

Auditor's Report

Anhui HiTeC Plastics Co., Ltd.

Rong Cheng Shen Zi [2021]No.201F0327

RSM China CPA LLP

China, Shanghai

English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

AUDITORS' REPORT

Rong Cheng Shen Zi [2021] No. 201F0327

To the Board of Anhui HiTeC Plastics Co., Ltd.,

1. Opinion

We have audited the financial statements of Anhui HiTeC Plastics Co., Ltd. (the Company), which comprise the statement of financial position as at 31 December, 2020, and the income and profit appropriation statement, and cash flow statement for the period from 1 January 2020 to 31 December 2020, and notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020 and of its financial performance and its cash flows for the period from 1 January 2020 to 31 December 2020 in accordance with the Accounting System for Business Enterprises.

2. Basis for opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with China Code of Ethics for Certified Public Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Accounting System for Business Enterprises, and designing, implementing and maintaining internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

4. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- 5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM China CPA LLP

China, Shanghai

Balance Sheet

2020/12/31

Company: Anhui HiTeC Plastics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	Closing balance	Opening balance	Item	Note	Closing balance	Opening balance
Current assets:				Current liabilities:			
Cash at bank and on hand	6.1	26,798,653.38	11,668,121.62	Short-term loans			
Short-term investments				Notes payable			
Notes receivable				Accounts payable			
Dividends receivable				Advances from customers			
Interest receivable				Accrued payroll			
Accounts receivable				Staff welfare payable			
Other receivables	6.2	4,600.00	599.00	Dividends payable			
Advances to suppliers	6.3	7,302,608.61		Interest payable			
Subsidies Receivable				Taxes payable	6.8	163.95	40.80
Inventories				Other amount payables			
Prepaid expenses				Other payables		1.03	
Long-term debt investment due within one year				Accrued expenses			
Other current assets	6.4	2,388,641.81		Provisions			
				Deferred income			
Sub-total of current assets		36,494,503.80	11,668,720.62	Long-term liabilities due within one year			
Long-term investments:				Other current liabilities			
Long-term equity investments				Sub-total of current liabilities		164.98	40.80
Long-term debt investments				Long-term liabilities:			
Sub-total of long-term investments				Long-term borrowings			
Fixed assets:				Bonds payable			
Fixed assets-cost				Long-term payables			
Less: Accumulated depreciation				Special payables			
Fixed assets-net book value		-	-	Other long-term liabilities			
Less: Provision for impairment of fixed assets				Sub-total of long-term liabilities			
Fixed assets-net		-	-	Deferred taxes:			
Construction materials				Deferred tax liabilities			
Construction in progress	6.5	30,942,740.46	7,772,908.76	TOTAL LIABILITIES		164.98	40.80
Fixed assets held for disposal				Owners' equity			
Sub-total of fixed assets		30,942,740.46	7,772,908.76	Paid-in capital	6.9	74,500,000.00	20,000,000.00
Intangible and other assets:				Less: Investments returned			
Intangible assets	6.6	5,038,416.70		Paid-in capital-net		74,500,000.00	20,000,000.00
Long-term deferred expenses	6.7	2,024,504.02	558,411.42	Capital reserve			
Other long-term assets				Surplus reserve			
Sub-total of intangible and other assets		7,062,920.72	558,411.42	Undistributed profit			
Deferred taxes:				Currency exchange differences			
Deferred tax assets				TOTAL OWNERS' EQUITY		74,500,000.00	20,000,000.00
TOTAL ASSETS		74,500,164.98	20,000,040.80	TOTAL LIABILITIES AND OWNERS' EQUITY		74,500,164.98	20,000,040.80

Legal representative: Li Shuwang

Chief Financial Officer: Peng Zhaohui

Chief Accountant: Peng Zhaohui

Income Statement

2020

Company: Anhui HiTeC Plastics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	Current year	Prior year
1. Revenue from principal operations			
Less: Cost of principal operations			
Taxes and surcharge			
2. Profit / (loss) from principal operations			
Add: Profit from other operations			
Less: Operating expenses			
General and administrative expenses			
Financial expenses			
3. Operating profit/(loss)			
Add: Investment income/(loss)			
Subsidy income			
Non-operating revenue			
Less: Non-operating expenses			
4. Profit/(loss) before income tax			
Less: Income tax			
5. Net profit/(loss)			

Supplementary information:

Item	Note	Current year	Prior year
1. Gain on sale and disposal of a business segment or an investee enterprise			
2. Losses arising from natural disasters			
3. Increase/(decrease) in total profit due to [a] change(s) in accounting policy			
4. Increase/(decrease) in total profit due to a change in accounting estimate			
5. Losses arising from debt restructuring			
6. Others			

Legal representative: Li Shuwang

Chief Financial Officer: Peng Zhaohui

Chief Accountant: Peng Zhaohui

Profit Distribution Statement

2020

Company: Anhui HiTeC Plastics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	Current year	Prior year
1. Net profit/(loss)			
Add: Undistributed profit at the beginning of the year			
Other transfer-in			
Currency translation difference			
2. Profit to be distributed		-	-
Less: Appropriation of legal surplus reserve			
Appropriation of legal public welfare fund			
Appropriation of employee welfare and bonus fund			
Appropriation of reserve fund			
Appropriation of enterprise expansion fund			
Profit capitalised on return of investment			
3. Profit to be distributed to investors		-	-
Less: Preferred Stock dividends payable			
Appropriation of discretionary surplus reserve			
Appropriation of ordinary shares dividend			
Transfer to the common stock dividend of the capital			
Chinese dividends payable			
Foreign dividends payable			
4. Undistributed profit			

Legal representative: Li Shuwang Chief Financial Officer: Peng Zhaohui Chief Accountant: Peng Zhaohui

Cash Flow Statement

2020

Company: Anhui HiTeC Plastics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	Current year	Prior year
1. Cash flows from operating activities			
Cash received from the sale of goods or rendering of services			
Refunds of taxes			
Other cash received relating to operating activities			
Sub-total of cash inflows			
Cash paid for goods and services			
Cash paid to and on behalf of employees			49,408.00
Cash paid for all types of taxes			
Other cash paid relating to operating activities		9,695,127.24	509,561.62
Sub-total of cash outflows		9,695,127.24	558,969.62
Net cash flows from operating activities		-9,695,127.24	-558,969.62
2. Cash flows from investing activities			
Cash received from disposal of investments			
Cash received from return on investments			
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets			
Other cash received relating to investing activities			
Sub-total of cash inflows			
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		29,674,341.00	7,772,908.76
Cash paid for acquisition of investments			
Other cash paid relating to investing activities			
Sub-total of cash outflows		29,674,341.00	7,772,908.76
Net cash flows from investing activities		-29,674,341.00	-7,772,908.76
3. Cash flows from financing activities			
Cash received from investors		54,500,000.00	20,000,000.00
Cash received from borrowings			
Other cash received relating to financing activities			
Sub-total of cash inflows		54,500,000.00	20,000,000.00
Cash repayments of borrowings			
Cash paid for dividends, profits distribution or interest expenses			
Other cash paid relating to financing activities			
Sub-total of cash outflows			
Net cash flows from financing activities		54,500,000.00	20,000,000.00
4. Effect of foreign exchange rate changes on cash			
5. Net increase in cash and cash equivalents		15,130,531.76	11,668,121.62

Legal representative: Li Shuwang Chief Financial Officer: Peng Zhaohui Chief Accountant: Peng Zhaohui

Cash Flow Statement (Continued)

2020

Company: Anhui HiTeC Plastics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	Current year	Prior year
1. Reconciliation of net profit / (loss) to cash flows from operating activities			
Net profit / (loss)			
Add: Provision for impairment of assets			
Depreciation of fixed assets			
Amortisation of intangible assets			
Amortisation of long-term deferred expenses			
Decrease / (increase) in prepaid expenses			
Increase / (decrease) in accrued expenses			
Losses / (gains) on disposal of fixed assets, intangible assets and other long-term assets			
Losses on disposals of fixed assets			
Financial expenses			
Losses / (gains) arising from investments			
Deferred tax credit / (debit)			
Decrease / (increase) in gross inventories			
Decrease / (increase) in gross operating receivables		-9,695,251.42	-559,010.42
Increase / (decrease) in operating payables		124.18	40.80
Others			
Net cash flows from operating activities		-9,695,127.24	-558,969.62
2. Investing and financing activities not involving cash flows			
Conversion of debt into capital			
Convertible corporate bonds maturing within one year			
Acquisition of fixed assets under finance leases			
3. Net increase in cash and cash equivalents			
Cash at the end of the year		26,798,653.38	11,668,121.62
Less: Cash at the beginning of the year		11,668,121.62	
Add: Cash equivalents at the end of the year			
Less: Cash equivalents at the beginning of the year			
Net increase / (decrease) in cash and cash equivalents		15,130,531.76	11,668,121.62

Legal representative: Li Shuwang

Chief Financial Officer: Peng Zhaohui

Chief Accountant: Peng Zhaohui

Statement of changes in owners' equity

2020

Company: Anhui HiTeC Plastics Co., Ltd.

RMB

Item	Current year							Total owners' equity
	Paid-in capital	Capital surplus	Capital reserve	Other comprehensive	Special reserves	Surplus reserve	Undistributed profits	
1. Balance at 31 December 2019	20,000,000.00							20,000,000.00
Add: Changes in accounting policies								
Corrections of prior period errors								
Others								
2. Balance at 1 January 2020	20,000,000.00						-	20,000,000.00
3. Movements for the current period	54,500,000.00							54,500,000.00
(1) Total comprehensive income								
(2) Capital contribution and withdrawal by owners	54,500,000.00							54,500,000.00
1. Capital contribution by owners	54,500,000.00							54,500,000.00
2. Capital contribution by other equity instruments holders								
3. Amount recorded in owners' equity arising from share-based payment arrangements								
4. Others								
(3) Profit distribution								
1. Appropriation for surplus reserves								
2. Profit distribution to equity owners								
3. Others								
(4) Transfer within owners' equity								
1. Transfer from capital surplus to paid-in capital								
2. Transfer from surplus reserves to paid-in capital								
3. Surplus reserves used to offset accumulated losses								
4. Changes arising from defined benefit plan transferred to retained earnings								
5. Others								
(5) Special reserves								
1. Appropriation during the year								
2. Utilisation during the year								
(6) Others								
4. Balance at 31 December 2020	74,500,000.00							74,500,000.00

Legal representative: Li Shuwang

Chief Financial Officer: Peng Zhaohui

Chief Accountant: Peng Zhaohui

Statement of changes in owners' equity

2019

Company: Anhui HiTeC Plastics Co., Ltd.

RMB

Item	Current year							Total owners' equity
	Paid-in capital	Capital surplus	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	
1. Balance at 31 December 2018								
Add: Changes in accounting policies								
Corrections of prior period errors								
Others								
2. Balance at 1 January 2019								-
3. Movements for the current period	20,000,000.00							- 20,000,000.00
(1) Total comprehensive income								
(2) Capital contribution and withdrawal by owners	20,000,000.00							20,000,000.00
1. Capital contribution by owners	20,000,000.00							20,000,000.00
2. Capital contribution by other equity instruments holders								
3. Amount recorded in owners' equity arising from share-based payment arrangements								
4. Others								
(3) Profit distribution								
1. Appropriation for surplus reserves								-
2. Profit distribution to equity owners								
3. Others								
(4) Transfer within owners' equity								
1. Transfer from capital surplus to paid-in capital								
2. Transfer from surplus reserves to paid-in capital								
3. Surplus reserves used to offset accumulated losses								
4. Changes arising from defined benefit plan transferred to retained earnings								
5. Others								
(5) Special reserves								
1. Appropriation during the year								
2. Utilisation during the year								
(6) Others								
4. Balance at 31 December 2019	20,000,000.00							20,000,000.00

Legal representative: Li Shuwang

Chief Financial Officer: Peng Zhaohui

Chief Accountant: Peng Zhaohui