

# **Auditor's Report**

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**Shanghai HiTeC Plastics Co., Ltd.**

**Rong Cheng Shen Zi [2021]No.201Z0105**

**RSM China CPA LLP**

**China, Beijing**

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. 201Z0105

**To the Board of Shanghai HiTeC Plastics Co., Ltd.,**

### **1. Opinion**

We have audited the financial statements of Shanghai HiTeC Plastics Co., Ltd. (the Company), which comprise the statement of financial position as at 31 December, 2020, and the profit and profit distribution statement, cash flow statement for the year then ended, statement of changes in owners' equity 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 year then ended 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, Beijing

## Balance Sheet

2020/12/31

Company: Shanghai HiTeC Plastics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	Closing balance	Opening balance	Item	Note	Closing balance	Opening balance
<b>Current assets:</b>				<b>Current liabilities:</b>			
Cash at bank and on hand	6.1	154,541,509.95	215,462,177.30	Short-term loans			
Short-term investments				Notes payable			
Notes receivable	6.2	12,280,000.00	9,200,000.00	Accounts payable	6.11	34,347,996.47	33,408,058.96
Dividends receivable				Advances from customers		2,866,455.07	4,983,635.70
Interest receivable			833,885.52	Accrued payroll		221,580.00	284,743.00
Accounts receivable	6.3	30,844,363.65	22,452,093.99	Staff welfare payable			
Other receivables	6.4	453,201.62	1,732,208.00	Dividends payable			
Advances to suppliers		11,621,191.30	7,665,785.95	Interest payable			
Subsidies Receivable				Taxes payable	6.12	12,104,058.38	13,692,908.85
Inventories	6.5	96,333,456.27	85,744,250.21	Other amount payables			
Prepaid expenses		1,651,910.44	1,737,626.22	Other payables		1,494,598.14	13,463,337.09
Long-term debt investment due within one year				Accrued expenses		2,073,678.75	702,300.46
Other current assets	6.6	3,678,567.04	4,664,081.36	Provisions			
				Deferred income			
<b>Sub-total of current assets</b>		<b>311,404,200.27</b>	<b>349,492,108.55</b>	Long-term liabilities due within one year			
<b>Long-term investments:</b>				Other current liabilities			
Long-term equity investments	6.7	74,500,000.00	20,000,000.00	<b>Sub-total of current liabilities</b>		<b>53,108,366.81</b>	<b>66,534,984.06</b>
Long-term debt investments				<b>Long-term liabilities:</b>			
<b>Sub-total of long-term investments</b>		<b>74,500,000.00</b>	<b>20,000,000.00</b>	Long-term borrowings			
<b>Fixed assets:</b>				Bonds payable			
Fixed assets-cost	6.8	147,835,057.06	144,371,299.21	Long-term payables			
Less: Accumulated depreciation	6.8	111,044,615.14	104,833,062.20	Special payables			
Fixed assets-net book value	6.8	36,790,441.92	39,538,237.01	Other long-term liabilities			
Less: Provision for impairment of fixed assets				<b>Sub-total of long-term liabilities</b>			
Fixed assets-net	6.8	36,790,441.92	39,538,237.01	<b>Deferred taxes:</b>			
Construction materials				Deferred tax liabilities			
Construction in progress	6.9	54,054,074.56	38,600,345.40	<b>TOTAL LIABILITIES</b>		<b>53,108,366.81</b>	<b>66,534,984.06</b>
Fixed assets held for disposal				<b>Owners' equity</b>			
<b>Sub-total of fixed assets</b>		<b>90,844,516.48</b>	<b>78,138,582.41</b>	Paid-in capital	6.13	73,472,572.94	73,472,572.94
<b>Intangible and other assets:</b>				Less: Investments returned			
Intangible assets	6.10	3,765,893.81	3,955,663.76	Paid-in capital-net		73,472,572.94	73,472,572.94
Long-term deferred expenses				Capital reserve			
Other long-term assets				Surplus reserve	6.14	40,534,884.00	40,534,884.00
<b>Sub-total of intangible and other assets</b>		<b>3,765,893.81</b>	<b>3,955,663.76</b>	Undistributed profit	6.15	313,398,786.81	271,043,913.72
<b>Deferred taxes:</b>				Currency exchange differences			
Deferred tax assets				<b>TOTAL OWNERS' EQUITY</b>		<b>427,406,243.75</b>	<b>385,051,370.66</b>
<b>TOTAL ASSETS</b>		<b>480,514,610.56</b>	<b>451,586,354.72</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>480,514,610.56</b>	<b>451,586,354.72</b>

Legal representative: Li Shuwang

Chief Financial Officer: Peng Zhaohui

Chief Accountant: Peng Zhaohui

# Income Statement

2020

Company: Shanghai HiTeC Plastics Co., Ltd.

Unit: Yuan    Currency: RMB

Item	Note	Current year	Prior year
<b>1. Revenue from principal operations</b>	6.16	<b>460,657,750.62</b>	<b>477,245,766.94</b>
Less: Cost of principal operations	6.16	320,787,309.52	344,891,454.11
Taxes and surcharge		314,146.56	361,204.86
<b>2. Profit / (loss) from principal operations</b>		<b>139,556,294.54</b>	<b>131,993,107.97</b>
Add: Profit from other operations	6.17	1,448,883.87	443,985.07
Less: Operating expenses		18,269,477.45	15,334,479.36
General and administrative expenses		12,333,665.13	14,311,320.36
Financial expenses	6.18	2,101,872.04	-3,051,194.40
<b>3. Operating profit/(loss)</b>		<b>108,300,163.79</b>	<b>105,842,487.72</b>
Add: Investment income/(loss)			
Subsidy income			
Non-operating revenue	6.19	249,053.88	352,397.03
Less: Non-operating expenses	6.19	135,600.00	29,472.46
<b>4. Profit/(loss) before income tax</b>		<b>108,413,617.67</b>	<b>106,165,412.29</b>
Less: Income tax	6.20	27,658,744.58	26,835,976.91
<b>5. Net profit/(loss)</b>		<b>80,754,873.09</b>	<b>79,329,435.38</b>

**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: Shanghai HiTeC Plastics Co., Ltd.

Unit: Yuan    Currency: RMB

Item	Note	Current year	Prior year
<b>1. Net profit/(loss)</b>		<b>80,754,873.09</b>	<b>79,329,435.38</b>
Add: Undistributed profit at the beginning of the year		271,043,913.72	223,714,478.34
Other transfer-in			
Currency translation difference			
<b>2. Profit to be distributed</b>		<b>351,798,786.81</b>	<b>303,043,913.72</b>
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			
<b>3. Profit to be distributed to investors</b>		<b>351,798,786.81</b>	<b>303,043,913.72</b>
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		9,600,000.00	8,000,000.00
Foreign dividends payable		28,800,000.00	24,000,000.00
<b>4. Undistributed profit</b>		<b>313,398,786.81</b>	<b>271,043,913.72</b>

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

# Cash Flow Statement

2020

Company: Shanghai HiTeC Plastics Co., Ltd.

Unit: Yuan    Currency: RMB

Item	Note	Current year	Prior year
<b>1. Cash flows from operating activities</b>			
Cash received from the sale of goods or rendering of services		496,920,823.97	516,076,165.66
Refunds of taxes			521,277.10
Other cash received relating to operating activities		2,784,707.27	1,079,247.64
<b>Sub-total of cash inflows</b>		<b>499,705,531.24</b>	<b>517,676,690.40</b>
Cash paid for goods and services		366,573,110.57	354,796,260.34
Cash paid to and on behalf of employees		21,846,185.05	19,415,185.94
Cash paid for all types of taxes		27,972,891.14	27,197,181.77
Other cash paid relating to operating activities		32,351,483.71	9,814,838.64
<b>Sub-total of cash outflows</b>		<b>448,743,670.47</b>	<b>411,223,466.69</b>
<b>Net cash flows from operating activities</b>		<b>50,961,860.77</b>	<b>106,453,223.71</b>
<b>2. Cash flows from investing activities</b>			
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			628,092.55
Other cash received relating to investing activities			
<b>Sub-total of cash inflows</b>			<b>628,092.55</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		18,917,487.01	12,704,231.01
Cash paid for acquisition of investments		54,500,000.00	20,000,000.00
Other cash paid relating to investing activities			
<b>Sub-total of cash outflows</b>		<b>73,417,487.01</b>	<b>32,704,231.01</b>
<b>Net cash flows from investing activities</b>		<b>-73,417,487.01</b>	<b>-32,076,138.46</b>
<b>3. Cash flows from financing activities</b>			
Cash received from investors			
Cash received from borrowings			
Other cash received relating to financing activities			
<b>Sub-total of cash inflows</b>			
Cash repayments of borrowings			
Cash paid for dividends, profits distribution or interest expenses		38,400,000.00	32,000,000.00
Other cash paid relating to financing activities			
<b>Sub-total of cash outflows</b>		<b>38,400,000.00</b>	<b>32,000,000.00</b>
<b>Net cash flows from financing activities</b>		<b>-38,400,000.00</b>	<b>-32,000,000.00</b>
<b>4. Effect of foreign exchange rate changes on cash</b>		<b>-65,041.11</b>	<b>183,764.85</b>
<b>5. Net increase in cash and cash equivalents</b>		<b>-60,920,667.35</b>	<b>42,560,850.10</b>

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

# Cash Flow Statement (Continued)

2020

Company: Shanghai HiTeC Plastics Co., Ltd.

Unit: Yuan    Currency: RMB

Item	Note	Current year	Prior year
<b>1. Reconciliation of net profit / (loss) to cash flows from operating activities</b>			
Net profit / (loss)		80,754,873.09	79,329,435.38
Add: Provision for impairment of assets			
Depreciation of fixed assets		6,211,552.94	7,485,514.58
Amortisation of intangible assets		189,769.95	211,076.22
Amortisation of long-term deferred expenses			
Decrease / (increase) in prepaid expenses		85,715.78	-767,506.40
Increase / (decrease) in accrued expenses		1,371,378.29	500,002.47
Losses / (gains) on disposal of fixed assets, intangible assets and other long-term assets			-307,812.40
Losses on disposals of fixed assets			
Financial expenses		65,041.11	-183,764.85
Losses / (gains) arising from investments			
Deferred tax credit / (debit)			
Decrease / (increase) in gross inventories		-10,589,206.06	7,201,628.57
Decrease / (increase) in gross operating receivables		-12,329,268.79	321,540.77
Increase / (decrease) in operating payables		-14,797,995.53	12,663,109.37
Others			
<b>Net cash flows from operating activities</b>		<b>50,961,860.77</b>	<b>106,453,223.71</b>
<b>2. Investing and financing activities not involving cash flows</b>			
Conversion of debt into capital			
Convertible corporate bonds maturing within one year			
Acquisition of fixed assets under finance leases			
<b>3. Net increase in cash and cash equivalents</b>			
Cash at the end of the year		154,541,509.95	215,462,177.30
Less: Cash at the beginning of the year		215,462,177.30	172,901,327.20
Add: Cash equivalents at the end of the year			
Less: Cash equivalents at the beginning of the year			
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>-60,920,667.35</b>	<b>42,560,850.10</b>

Legal representative: Li Shuwang

Chief Financial Officer: Peng Zhaohui

Chief Accountant: Peng Zhaohui

## Statement of changes in owners' equity

2020

Company: Shanghai HiTeC Plastics Co., Ltd.

RMB

Item	Current year							
	Paid-in capital	Capital surplus	Capital reserve	Other comprehensive	Special reserves	Surplus reserve	Undistributed profits	Total owners' equity
<b>1. Balance at 31 December 2019</b>	73,472,572.94					40,534,884.00	271,043,913.72	385,051,370.66
Add: Changes in accounting policies								
Corrections of prior period errors								
Others								
<b>2. Balance at 1 January 2020</b>	73,472,572.94					40,534,884.00	271,043,913.72	385,051,370.66
<b>3. Movements for the current period</b>							42,354,873.09	42,354,873.09
<b>(1) Total comprehensive income</b>							80,754,873.09	80,754,873.09
<b>(2) Capital contribution and withdrawal by owners</b>								
1. Capital contribution by owners								
2. Capital contribution by other equity instruments holders								
3. Amount recorded in owners' equity arising from share-based payment arrangements								
4. Others								
<b>(3) Profit distribution</b>							-38,400,000.00	-38,400,000.00
1. Appropriation for surplus reserves								
2. Profit distribution to equity owners							-38,400,000.00	-38,400,000.00
3. Others								
<b>(4) Transfer within owners' equity</b>								
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								
<b>(5) Special reserves</b>								
1. Appropriation during the year								
2. Utilisation during the year								
<b>(6) Others</b>								
<b>4. Balance at 31 December 2020</b>	73,472,572.94					40,534,884.00	313,398,786.81	427,406,243.75

Legal representative: Li Shuwang

Chief Financial Officer: Peng Zhaohui

Chief Accountant: Peng Zhaohui

## Statement of changes in owners' equity

2020

Company: Shanghai 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	
<b>1. Balance at 31 December 2019</b>	73,472,572.94					40,534,884.00	223,714,478.34	337,721,935.28
Add: Changes in accounting policies								
Corrections of prior period errors								
Others								
<b>2. Balance at 1 January 2020</b>	73,472,572.94					40,534,884.00	223,714,478.34	337,721,935.28
<b>3. Movements for the current period</b>							47,329,435.38	47,329,435.38
<b>(1) Total comprehensive income</b>							79,329,435.38	79,329,435.38
<b>(2) Capital contribution and withdrawal by owners</b>								
1. Capital contribution by owners								
2. Capital contribution by other equity instruments holders								
3. Amount recorded in owners' equity arising from share-based payment arrangements								
4. Others								
<b>(3) Profit distribution</b>							-32,000,000.00	-32,000,000.00
1. Appropriation for surplus reserves								-
2. Profit distribution to equity owners							-32,000,000.00	-32,000,000.00
3. Others								
<b>(4) Transfer within owners' equity</b>								
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 transfers to retained earnings								
5. Others								
<b>(5) Special reserves</b>								
1. Appropriation during the year								
2. Utilisation during the year								
<b>(6) Others</b>								
<b>4. Balance at 31 December 2020</b>	73,472,572.94					40,534,884.00	271,043,913.72	385,051,370.66

Legal representative: Li Shuwang

Chief Financial Officer: Peng Zhaohui

Chief Accountant: Peng Zhaohui