioned below.

(2) Continuous operation: The company has been able to operate continuously for at least 12 months since the end of this report period, without major issues affecting its ability to operate continuously.

III. Important Accounting Policies and Accounting Estimates



(1) Statement of compliance with enterprise accounting standards

The financial statements compiled by the company meeting the requirements of the Accounting Standards for Enterprises. They truly and completely reflect the company's financial situation on December 31, 2018, its operating results and cash flow in 2018.

(2) Accounting period

The company's fiscal year is a calendar year, that is, from January 1 to December 31 of each year.

(3) Business cycle

The company takes 12 months a year as its normal business cycle, and the business cycle as the liquidity division standard of assets and liabilities.

(4) Accounting base currency

The company takes RMB as its accounting standard currency.

(5) Standards for determining cash and cash equivalents

The cash determined by the company in the preparation of the cash flow statement refers to the cash in stock of the company and the deposits that can be used to pay at any time. The cash equivalents determined in the preparation of cash flow statement refer to investments with short holding period, strong liquidity, easy conversion to known amount of cash and little risk of value change.

(6) Foreign currency business and conversion of foreign currency financial statements

For foreign currency transactions, the Company shall use the spot exchange rate on the date of transaction to convert the local currency into the account. The foreign currency monetary items on the balance sheet date are converted into the spot exchange rate on the balance sheet date. The exchange difference resulting from the difference between the spot exchange rate on that day and the spot exchange rate on the initial confirmation date or on the previous balance sheet day is recorded in the current profit and loss except for the exchange difference of the special foreign currency loans that meet the capitalization conditions, which is capitalized into the cost of the relevant assets during the capitalization period. Foreign currency non-monetary items measured at historical cost shall still be converted at spot exchange rate on the date of transaction, without changing the amount of their accounting base currency. Foreign currency non-monetary items measured by fair value shall be converted by spot exchange rate on the date of determination of the fair value. The difference between the converted amount of the book-keeping standard currency and the original amount of the book-keeping standard currency shall be treated as changes in fair value (including changes in exchange rate), and shall be included in current profits and losses or recognized as other comprehensive gains.



(7) Financial instruments

1. Classification and Recognition of Financial Instruments

Financial instruments are divided into financial assets or financial liabilities and equity instruments. When the company becomes a party to the financial instrument contract, it is recognized as a financial asset or financial liability, or equity instrument.

When financial assets are initially recognized, they are classified as financial assets measured at fair value and whose changes are included in current profits and losses, investments held to maturity, receivables and financial assets available for sale. The classification of financial assets other than receivables depends on the intention and ability of the company and its subsidiaries to hold financial assets. Financial liabilities are classified as financial liabilities and other financial liabilities which are measured at fair value and whose changes are included in current profits and losses.

Financial assets measured at fair value and whose changes are included in current profits and losses include transactional financial assets sold for short-term holding purposes and financial assets designated at the time of initial confirmation as financial assets measured at fair value and whose changes are included in current profits and losses; receivables refer to non-derivative financial assets that are not quoted, fixed or determinable in an active market; and financial assets available for sale. Assets include non-derivative financial assets designated for sale at the time of initial confirmation and financial assets not classified as other types; holding to maturity investment refers to fixed maturity date, fixed or determinable amount of recovery, and management has clear intention and ability to hold non-derivative financial assets to maturity.

2. Measurement of Financial Instruments

The initial confirmation of the company's financial instruments is measured at fair value. Follow-up measures are classified as follows: financial assets measured at fair value and their changes are included in current profits and losses, financial assets available for sale and financial liabilities measured at fair value and their changes are included in current profits and losses; holdings of maturing investments, loans and receivables and other financial liabilities are measured at amortized cost; there is no quotation in active markets and their fair value is calculated. Investment in equity instruments that cannot be reliably measured, as well as derivative financial assets or liabilities linked to the equity instruments that must be settled by delivering the equity instruments, shall be measured at cost. The gains or losses resulting from the changes in fair value in the subsequent measurement of financial assets or liabilities of the Company shall be handled according to the following methods, except for those related to hedging: 1. The gains or losses resulting from the changes in fair value of financial assets or liabilities measured at fair value and recorded in the profits and losses of the current period shall be included in the gains and losses caused by the changes in fair value of financial



assets or liabilities.(2) The changes in the fair value of the financial assets available for sale are included in other comprehensive earnings.

3.The Company's Method of Confirming the Fair Value of Financial Instruments

If there are financial instruments in active markets, their fair value can be determined by quotations in active markets; if there are no financial instruments in active markets, their fair value can be determined by valuation technology. Valuation technology mainly includes market method, income method and cost method.

4.Recognition Basis and Measurement Method of Transfer of Financial Assets and Liabilities

When almost all risks and rewards in the ownership of a financial asset are transferred, or almost all risks and rewards in the ownership of a financial asset are neither transferred nor retained, but if the control over the financial asset is abandoned, the recognition of the financial asset shall be terminated. If the financial assets satisfy the conditions for termination of recognition, the balance between the book value of the transferred financial assets and the consideration received as a result of the transfer and the original value directly counted in the sum of the accumulated changes in the fair value of other comprehensive income shall be included in the current profits and losses. If the partial transfer satisfies the conditions for termination of confirmation, the book value of the transferred financial assets as a whole shall be apportioned between the termination of confirmation and the non-termination of confirmation according to their respective relative fair values.

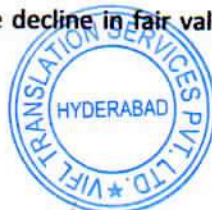
If the current obligation of a financial liability has been discharged in whole or in part, the recognition of the financial liability or part thereof shall be terminated.

5.Finance Assets Devalue

When the impairment of financial assets measured by amortized cost occurs, the provision for impairment shall be calculated on the basis of the difference between the present value of the expected future cash flow (excluding the future credit losses that have not yet occurred) and the book value. If there is objective evidence that the value of the financial asset has been restored and is objectively related to the events occurring after the loss has been confirmed, the impairment loss previously recognized shall be reversed and recorded in the current profits and losses.

When the impairment of financial assets measured by cost occurs, the provision for impairment shall be calculated on the basis of the difference between the present value of the expected future cash flow (excluding the future credit losses that have not yet occurred) and the book value. Once the impairment loss has been confirmed, it will not be reversed.

When there is objective evidence that the financial assets available for sale are impaired, the accumulated losses directly included in the equity of shareholders due to the decline in fair value will be transferred and included in the



impairment losses. Where the fair value of the investments in sellable debt instruments with recognized impairment losses increases after the period and is objectively related to the events that occur after the original impairment losses are confirmed, the original impairment losses shall be transferred back and recorded into the current profits and losses. The increase in fair value after the period is directly included in the equity of shareholders when investments in the instruments of sellable equity that have been confirmed as impairment losses are made.

For equity instrument investment, the company's specific quantitative criteria for judging the "serious" or "non-temporary" decline in fair value, the method for calculating cost, the method for determining the fair value at the end of the period and the basis for determining the duration of the continuous decline are as follows:

Specific Quantitative Criteria for "Serious" Fair Value Decline	At the end of the period, the decline of fair value relative to cost has reached or exceeded 50%.
Specific Quantitative Criteria for Fair Value to Decline "Non-temporarily"	The decline occurred for 12 consecutive months.
Cost calculation method	At the time of acquisition, the investment cost is based on the sum of the payment consideration (deducting the declared cash dividend that has not yet been paid or the bond interest that has not been paid but has reached the interest payment period) and the related transaction costs.
The Method of Determining the Fair Value at the End of the Period	There are financial instruments in active market to determine their fair value by quotation in active market; if there are no financial instruments in active market, the fair value is determined by valuation technology.
Basis for Determining the Period of Continuous Decline	A rebound of less than 20% during a continuous downward trend or a rebound of less than 6 months is regarded as a continuous downward trend.

(8) Accounts receivable

The company's receivables mainly include notes receivable and accounts receivable, long-term receivables and other receivables. If there is objective evidence of impairment on the balance sheet date, the company shall confirm the impairment loss according to the difference between its book value and the present value of the expected future cash flow.

1.Receivables with significant individual amounts and provision for bad debts

The Judgment Basis or Standard of Major Single Amount	Payments with a book balance of more than 10 million yuan (including 10 million yuan) in receivables
The Method of Calculating and Drawing Bad Debt Reserve for Major Single Amount and Single Account	Individual impairment tests show that there is objective evidence that impairment occurs. According to the difference between the present value of future cash flow and its book value, provision for bad debts is calculated, and provision for bad debts is calculated by age analysis method without impairment.

2.Allowance for bad debts receivable on a portfolio basis

For receivables with minor individual amounts, provision for bad debts is made according to age portfolio together with receivables with significant individual amounts that have not been impaired after individual tests.

Basis for determining combinations	Age of account
------------------------------------	----------------



Basis for determining combinations	Age of account
The Method of Drawing Bad Debt Reserve by Portfolio	Age Analysis Method

In the portfolio, the provision for bad debts is calculated by age analysis method.

Age of account	Proportion of accounts receivable (%)	Proportion of other receivables (%)
Within one year (including one year)	3	3
1-2 years (including 2 years)	10	10
2-3 years (including 3 years)	20	20
3-4 years (including 4 years)	30	30
4-5 years (including five years)	50	50
More than 5 year	100	100

3.Receivables for provision for bad debts, though not significant, are charged separately

Reasons for Individual Allowance for Bad Debt	Accounts receivable over three years old and there is objective evidence that they have been impaired
The Method of Calculating Bad Debt Reserve	Recognition of the difference between its book value and the projected present value of future cash flows

(9) Inventory

1.Classification of inventory

Inventory refers to the finished products or commodities that the company holds for sale in its daily activities, the materials and materials used in the production process, the production process or the provision of labor services, etc. Mainly includes raw materials, in-process products, finished products (inventory goods) and so on.

2.Valuation Method for Inventory Issuance

When the inventory is sent out, the weighted average method is adopted to determine its actual cost.

3.The Method of Estimating the Reserve for Inventory Depreciation

On balance sheet day, inventories are measured according to the lower cost and net realizable value, and the reserve for depreciation of inventories is calculated according to a single item of inventory. However, for a large number of inventories with lower unit price, the reserve for depreciation of inventories is calculated according to the category of inventories.

4.Inventory System of Inventory

The company's inventory system is a perpetual inventory system.

5.Amortization of low-value consumables and packages

Low-value consumables and packages are amortized by one-time resale method.

(10) Fixed assets

1.Confirmation Conditions of Fixed Assets



Fixed assets refer to tangible assets held for the production of commodities, the provision of services, leasing or operation and management, whose service life exceeds one accounting year. At the same time, it should be confirmed when the following conditions are met: the economic benefits related to the fixed assets are likely to flow into the enterprise; the cost of the fixed assets can be measured reliably.

2. Classification and depreciation of fixed assets

The company's fixed assets are mainly divided into: buildings, machinery and equipment, electronic equipment, transportation equipment, etc. The depreciation method adopts the average method of years. According to the nature and use of various types of fixed assets, the service life and estimated net residual value of fixed assets are determined. At the end of the year, the service life, estimated net residual value and depreciation methods of fixed assets will be reviewed, and if there are differences from the original estimates, corresponding adjustments will be made. In addition to the fixed assets that have been fully depreciated and are still used and the land that is independently accounted for, the company depreciates all fixed assets.

Asset class	Estimated service life (year)	Estimated net residual rate (%)	Annual depreciation rate (%)
Buildings	18- 38	4	2.53- 5.33
Machinery equipment	5-14	4	6.85-19.20
Special equipment	8-10	4	9.60- 12.00
Transport equipment	6-8	4	12.00-16.00
Other equipment	5-10	4	9.60-19.20

3. The Cognizance Basis and Valuation Method of Financing Rent Fixed Assets

Financial leasing of fixed assets is a lease that essentially transfers all risks and rewards related to the ownership of assets. The initial valuation of the financial leased fixed assets is the lower present value of the leased assets and the minimum lease payment on the beginning date of the lease term. The subsequent valuation of the financial leased fixed assets uses depreciation policy consistent with the self-owned fixed assets to calculate depreciation and depreciation preparation.

(11) Construction in progress

The company's construction in progress is divided into two types: self-construction and contracting. When the project under construction reaches its intended usable state after completion, the fixed assets shall be carried over. The criteria for judging the intended usable state should meet one of the following conditions: the physical construction (including installation) of fixed assets has been completed or substantially completed; the trial production or trial operation has been carried out, and the results show that the assets can operate normally or produce qualified products stably, or the trial operation results show that the assets can operate normally or operate normally; The amount of



expenditure on the fixed assets for this construction is very small or almost no longer occurs; the fixed assets purchased and constructed have met the design or contract requirements, or are basically in line with the design or contract requirements.

(12) Borrowing expenses

1. Recognition Principle of Capitalization of Borrowing Cost

If the borrowing expenses incurred by the company can be directly attributed to the purchase, construction or production of assets that meet the capitalization conditions, they shall be capitalized and included in the cost of related assets; other borrowing expenses shall be recognized as expenses at the time of occurrence according to the amount incurred, and shall be included in the profits and losses of the current period. Assets eligible for capitalization refer to fixed assets, investment real estate, inventory and other assets that require a considerable period of purchase, construction or production activities to achieve the intended usable or saleable state.

2. Calculating Method of Capitalized Amount

The period of capitalization refers to the period from the beginning of capitalization of borrowing expenses to the end of capitalization. The period of suspension of capitalization of borrowing costs is not included. If an abnormal interruption occurs during the purchase, construction or production process and the interruption lasts for more than three consecutive months, the capitalization of borrowing expenses shall be suspended.

To borrow special loans, the amount shall be determined on the basis of the actual interest expenses incurred in the current period of special loans, minus the interest income obtained by depositing unused borrowing funds into banks or the investment income obtained from temporary investments; and to take up general loans, the capitalization rate of the general loans occupied shall be multiplied by the weighted average of the assets expenditure of the accumulated assets expenditure exceeding that of the special loans. The calculation determines that the capitalization rate is the weighted average interest rate of general borrowing; if there is a discount or premium on borrowing, the amount of discount or premium that should be amortized in each accounting period shall be determined according to the actual interest rate method, and the amount of interest in each period shall be adjusted.

The real interest rate method is a method of calculating the amortized discount or premium or interest cost based on the real interest rate of borrowing. Among them, the real interest rate is the future cash flow of the borrower during the expected lifetime, discounted as the interest rate used for the current book value of the borrower.

(13) Intangible assets

1. The Valuation Method of Invisible Assets



The company's intangible assets are initially measured at cost. The actual cost of the intangible assets purchased shall be the actual price paid and the related expenditure. The actual cost of intangible assets invested by investors shall be determined according to the value stipulated in the investment contract or agreement, but if the value stipulated in the contract or agreement is unfair, the actual cost shall be determined according to the fair value. The cost of self-developed intangible assets is the total expenditure incurred before reaching the intended purpose.

The company's intangible assets follow-up measurement methods are as follows: intangible assets with limited service life are amortized by straight-line method, and at the end of the year, the service life and amortization methods of intangible assets are reviewed, if there are differences with the original estimates, corresponding adjustments are made; intangible assets with uncertain service life are not amortized, but at the end of the year, the service life is reviewed. When there is conclusive evidence that its service life is limited, its service life is estimated and amortized according to the straight-line method.

2.The Judgment Basis of Uncertainty of Service Life

The company will not be able to foresee the time limit for the assets to bring economic benefits to the company, or intangible assets such as uncertain service life will be identified as intangible assets with uncertain service life. The uncertain service life is judged on the basis of contractual rights or other legal rights, but the contract or legal provisions do not specify the service life; synthesizing the situation of the same industry or relevant experts, it is still impossible to judge the period when intangible assets bring economic benefits to the company.

At the end of each year, the service life of intangible assets with uncertain service life is reviewed, mainly in a bottom-up way. The relevant departments of intangible assets use are responsible for the basic review, and the basis for evaluating the uncertainty of service life is changed.

(14) Impairment of long-term assets

If long-term equity investment, investment real estate, fixed assets measured by cost mode, construction under construction, productive biological assets measured by cost mode, oil and gas assets, intangible assets, goodwill and other long-term assets show signs of impairment on the balance sheet day, the impairment test shall be carried out. The impairment test results show that if the recoverable amount of assets is less than its book value, the impairment provision shall be calculated according to the difference and the impairment loss shall be included.

The recoverable amount is the higher one between the fair value of the assets minus the disposal expenses and the present value of the expected future cash flow of the assets. The provision for impairment of assets is calculated and confirmed on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the



recoverable amount of an asset group shall be determined by the asset group to which the asset belongs. Asset group is the smallest portfolio that can generate cash inflows independently.

Goodwill shown separately in the financial statements, whether there is any sign of impairment or not, is tested annually at least. In impairment test, the book value of goodwill is allocated to the asset group or portfolio expected to benefit from the synergistic effect of enterprise merger. The test results show that the recoverable amount of the asset group or portfolio containing the assessed goodwill is lower than its book value, and the corresponding impairment losses are confirmed. The amount of impairment loss is first deducted from the book value of the goodwill apportioned to the asset group or portfolio, and then deducted proportionally from the book value of other assets according to the proportion of the book value of assets other than goodwill in the asset group or portfolio.

Once the loss of impairment of the above-mentioned assets has been confirmed, the portion of the non-return value that can be recovered in the subsequent period will not be returned.

(15) Long-term pending expenses

The company's long-term prepaid expenses refer to the expenses that have already been expended, but the benefit period is more than one year (excluding one year). Long-term prepaid expenses are amortized in stages according to the benefit period of the cost items. If the long-term cost items can not benefit the future accounting period, the amortized value of the items that have not yet been amortized will be transferred to the current profit and loss.

(16) Salary of employees

Employee remuneration refers to various forms of remuneration or compensation given by the company to obtain services provided by employees or to terminate labor relations. Employee salary mainly includes short-term salary, after-service benefits, dismissal benefits and other long-term employee benefits.

1.Short-term salary

During the accounting period in which employees provide services to the company, the short-term remuneration actually incurred shall be recognized as liabilities, and shall be included in current profits and losses, unless the accounting standards for enterprises require or permit the inclusion of the cost of assets. The employee welfare expenses incurred by the company shall be included in the current profits and losses or the cost of related assets according to the actual amount incurred at the time of actual occurrence. Workers' welfare benefits are non-monetary benefits, which shall be measured at fair value. During the accounting period when the employees provide services, the company calculates and determines the corresponding salary amount of the employees according to the prescribed basis and proportion of calculation and calculation, and confirms the corresponding liabilities, and counts them into the



profits and losses or the proportion of current period's profits and losses, as well as the social insurance premiums and housing accumulation fund paid by the employees, such as medical insurance premiums, industrial injury insurance premiums, maternity insurance premiums, etc. cost of assets.

2. Post-service benefits

During the accounting period in which employees provide services, the amount of deposits payable calculated according to the set-up withdrawal plan is recognized as liabilities and is included in the current profits and losses or the cost of related assets. According to the formula determined by the Expected Cumulative Welfare Unit Law, the welfare obligations arising from the establishment of the benefit plan are attributed to the period during which the employees provide services, and are included in the current profits and losses or the cost of related assets.

3. Termination benefits

When the company provides dismissal benefits to employees, it confirms the remuneration liabilities of employees arising from the dismissal benefits as early as possible and takes them into account the current profits and losses: when the company cannot unilaterally withdraw the dismissal benefits provided by the termination of the labor relations plan or the reduction proposal; when the company confirms the costs or expenses related to the reorganization of the payment of the dismissal benefits.

4. Other long-term employee benefits

Other long-term employee benefits provided by the company to employees that meet the requirements for setting up a withdrawal plan shall be handled in accordance with the relevant provisions for setting up a withdrawal plan; in addition, net liabilities or net assets of other long-term employee benefits shall be recognized and measured in accordance with the relevant provisions for setting up a benefit plan.

(17) Income

1. Selling goods

When the commodities sold by our company meet the following conditions at the same time, the revenue of the commodities sold shall be confirmed according to the amount of the contract or agreement price received or received from the purchaser: (1) the main risks and rewards in the ownership of the commodities have been transferred to the purchaser; (2) neither the right of continuing management which is usually associated with the ownership nor the effective control of the commodities sold have been retained; (3) the income of the commodities sold has been effectively controlled; The amount of money can be measured reliably; (4) the related economic benefits are likely to flow into the enterprise; (5) the related costs that have occurred or will occur can be measured reliably.



If the collection of contract or agreement price is delayed and essentially of financing nature, the amount of sales revenue shall be determined according to the fair value of the contract or agreement price receivable.

The specific principles of the company's merchandise sales revenue recognition are as follows: after the company sends out the goods and the buyer signs and receives them correctly, the amount of revenue has been determined, the amount of money received or expected to be recoverable, and the cost can be measured reliably.

2. Providing labor services

If the results of labor transaction can be reliably estimated on the balance sheet date, the percentage of completion method is used to confirm the income of labor transaction. The company determines the completion schedule of the labor transaction according to the proportion of the cost already incurred to the estimated total cost.

If the results of labor transaction can not be reliably estimated on the balance sheet day, the following situations shall be dealt with separately: if the labor cost that has already occurred is expected to be compensated, the income from the service provided shall be confirmed according to the amount of the labor cost that has occurred, and the labor cost shall be carried over according to the same amount; and if the labor cost that has occurred is not expected to be compensated, the labor that has already occurred shall be compensated. Service cost is included in current profit and loss, and service income is not recognized.

3. Transferring the right to use assets

When the economic benefits related to the transfer of the right to the use of assets are likely to flow in and the amount of revenue can be reliably measured, the company confirms the income of the transfer of the right to the use of assets.

(18) Government subsidies

1. Types of government subsidies

Government subsidy refers to the monetary or non-monetary assets that the company acquires from the government free of charge (excluding the capital invested by the government as the owner). It is mainly divided into two types: government subsidy related to assets and government subsidy related to income.

2. Accounting Processing of Government Subsidies

Government subsidies related to assets are recognized as deferred earnings. The amount recognized as deferred income shall be divided into current profits and losses in stages according to a reasonable and systematic method during the service life of the relevant assets. Among them, those related to the company's daily activities are included in other earnings, and those unrelated to the company's daily activities are included in non-operating income.

Government subsidies measured in nominal amounts are directly recorded in current profits and losses.



Government subsidies related to revenue shall be dealt with in the following cases: those used to compensate for related expenses or losses in the subsequent period of an enterprise shall be recognized as deferred income and shall be included in current profits and losses during the period of recognition of relevant expenses. If it is used to compensate the related expenses or losses incurred by the enterprise, it shall be directly included in the profits and losses of the current period. When the profits and losses of the current period are included, the government subsidy related to the daily activities of the company shall be included in other income, and the government subsidy unrelated to the daily activities of the company shall be included in the non-operating income.

3. Specific criteria for distinguishing between asset-related government subsidies and income-related government subsidies

The government subsidy obtained by the company for the purchase and construction of long-term assets or other forms is recognized as the government subsidy related to assets, and the government subsidy other than the government subsidy related to assets is recognized as the government subsidy related to income.

If the government document does not specify the object of the subsidy, divide the government subsidy into assets-related or income-related judgment basis: 1. If the government document specifies the specific project for which the subsidy is directed, it divides the expenditure amount of the assets formed and the expenditure amount of the input expenses according to the relative proportion of the budget of the specific project, and the proportion of the division needs to be in each asset liability. Reviews are made on the day of the statement and changes are made when necessary. 2. Government subsidies related to revenue are provided for those whose purposes are expressed only in general terms in government documents and specific projects are not specified.

4. The confirmation time of government subsidies

Government subsidies measured according to the amount receivable are confirmed at the end of the period when there is conclusive evidence that they meet the relevant conditions stipulated in the financial support policy and are expected to receive financial support funds. Government subsidies other than those measured in accordance with the amount receivable shall be recognized when they are actually received.

5. Accounting Processing of Policy Preferential Loan Discount

(1) If the finance allocates the discount funds to the lending bank and the lending bank provides loans to the company at the policy preferential interest rate, the company shall use the actual amount of the loan received as the entry value of the loan and calculate the relevant borrowing costs according to the borrowing principal and the policy preferential interest rate.



(2) If the finance allocates the discount funds directly to the company, the company will deduct the relevant borrowing costs from the corresponding discount.

(19) Deferred income tax assets and deferred income tax liabilities

1.The deferred income tax assets or deferred income tax liabilities shall be calculated and confirmed according to the difference between the book value of assets and liabilities and their tax basis (if the items not recognized as assets and liabilities can be determined according to the provisions of the Tax Law, the tax basis shall be determined as the difference), and the deferred income tax assets or deferred income tax liabilities shall be calculated and confirmed according to the applicable tax rate during the expected recovery of the assets or the liquidation of the liabilities.

2.The recognition of deferred income tax assets is limited to the amount of taxable income that is likely to be obtained to offset temporary differences. On the balance sheet date, if there is conclusive evidence that sufficient taxable income is likely to be obtained in the future to offset temporary differences, deferred income tax assets not recognized in previous accounting periods shall be recognized. If it is likely that sufficient taxable income will not be available to offset deferred income tax assets in the future, the book value of deferred income tax assets will be written down.

3.For tax-payable temporary differences related to investments of subsidiaries and joint ventures, deferred income tax liabilities are recognized unless the company can control the time for the temporary differences to be reversed and the temporary differences are likely not to be reversed in the foreseeable future. The deferred income tax assets are recognized when the deductible temporary difference related to the investment of subsidiaries and joint ventures is likely to be reversed in the foreseeable future and the taxable income used to deduct the deductible temporary difference is likely to be obtained in the future.

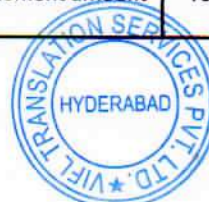
(20) Explanation of major accounting policy changes and changes in accounting estimates

1.Under the explanations of major accounting policy changes:

On June 15, 2018, the Ministry of Finance issued the Circular of the Ministry of Finance on Revising and Issuing the Format of General Enterprise Financial Statements for 2018 (No. 15 of Finance and Accounting). Enterprises implementing the Enterprise Accounting Standards should prepare the financial statements for 2018 and subsequent periods in accordance with the Accounting Standards for Enterprises and the requirements of the Circular.

The main impact of the company's implementation of Accounting No. 15 [2018] is as follows:

Contents and Causes of Accounting Policy Change	Name of affected report item	Amount of items in the statement affected in the current period	Last restatement amount	Items and amounts reported in the previous period
---	------------------------------	---	-------------------------	---



Contents and Causes of Accounting Policy Change	Name of affected report item	Amount of items in the statement affected in the current period	Last restatement amount	Items and amounts reported in the previous period
1.Consolidated presentation of notes receivable and accounts receivable	Notes Receivable and Accounts Receivable	63,807,717.07 yuan	60,201,269.39 yuan	Notes receivable: 4,126,303.74yuan Accounts receivable: 56,074,965.65 yuan
2.Management Cost Reporting Adjustment	Management cost	13,647,609.55 yuan	5,045,570.78 yuan	Management cost: 16,319,819.02 yuan
3.Separate presentation of R&D costs	R & D expenses	11,316,774.37 yuan	11,274,248.24 yuan	-

2. Explanation of changes in major accounting estimates

No major changes in accounting estimates have occurred in the current period.

IV. Taxes

(1) Main taxes and tax rates

Tax category	Tax basis	tax rate
Value added tax	Value-added tax is calculated at 17%/16% or 11%/10%, and the difference between the allowable deductible input tax and the allowable value-added tax is calculated and paid.	17%/16%, 11%/10%
Urban maintenance and construction tax	VAT payable	7%
Educational Surcharge	VAT payable	3%
Local Education Fee Surcharge	VAT payable	2%
Corporate income tax	Taxable income	15%

(2) Important Tax Preferences and Approval Documents

According to the "Reply Letter on the First Batch of High-tech Enterprises in Hubei Province for the Record in 2016" (No. 2016]184), issued jointly by Hubei Science and Technology Department, Hubei Finance Department, Hubei State Taxation Bureau and Hubei Local Taxation Bureau, the company is recognized as a high-tech enterprise with a certificate number of GR201642000884, valid for three years. The company pays enterprise income tax at a 15% tax rate in 2018.

Notes on Important Items in Financial Statements

(1) Monetary funds

Category	Ending balance	Initial balance
Cash	724.74	27,988.69
Bank deposit	107,981,665.86	29,030,360.52
Other Currency Funds	4,970,000.00	2,010,000.00



Category	Ending balance	Initial balance
Total	112,952,390.60	31,068,349.21

Note: Other currency funds are international letter of credit deposit.

(2) Bills receivable and accounts receivable

Category	Ending balance	Initial balance
Notes receivable	21,223,201.83	4,126,303.74
Accounts receivable	43,947,634.17	57,810,065.61
Deduction: provision for bad debts	1,363,118.93	1,735,099.96
Total	63,807,717.07	60,201,269.39

1. Notes receivable

Category	Ending balance	Initial balance
Bank Acceptance Bill	21,223,201.83	4,126,303.74
Total	21,223,201.83	4,126,303.74

2. Accounts receivable

Category	Final number			
	Book balance		Bad debt preparation	
	Amount of money	Proportion (%)	Amount of money	Proportion (%)
Accounts receivable with significant individual amount and provision for bad debts				
Accounts receivable prepared for bad debts on a portfolio basis	43,947,634.17	100.00	1,363,118.93	3.10
Accounts receivable with provision for bad debts, though not significant in individual amounts				
Total	43,947,634.17	100.00	1,363,118.93	3.10

Category	Initial period			
	Book balance		Bad debt preparation	
	Amount of money	Proportion (%)	Amount of money	Proportion (%)
Accounts receivable with significant individual amount and provision for bad debts				
Accounts receivable prepared for bad debts on a portfolio basis	57,810,065.61	100.00	1,735,099.96	3.00
Accounts receivable with provision for bad debts, though not significant in individual amounts				
Total	57,810,065.61	100.00	1,735,099.96	3.00

(1) Accounts receivable prepared for bad debts on a portfolio basis

Accounts Receivable for Bad Debt Provision by Age Analysis Method

Age of account	Final number	Initial period
----------------	--------------	----------------



	Book balance	Proportion (%)	Bad debt preparation	Book balance	Proportion (%)	Bad debt preparation
Within 1 year	43,309,206.95	3.00	1,299,276.21	57,798,665.74	3.00	1,733,959.97
1 to 2 year	638,427.22	10.00	63,842.72	11,399.87	10.00	1,139.99
Total	43,947,634.17		1,363,118.93	57,810,065.61		1,735,099.96

(2) The status of accounts receivable in the top five of the end-of-period balances collected by the debtor

Unit name	Ending balance	Percentage of total accounts receivable (%)	Bad debt reserve balance
GRANULESINDIALIMITED	22,928,365.74	52.17	687,850.97
MERCKLEGMBH	4,692,324.00	10.68	140,769.72
ZENTIVA, A.S	2,342,824.16	5.33	70,284.72
SANOFI-AVENTIS	1,854,922.08	4.22	55,647.66
TECOLANDCORPORATION	1,547,745.02	3.52	46,432.35
Total	33,366,181.00	75.92	1,000,985.42

(3) Advances

1. Advances are shown by age

Age of account	Ending balance		Initial balance	
	Amount of money	Proportion (%)	Amount of money	Proportion (%)
Within one year	3,064,460.53	76.83	2,933,203.45	81.50
1 to 2 years	923,407.00	23.15	665,235.09	18.49
More than 3 year	500.00	0.01	500.00	0.01
Total	3,988,367.53	100.00	3,598,938.54	100.00

2. Top Five Places of Advance Amount

Unit name	Ending balance	Percentage of total advances (%)
Guangshui Water Conservancy Construction and Installation Co., Ltd.	1,703,303.03	42.71
Jingmen Langdi Water Purification Material Co., Ltd.	920,000.00	23.07
Jingmen Jiafa Antiseptic and Thermal Insulation Engineering Co., Ltd.	638,355.81	16.01
General Salt Chemical Plant of Jiangnan Oilfield Branch of Sinopec	305,758.27	7.67
Hubei Keshengpeng Purification Engineering Co., Ltd.	200,000.00	5.01
Total	3,767,417.11	94.46

(4) Other receivables

Category	Ending balance	Initial balance
Other receivables	11,739,574.11	7,679,893.34
Reduction: provision for bad debts	77,152.06	77,489.39



Category	Ending balance	Initial balance
Total	11,662,422.05	7,602,403.95

1. Other receivables

Category	Final number			
	Book balance		Bad debt preparation	
	Amount of money	Proportion (%)	Amount of money	Estimated proportion (%)
Other receivables with significant individual amounts and provision for bad debts				
Other accounts receivable prepared for bad debts on a portfolio basis	685,597.60	5.84	77,152.06	11.25
Other accounts receivable with provision for bad debts, though not significant, in a single amount	11,053,976.51	94.16		
Total	11,739,574.11	100.00	77,152.06	0.66

Category	Initial period			
	Book balance		Bad debt preparation	
	Amount of money	Proportion (%)	Amount of money	Proportion (%)
Other receivables with significant individual amounts and provision for bad debts				
Other accounts receivable prepared for bad debts on a portfolio basis	1,416,389.50	18.44	77,489.39	5.47
Other accounts receivable with provision for bad debts, though not significant, in a single amount	6,263,503.84	81.56		
Total	7,679,893.34	100.00	77,489.39	1.01

(1) Other accounts receivable prepared for bad debts on a portfolio basis

Using Age Analysis Method to Calculate Other Accounts Receivable for Bad Debt Reserve

Age of account	Final number			Initial period		
	Book balance	Proportion (%)	Bad debt preparation	Book balance	Proportion (%)	Bad debt preparation
Within 1 year	520,631.01	3.00	15,618.93	1,230,833.91	3.00	36,925.02
1-2 years	60,200.00	10.00	6,020.00	71,105.00	10.00	7,110.50
2-3 years	5,443.50	20.00	1,088.70	78,813.09	20.00	15,762.62
3-4 years	63,685.59	30.00	19,105.68	637.5	30.00	191.25
4-5 years	637.50	50.00	318.75	35,000.00	50.00	17,500.00
More than 5 year	35,000.00	100.00	35,000.00			
Total	685,597.60		77,152.06	1,416,389.50		77,489.39

(2) Classification of other receivables by their nature

Nature of money	Ending balance	Initial balance
Current account	11,053,976.51	6,263,503.84
Reserve fund	352,607.92	1,093,447.23



Nature of money	Ending balance	Initial balance
Margin and deposit	332,989.68	322,942.27
Total	11,739,574.11	7,679,893.34

(3) Other receivables in the top five of the end-of-period balances collected by the debtor

Name of debtor	Nature of money	Ending balance	Age of account	Proportion (%) of the total end-of-period balances of other receivables	Bad debt reserve balance
Hubei Biocause Pharmaceutical Co., Ltd.	Current account	9,139,604.11	Within 1 year	77.85	
Jingmen Tianmao Chemical Co., Ltd.	Current account	1,246,895.28	Within 1 year	10.62	
Wuhan Encyclopedia Pharmaceutical Development Co., Ltd.	Current account	667,477.12	1-2year	5.69	
Ma Liu Yuan	Reserve fund	81,961.00	Within 1 year	0.70	2,458.83
Shanghai Bohua International Exhibition Co., Ltd.	Margin and deposit	63,250.00	Within 1 year	0.54	1,897.50
Total		11,199,187.51		95.40	4,356.33

(5) Inventory

Inventory type	Final number			Initial period		
	Book balance	Depreciation reserve	book value	Book balance	Depreciation reserve	book value
Raw material	29,685,112.36		29,685,112.36	35,575,098.88		35,575,098.88
Merchandise in stock	33,863,239.04		33,863,239.04	12,771,760.56		12,771,760.56
Total	63,548,351.40		63,548,351.40	48,346,859.44		48,346,859.44

(6) Other current assets

project	Ending balance	Initial balance
Prepaid tax	2,268,358.27	4,354,318.15
Total	2,268,358.27	4,354,318.15

(7) Fixed assets

Category	Ending balance	Initial balance
Fixed assets	37,193,293.34	24,685,351.84
Total	37,193,293.34	24,685,351.84

1.Fixed assets

project	Houses and Buildings	Machinery equipment	Total
I. Primary Book Value			
1.Initial balance	16,791,055.86	47,807,842.63	64,598,898.49



project	Houses and Buildings	Machinery equipment	Total
2.Increased Amount in the Current Period	10,035,018.82	6,530,181.84	16,565,200.66
(1) Purchase	10,035,018.82	6,530,181.84	16,565,200.66
3.Reduction in current period	64,000.00	5,115,241.20	5,179,241.20
(1) Disposal or scrapping	64,000.00	5,115,241.20	5,179,241.20
4.Ending balance	26,762,074.68	49,222,783.27	75,984,857.95
II. Accumulated Depreciation			
1.Initial balance	7,489,000.83	32,424,545.82	39,913,546.65
2.Increased Amount in the Current Period	764,229.27	2,731,822.39	3,496,051.66
(1) Deduction	764,229.27	2,731,822.39	3,496,051.66
3.Reduction in current period	38,860.80	4,579,172.90	4,618,033.70
(1) Disposal or scrapping	38,860.80	4,579,172.90	4,618,033.70
4.Ending balance	8,214,369.30	30,577,195.31	38,791,564.61
III. Preparedness for impairment			
1.Initial balance			
2.Increased Amount in the Current Period			
3.Reduction in current period			
4.Ending balance			
IV. Book Value			
1.End-of-term book value	18,547,705.38	18,645,587.96	37,193,293.34
2.Opening book value	9,302,055.03	15,383,296.81	24,685,351.84

(8) Construction in progress

Category	Ending balance	Initial balance
Construction projects under construction	7,159,414.28	7,877,393.45
Total	7,159,414.28	7,877,393.45

1.Construction projects under construction

project	Ending balance			Initial balance		
	Book balance	Allowance for impairment	book value	Book balance	Allowance for impairment	book value
Environmental protection transformation	2,853,959.73		2,853,959.73	7,877,393.45		7,877,393.45
Buildings No. 6 and Building No.10 Exhaust Gas Treatment Project	4,305,454.55		4,305,454.55			
Total	7,159,414.28		7,159,414.28	7,877,393.45		7,877,393.45

(9) Deferred income tax assets and deferred income tax liabilities

Net presentation of deferred income tax assets and deferred income tax liabilities without offsetting



Item	Ending balance		Initial balance	
	Deferred income tax assets/liabilities	Deductible/Taxable Temporary Difference	Deferred income tax assets/liabilities	Deductible/Taxable Temporary Difference
Deferred income tax assets:				
Asset impairment provision	216,040.65	1,440,270.99	271,888.40	1,812,589.35
Subtotal	216,040.65	1,440,270.99	271,888.40	1,812,589.35
Deferred income tax liabilities:				
Differences between Fixed Assets Tax and Accounting Tax	950,590.97	6,337,273.12		
Subtotal	950,590.97	6,337,273.12		

(10) Other non-current assets

Project	Ending balance	Initial balance
Input tax deductible for purchase of long-term assets	200,997.49	293,223.79
Total	200,997.49	293,223.79

(11) Notes payable and accounts payable

Project	Ending balance	Initial balance
Accounts payable	30,736,270.64	21,055,217.85
Total	30,736,270.64	21,055,217.85

Accounts payable are classified by age

Project	Ending balance	Initial balance
Within one year (including one year)	29,030,626.12	20,432,078.19
More than 1 year	1,705,644.52	623,139.66
Total	30,736,270.64	21,055,217.85

(12) Advances

project	Ending balance	Initial balance
Within one year (including one year)	19,649,517.06	8,423,359.13
More than 1 year	3,308,062.11	98,124.23
Total	22,957,579.17	8,521,483.36

(13) Payable remuneration

1. Classified presentation of salaries payable to employees

Project	Initial balance	Current increase	Reduction in the current period	Ending balance
Short-term salary	2,151,711.61	24,995,324.81	24,200,421.33	2,946,615.09



Project	Initial balance	Current increase	Reduction in the current period	Ending balance
After-service Benefits - Setting up Deposit Plan		3,023,445.03	3,023,445.03	
Total	2,151,711.61	28,018,769.84	27,223,866.36	2,946,615.09

2.Short-term employee remuneration

Project	Initial balance	Current increase	Current period reduction	Ending balance
Wages, bonuses, allowances and subsidies	1,903,340.00	20,412,417.71	19,660,757.71	2,655,000.00
Employee Benefits		1,175,463.02	1,175,463.02	
Social insurance premium		1,453,811.48	1,453,811.48	
Among them: medical insurance premium		1,215,360.64	1,215,360.64	
Industrial injury insurance premium		143,678.56	143,678.56	
Maternity insurance premium		94,772.28	94,772.28	
Housing Provident Fund	108,792.00	1,512,386.00	1,621,178.00	
Trade Union Funds and Staff Education Funds	139,579.61	441,246.60	289,211.12	291,615.09
Total	2,151,711.61	24,995,324.81	24,200,421.33	2,946,615.09

3.Setting up withdrawal plan

project	Initial balance	Current increase	Current period reduction	Ending balance
Basic old-age insurance		2,874,316.75	2,874,316.75	
Unemployment insurance premium		149,128.28	149,128.28	
Total		3,023,445.03	3,023,445.03	

(14) Duty payable

Tax category	Ending balance	Initial balance
Urban maintenance and construction tax	233,727.89	579,585.57
Property tax	22,838.34	45,676.68
Corporate income tax	10,016,467.53	1,670,326.54
Individual income tax	218.40	31,923.82
Educational Surcharge	150,253.63	372,590.72
stamp duty	110,567.46	92,960.99
Total	10,534,073.25	2,793,064.32

(15) Other accounts payable

category	Ending balance	Initial balance
Other accounts payable	7,588,498.64	11,982,127.81
Total	7,588,498.64	11,982,127.81



Other payables are classified according to the nature of the payment.

Nature of money	Ending balance	Initial balance
Current account	60,276.57	28,421.92
Coping with individuals	1,194,941.21	2,114,642.24
Insurance and Freight	1,465,864.22	4,775,164.74
Other	4,867,416.64	5,063,898.91
Total	7,588,498.64	11,982,127.81

(16) deferred earnings

project	Initial balance	Current increase	Reduction in the current period	Ending balance	Causes of formation
Reform of Steam Pipeline Network	271,884.49		30,779.40	241,105.09	Asset-related government subsidies
Total	271,884.49		30,779.40	241,105.09	

(17) Received capital

Investor Name	Initial balance		Current increase	Current period reduction	Ending balance	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
Hubei Biocause Pharmaceutical Co., Ltd.	33,000,000.00	50.00			33,000,000.00	50.00
Granules India Ltd.	33,000,000.00	50.00			33,000,000.00	50.00
Total	66,000,000.00	100.00			66,000,000.00	100.00

(18) Capital reserve

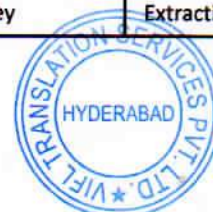
Category	Initial balance	Current increase	Reduction in the current period	Ending balance
Capital premium	45,604.99			45,604.99
Total	45,604.99			45,604.99

(19) Surplus Reserve

Category	Initial balance	Current increase	Reduction in the current period	Ending balance
Legal reserve	7,885,851.49	8,551,807.28		16,437,658.77
Total	7,885,851.49	8,551,807.28		16,437,658.77

(20) Undistributed profits

project	Ending balance	
	Amount of money	Extraction or allocation ratio



Undistributed profits before and after adjustment	67,593,050.24	
Total undistributed profits at the beginning of adjustment period (increase +, decrease-)		
Undistributed Profit at the Early Stage of Adjustment	67,593,050.24	
Plus: Net profit attributable to the owner of the parent company in the current period	85,518,072.78	
Subtraction: withdrawal of statutory surplus reserve	8,551,807.28	10%
Extraction of arbitrary surplus reserve		
Common Stock dividends payable		
Common dividends converted into equity		
Undistributed profits at the end of the term	144,559,315.74	

(21) Operating revenue and operating costs

project	Amount of occurrence in the current period		Previous occurrence	
	income	cost	income	cost
1.Main business	351,749,939.99	218,492,102.95	268,590,938.85	211,654,305.16
2.Other businesses	1,792,748.14	1,818,104.45	1,374,452.20	1,367,954.93
Total	353,542,688.13	220,310,207.40	269,965,391.05	213,022,260.09

(22) Taxes and surcharges

project	Amount of occurrence in the current period	Previous occurrence
Urban maintenance and construction tax	1,363,709.01	1,164,509.91
Educational Surcharge	584,446.72	499,078.37
Local Education Fee Surcharge	292,223.35	241,316.47
stamp duty	110,617.47	92,960.99
Property tax	91,353.36	91,353.36
Vehicle and Vessel Use Tax	2,340.96	2,207.40
Environmental Protection Tax	26,979.19	
Total	2,471,670.06	2,091,426.50

(23) R&D expenses

Project	Amount of occurrence in the current period	Previous occurrence
Employee remuneration	2,453,176.66	3,266,704.05
Depreciation charge	460,313.83	563,720.14
Maintenance cost	22,704.27	
Raw material	8,029,218.91	6,301,649.21
interlocutory costs of experiments	5,851.16	19,889.74
Amortization of intangible assets		875,332.96



Project	Amount of occurrence in the current period	Previous occurrence
Other	345,509.54	246,952.14
Total	11,316,774.37	11,274,248.24

(24) Financial expenses

Project	Amount of occurrence in the current period	Previous occurrence
Reduction: interest income	218,967.21	183,871.09
Reduction: exchange gain	1,931,515.82	-2,690,474.63
Service charge	314,811.07	300,417.88
Total	-1,835,671.96	2,807,021.42

(25) Asset impairment loss

Project	Amount of occurrence in the current period	Previous occurrence
Loss on bad debt	-372,318.36	843,546.25
Total	-372,318.36	843,546.25

(26) Other income

Project	Amount of occurrence in the current period	Previous occurrence	Grants related to asset/Grants related to income
Processing trade subsidies		1,360,000.00	Grants related to income
Duodou District Financial Bureau High and New Technology Incentives Fund		50,000.00	Grants related to income
Foreign trade bonus	152,800.00	20,000.00	Grants related to income
Stability subsidy	86,000.00	109,100.00	Grants related to income
Credit insurance subsidy		117,000.00	Grants related to income
Transformation of steam pup network	30,779.40	35,909.27	Grants related to asset
Total	269,579.40	1,692,009.27	

(27) Asset disposal income

Project	Amount of occurrence in the current period	Previous occurrence
Plant asset disposal loss	-442,736.98	
Total	-442,736.98	

(28) Non-business expenditure



Project	Amount of occurrence in the current period	Previous occurrence
Other	47.74	25,813.05
Total	47.74	25,813.05

(29) Income tax expense

Project	Amount of occurrence in the current period	Previous occurrence
Current income tax expenses calculated according to the tax law and relevant regulations	13,185,559.62	3,333,521.13
Deferred income tax expense	1,006,438.72	-126,531.94
Total	14,191,998.34	3,206,989.19

(30) Supplementary information to cash flow statement

1. Supplementary information to cash flow statement

Project	Amount of occurrence in the current period	Previous occurrence
1. Adjusted net profit to cash flow of operating activities		
Net profit	85,518,072.78	27,312,800.80
Add: Property depreciation preparation	-372,318.36	843,546.25
Fixed asset depreciation, depletion of oil and gas assets, depreciation of productive biological assets	3,496,051.66	3,716,362.96
Amortization of intangible assets		875,332.96
Amortization of long-term deferred expenses		
Disposal of fixed assets, loss of intangible assets and other long-term assets (Revenue is filled in with a "-" sign)	442,736.98	
Loss on retirement of fixed assets (Revenue is filled in with a "-" sign)		
Loss from fair value change (Revenue is filled in with a "-" sign)		
Financial expense (Revenue is filled in with a "-" sign)		
Investment losses (Revenue is filled in with a "-" sign)		
Deferred income tax assets decreased (Increase is filled in with a "-" sign)	55,847.75	-126,531.94
Deferred income tax liabilities increased (Decrease is filled in with a "-" sign)	950,590.97	
Decrease in inventories (Increase is filled in with a "-" sign)	-15,201,491.96	-25,569,133.46
Reduction of operational receivables (Increase is filled in with a "-" sign)	-8,055,894.77	-33,557,850.44
Increase of operational payables (Decrease is filled in with a "-" sign)	29,997,500.84	13,264,307.51
Others		
Net cash flow from operating activities	96,831,095.89	-13,241,165.36
2. Major investment and fundraising activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under financing lease		
3. Net change in cash and cash equivalents		



Project	Amount of occurrence in the current period	Previous occurrence
Ending cash balance	107,982,390.60	29,058,349.21
Reduction: Opening balance of cash	29,058,349.21	49,869,494.61
Add: Closing balance of cash equivalents		
Reduction: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	78,924,041.39	-20,811,145.40

2. Cash and cash equivalents

Project	Closing balance	Opening balance
1. Cash	107,982,390.60	29,058,349.21
Among: cash on hand	724.74	27,988.69
Bank deposit available for payment at any time	107,981,665.86	29,030,360.52
2. Cash equivalents		
3. Closing balance of ending cash and cash equivalents	107,982,390.60	29,058,349.21

(31) Assets in which ownership or use rights are restricted

Project	Final book value	Restriction reason
Monetary capital	4,970,000.00	Deposit of international letter of credit
Total	4,970,000.00	

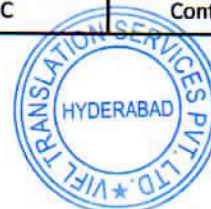
VI. Related party relationships and their transactions

(1) The parent company and ultimate controlling party of this company

Company name	Related party relationship	Registration location	Nature of business	Registration capital (in ten thousand dollars)	Shareholder ratio of the parent company to the company (%)	Proportion of voting rights of the parent company (%)
Hubei Biocause Heilien Pharmaceutical Co. Ltd.	Parent company	Jingmen, Hubei	Pharmaceutical	18,000.00	50.00	50.00
Hubei Biocause Pharmaceutical Co. Ltd.	Ultimate controlling party	Jingmen, Hubei	Insurance	494,062.9165	50.00	50.00

(2) Other related parties of the company

Company name	Unified social credit code	Relationship with the company
Wuhan Biocause Pharmaceutical Developmental Co. Ltd.	91420100737531762C	Controlled by the same party



Company name	Unified social credit code	Relationship with the company
Hubei Granules-Biocause (Ibuprofen) Co. Ltd.	91420800MA489MY661	Controlled by the same party

(3) Transactions of related parties

Name of related parties	Related transaction type	Related transaction content	Related party pricing method and decision-making process	Current amount		Previous amount	
				Amount	Proportion of similar transaction amount (%)	Amount	Proportion of similar transaction amount (%)
Good purchasing, service receiving:							
Hubei Biocause Heilen Pharmaceutical Co. Ltd.	Purchase goods	Rent, materials	Market price	3,150,215.42	1.43	3,101,131.16	1.46
Hubei Biocause Co. Ltd.	Purchase goods	Water, electricity, gas	Market price	12,672,575.98	5.75	14,491,759.59	6.80
Good selling, service providing:							
Hubei Biocause Heilen Pharmaceutical Co. Ltd.	Selling goods	Ibuprofen	Market Price	11,452,722.21	3.24	17,360,422.07	6.43

(4) Related party receivables and payables

1. Receivables

Project	Related party	Closing balance		Opening balance	
		Book balance	Bad debt preparation	Book balance	Bad debt preparation
Other receivables	Hubei Biocause Heilen Pharmaceutical Co. Ltd.	9,139,604.11		2,972,417.40	
Other receivables	Hubei Biocause (Ibuprofen) Co. Ltd.	1,246,895.28		2,623,609.32	
Other receivables	Wuhan Biocause Pharmaceutical Developmental Co. Ltd.	667,477.12		667,477.12	
Total		11,053,976.51		6,263,503.84	

2. Payables

Project	Related party	Closing balance	Opening balance
Other payables	Hubei Biocause Pharmaceutical Co. Ltd.	60,276.57	28,421.92

VII Commitments and contingencies

As of 31 December 2018, the company has no major commitments and contingencies to disclose.

VIII Events after the balancing sheet date

As of the reporting date, the company has no major issues to disclose after the balancing sheet date.



IX Other important issue

As of 31 December 2018, the company has no other important issues that need to be disclosed.

Hubei Granules Biocause Pharmaceutical Co., Ltd.

3 April 2019

(Stamp: Hubei Granules-Biocause Pharmaceutical Company Ltd.)



The notes to the financial statements on page 1 to 25 are signed by the following responsible persons:

Legal Representative	Accountant in Charge	Head of Accounting Department
Signature: _____	Signature: _____	Signature: _____
Date: _____	Date: _____	Date: _____



Business License

(Photocopy)(6-6)

Unified social credit code 91110108590611484C

Business Name: Wuyige Certified Public Accountants LLP.(Special General Partnership)
Business Type: Special General Partnership
Main Business Site: Room 1504, College International Building, No. 1 Zhi Chun Road, Haidian District, Beijing
Executive Partners: Weixing Wu, Yonghua Hu
Date of Establishment: 6 March 2012
Partnering Period: 6 March 2012 to 5 March 2112
Business Scope: Review accounting report of the enterprise, issue audit report; check capital of the enterprise, issue capital verification report; manage the auditing process of merging of enterprises, division, liquidation, issue the related reports; audit of annual financial accounts of capital construction; accounting agency; accounting consultation, tax consultation, management consultation, accounting training; other business that is regulated by the legislation. (Enterprises choose their own business projects according to the law and carry out their business activities; the project needs to be approved by the law. After the approval from the related department, carry out the business activities according to the approval content; do not engage in activities that are prohibited and restricted by the industrial policy.)

(QR code)

(Stamp: Haidian Division of Beijing Business Administration)

Scan online and retrieve the details

1 February 2019

Reminder: In every year 1 January to 30 June, previous year annual report will be submitted and published through the enterprise registration system to disclose information.



Accounting Firm

Business Certificate

Business name: Wuyige Certified Public Accountants LLP.(Special General Partnership)

Chief Partner: Yonghua Hu

Senior Accountant:

Business Venue: Room 1504, College International Building, No. 1 Zhi Chun Road, Haidian District, Beijing

Organizational Form: Special General Partnership

Business Certificate Number: 11010141

License Number: Beijing and Accounting license [2011] 0073

License Date: 9 September 2011

Details

1. The holder of this Accounting Firm Business Certificate is approved by Finance Department with the legislation. This certifies the firm to carry out the statutory business for accountants.
2. This Accounting Firm Business Certificate records the changed events. It should go to the Finance Department and apply for renewal.
3. This Accounting Firm Business Certificate cannot be forged, obliterate, leased, on loan or transferred.
4. This Accounting Firm Business Certificate should be returned to the Finance Department when there is the termination of the accounting firm or the cancellation of business permit.

License Issuing Authority: Beijing Ministry of Finance

8 April 2018

(Stamp: Beijing Ministry of Finance)

People's Republic of China Ministry of Finance



Accounting Firm
Bonds, Futures Related Business Permit

Through the checking with Finance Department, China Securities Regulatory Commission, it authorizes
Wuyige Certified Public Accountants LLP. (Special General Partnership) to execute the related business of bonds and futures.
Chief Partner: Yonghua Hu

Certificate number: 08 Issue Date: 18 January 2018
Certificate expiry date: 18 January 2020

(Left stamp: People's Republic of China Ministry of Finance)

(Right stamp: China Securities Regulatory Commission)



(Photo)

Full Name: Zhichao Wu

Sex: Male

Date of Birth: 9 December 1970

Working unit: Hubei illegible Certified

Accountant Firm

Identify card no: 420106701209447

(Stamp: illegible)

Registration of the Change of

Working Unit by a CPA

Agree the holder to be transferred from Hubei

illegible CPAs

Stamp of the transfer-out Institute of CPAs

18 July 2001

Agree the holder to be transferred to

Wuyige Certified Public Accountants LLP CPAs

Stamp of the transfer-in Institute of CPAs

18 July 2001

No. of Certificate: 420000694306

Authorized Institute of CPAs: Hubei Institute of

Certified Public Accountant

Date of Issuance: 10 October 1999

Annual Renewal Registration

Zhichao Wu (420000694306)

Passed in 2018

(Stamp: Hubei Institute of Certified Public

Accountants Job Qualification Special Seal)

(QR code)



(Logo: The Chinese Institute of Certified Public
Accountants)

(Photo)

Sex: Female

Date of Birth: 11 August 1987

Working unit: Wuyige Certified Public Accountants

LLP.(Special General Partnership)

Identify card no: 422202198708116608

No. of Certificate: 110101410199

Authorized Institute of CPAs: Hubei Institute of
Certified Public Accountant

Date of Issuance: 23 June 2015

Annual Renewal Registration

Mei Liao (110101410199)

Passed in 2018

(Stamp: Hubei Institute of Certified Public
Accountants Job Qualification Special Seal)

(QR code)

