

Centre Testing International Group Co., Ltd.
Annual Report 2019
2020-010

April 2020

Section I Important Particulars, Table of Contents, and Definition

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

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

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

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

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

As a third-party testing body, credibility and brand are the motive force for the sustainable development of the Company as well as the foundation of business survival. It is only possible for the Company to gradually expand the market share and gain a favorable position in market competition when customers recognize its technology and impartiality. Once credibility and brand are impaired by quality problems, the Company will lose customers, and the business development and profitability will also be impaired. In severe cases, the Company might be disqualified for certification & testing, which will affect the continuing operations of the Company.

The Company attaches great importance to the maintenance of credibility and brand, actively advocates the integrity-based values, establishes a good internal quality management system to ensure the authenticity and accuracy of test reports, and continuously improves the quality of test service. During the reporting period, the Company organizes professional training for multiple times to improve the technological capability and professional level of laboratory personnel, and appoints experienced technical personnel as quality supervisors to monitor the competence of technical personnel and ensure that the personnel competence meets the standard requirements. The Company establishes a group-level QHSE department for vertical control by the group over quality, health, safety and environment, and modifies the *Measures for QHSE Supervision and Management* and the *Measures for QHSE Supervision and Accident Management*. Consisting of the quality managers, QHSE department/personnel and laboratory QA personnel of branches, the QA team of branches exercises strict control over quality risks through quality review, special verification, internal verification, management review, etc., giving zero tolerance for violations. Meanwhile, the Company establishes a special commission on public integrity and operates it under high standard of morality, in order to defend the brand concept and credibility value treasured by the Company from beginning to end from the perspectives of system and technology.

2. Market and policy risks

The testing industry is an industry with strong policy orientation. The government policy concerning the development of testing industry affects the development speed of the testing industry. With the development of the global testing industry, the testing systems in various countries are consistent in the overall trend, i.e., the government or industry association conducts the industry management of testing bodies through market access rules such as assessment and approval, to marketize the business of testing and conformity assessment, improve the service quality and promote the industrial development. The independent testing bodies shall conduct the market-oriented operation based on the services provided by itself and in accordance with requirements of the client. The service fee shall be determined by both parties through negotiation. The testing industry in China is influenced by the planned economic system for a long time. After accession to the WTO, under the pressure from the international community requiring to speed up the opening of the service market, the testing industry is in urgent need of standardizing and restricting industrial behaviors with such industry standards as are converging with the international rules. Although the open market-oriented development is confirmed in national policies, there may still be some policies and regulations which are not conducive to the market-oriented development of the industry. Uncertainties still exist on the degree of openness granted by the government to testing, posing a certain degree of risk to the Company.

In view of this risk, the Company sets up a special department which is responsible for keeping close track of the policy situation of relevant regulatory departments, regularly reporting to the management, and actively dealing with potential policy risks.

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

The testing and certification industry is featured with segmentation, stretching over multiple industries. Each segmentation is relatively independent. Fast replication is difficult and rapid expansion through capital is impossible. It is common practice for international testing and certification giants to quickly cut into new fields through M&A. M&A strategy is one of the long-term development strategies of the Company. As both selection of M&A targets and integration after M&A relate to the success or failure of M&A, there are substantial risks. Through the trials in the past few years, the Company explores and learns some lessons concerning M&A.

Adhering to the principle of prudence, the Company will make a sufficient demonstration through detailed due diligence in the early stage of M&A, make strategic choice of proper industries and quality targets at home and abroad, and make adequate analysis of return on investment (ROI) by continuously following up whether or not the investment is in line with the plan and realizes the expected effect of enhancing post-investment management through the introduction of industry talents with integration capability for collaborative management & operation. In view of the decision-making risk concerning M&A, during the reporting period, the Company set up the Strategy and M&A Committee of the Board of Directors, and

further improved the investment decision-making procedures to adapt to the development of company strategy. In accordance with provisions of the *Articles of Association*, the *Work Rules of the Strategy and M&A Committee of the Board of Directors*, etc., major investment matters are managed by the Operation and Management Committee of the Group, which shall prove the feasibility of the project; According to the decision-making authority, major investment matters are submitted to the Strategy and M&A Committee of the Board of Directors, the Board of Directors and the General Shareholders' Meeting for deliberation. This improves the scientificity and quality of major investment decisions of the Company.

4. Risk of impact on company profits by failure of new laboratories to meet the expectation

The testing industry has a first mover advantage. In order to accelerate the layout of the national testing market, in recent years, the Company builds a number of international or domestic leading laboratories or testing bases. The Company witnesses continuous and rapid growth of fixed assets, projects under construction, project supplies and total equipment purchase. The construction of a laboratory consists of decoration, personnel recruitment, equipment purchase and review. The laboratory can be put into formal operation only after obtaining of qualification. And it takes a certain period to achieve the profit and loss balance. The profits of the Company might be impacted by failure of the new laboratories to meet the expectation. In the future, the Company will focus on new laboratories, promote the operational efficiency of new laboratories and gradually release the production capacity of new laboratories, so that the scale effect is increasingly felt and that the Company achieves a steady growth of income margins.

The Company has basically completed the network layout of laboratories. The Company will control the total amount of investment through budget management, make a detailed analysis of return on investment (ROI), evaluate the reasonableness and necessity of each investment, and properly control the pace of investment.

The profit distribution plan of the Company approved by the current Board of Directors is: to distribute RMB 0.35 (including tax) in cash dividends and 0 bonus share (including tax) to all shareholders for every 10 shares based on 1,657,530,714, and increase by transferring 0 share to all shareholders with the provident fund for every 10 shares.

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Definition

Term	refers to	Definition
Company, the Company or CTI	refers to	Centre Testing International Group Co., Ltd.
Shareholder or General Shareholders' Meeting	refers to	the shareholder or General Shareholders' Meeting of Centre Testing International Group Co., Ltd.
Director or Board of Directors	refers to	the director or Board of Directors of Centre Testing International Group Co., Ltd.
Supervisor or Board of Supervisors	refers to	the supervisor or Board of Supervisors of Centre Testing International Group Co., Ltd.
Articles of Association	refers to	the Articles of Association of Centre Testing International Group Co., Ltd.
Third-party testing body	refers to	an independent and impartial non-governmental testing body independent of the interests and legal capacity of a party to any trade, transaction, deal, cooperation and dispute. The third-party testing body conducts tests independently and fairly in various industries in accordance with relevant standards, contracts or agreements. The testing process and results are not subject to the impact of the client and other foreign parties.
CSRC	refers to	China Securities Regulatory Commission
SSE	refers to	Shenzhen Stock Exchange
Reporting period or the same period in the previous year	refers to	January 1, 2019 to December 31, 2019, and January 1, 2018 to December 31, 2018
RMB /ten thousand /hundred million yuan	refers to	amount denominated in RMB

Section II Company Profile and Key Financial Indicators

I. Company profile

Stock abbreviation	CTI	Stock code	300012
Company name in Chinese	Centre Testing International Group Co., Ltd.		
Abbreviated company name in Chinese	Centre Testing International Group Co., Ltd.		
Company name in foreign language (if any)	Centre Testing International Group Co. Ltd.		
Abbreviation of company name in foreign language (if any)	CTI		
Legal representative of the Company	Wan Feng		
Registered address	Room 101, No.1 CTI Building, Xingdong Community, Xin'an Street, Bao'an District, Shenzhen		
Postal code of the registered address	518101		
Office address	CTI Building, No. 4 Liuxian 3 rd Road, Xin'an Street, Bao'an District, Shenzhen		
Postal Code of the office address	518101		
Internet website of the Company	www.cti-cert.com		
E-mail address	security@cti-cert.com		

II. Contact person and contact information

	Secretary of the Board of Directors	Representative of securities business
Name	Chen Yan	Ou Jin
Contact address	CTI Building, No. 4 Liuxian 3 rd Road, Xin'an Street, Bao'an District, Shenzhen	CTI Building, No. 4 Liuxian 3 rd Road, Xin'an Street, Bao'an District, Shenzhen
Tel.	0755-33682137	0755-33682137
Fax	0755-33682137	0755-33682137
E-mail address	security@cti-cert.com	security@cti-cert.com

III. Information disclosure and reservation place

Name of the information disclosure media selected by the Company	<i>Securities Times</i> and <i>Shanghai Securities News</i>
Website designated by CSRC for publishing the Annual Report	www.cninfo.com.cn
Place for reservation of the Annual Report of the Company	Office of the Board of Directors of Centre Testing International Group Co., Ltd.

IV. Other related information

The accounting firm employed by the Company

Name of the accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Office address of the accounting firm	Zone A, 12/F, Building B, Allied Plaza, No. 5022 Binhe Road, Futian District, Shenzhen, Guangdong
Name of the undersigned CPA	Chen Yong and Lv Hongtao

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

√ Applicable Not Applicable

Name of sponsor institution	Office address of sponsor institution	Name of sponsor representative	Period of continuous supervision
Changjiang Financing Services Co., Ltd.	21/F, Chamtime International Financial Centre, No. 1589 Century Avenue, Pudong New Area, Shanghai	Dai Lulu and Wu Lihua	The continuous supervision duties shall be performed for the unused raised capital.

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

Applicable Not Applicable

V. Key accounting data and financial indicators

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

Yes No

	2019	2018	Increase or decrease compared with the previous year	2017
Operating revenues (RMB)	3,183,255,712.67	2,680,881,245.22	18.74%	2,118,230,537.60
Net profits attributable to shareholders of the listed company (RMB)	476,396,504.93	269,983,678.83	76.45%	133,898,301.98
Net profits attributable to shareholders of the listed company net of non-recurring gains/losses (RMB)	357,236,148.44	168,980,409.58	111.41%	85,279,004.69
Net cash flow from operating activities (RMB)	795,163,412.01	683,845,233.54	16.28%	349,311,674.13
Basic earnings per share (RMB/share)	0.2874	0.1629	76.43%	0.0796
Diluted earnings per share (RMB/share)	0.2865	0.1629	75.87%	0.0796
Weighted ROAE	16.29%	10.28%	Up by 6.01 ppts	5.48%
Earnings before interest, tax, depreciation and amortization (EBITDA)	851,789,571.95	616,082,162.99	38.26%	385,660,254.73
	End of 2019	End of 2018	Increase or decrease compared with the previous year	End of 2017
Total assets (RMB)	4,434,268,399.92	4,059,442,789.76	9.23%	3,516,393,508.39
Net assets attributable to shareholders of the listed company (RMB)	3,147,139,004.85	2,717,450,242.02	15.81%	2,489,535,755.13

Whether or not the issuance of new shares, additional issuance, allotment of shares, exercise of equity incentive, buyback, etc. make a difference to the equity capitals and the amount of ownership interests from the end of the reporting period to the disclosing date of the Annual Report of the Company.

Yes No

Preferred stock dividends payable	0.00
Fully diluted earnings per share calculated with the latest share capital (RMB/share)	0.2864

VI. Key financial indicators in each quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenues	565,649,798.73	765,190,984.01	872,432,456.41	979,982,473.52
Net profits attributable to shareholders of the listed company	45,377,211.02	114,597,101.85	200,271,035.06	116,151,157.00
Net profits attributable to shareholders of the listed company net of non-recurring gains/losses	27,921,247.52	93,024,584.64	134,584,960.54	101,705,355.74
Net cash flow from operating activities	-26,597,476.79	141,369,201.90	168,493,476.45	511,898,210.45

Whether or not the financial indicators or the aggregate amount above is of significant difference from relevant financial indicators disclosed in the quarterly reports and semi-annual reports by the Company

Yes No

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

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

Applicable Not Applicable

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

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

Applicable Not Applicable

In the reporting period of the Company, there is no difference in net profits and net assets in the Financial Reports respectively disclosed in accordance with foreign accounting standards and Chinese accounting standards.

VIII Non-recurring gain/loss items and amount

Applicable Not Applicable

Unit: RMB

Item	Amount of 2019	Amount of 2018	Amount of 2017	Note
Gains/losses from disposal of non-current assets (including the offset part that has been withdrawn for assets impairment reserve)	49,643,230.78	2,598,329.76	-12,453,150.17	Gains/losses from disposal of fixed assets and investment incomes from disposal of long-term equity investment
Government subsidy recorded in gains/losses in the current period (excluding the government subsidy in close relation to corporate business and enjoyed according to quota or ration under national common standards)	62,572,924.84	69,618,117.09	44,427,022.88	Government subsidy
Gains/losses from the entrusted investment or management assets	17,997,762.01	19,248,920.78	12,101,219.19	Incomes from wealth management products
Gains/losses from fair value changes arising from the holding of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment incomes from disposal of trading financial assets,	-913,655.36		569,880.00	Incomes from fair value changes

derivative financial assets, trading financial liabilities, derivative financial liabilities and other creditor's investments, excluding the effective hedging businesses related to the normal businesses of the Company				
Other non-operating revenues and expenditures except for the aforementioned items	6,071,915.51	-1,289,822.65	8,372,268.09	
Other gain/loss items conforming to the definition of non-recurring gain/loss	3,030,184.91	15,274,500.00	-2,170,620.00	Receipt of economic compensations and payment of performance-based rewards
Less: amount of impacted income tax	17,063,566.90	4,400,894.89	2,103,759.72	
Amount of impacted minority interests (after tax)	2,178,439.30	45,880.84	123,562.98	
Total	119,160,356.49	101,003,269.25	48,619,297.29	--

For the non-recurring gain/loss items defined by the Company in accordance with the definition in the *Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public — Non-Recurring Gain/Loss* and the non-recurring gain/loss items listed in the *Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public — Non-Recurring Gain/Loss* defined by the Company as current gain/loss items, the Company shall make an explanation.

Applicable Not Applicable

In the reporting period, the Company does not define the non-current gain/loss items defined or listed in the *Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public — Non-Recurring Gain/Loss* as current gain/loss items.

Section III Overview of the Company's Business

I. Main businesses of the Company during the reporting period

(I) Main businesses

The Company is a comprehensive third-party organization integrating testing, calibration, inspection, certification and technical services. It provides one-stop solutions for enterprises all over the world. There is no change to the main businesses of the Company during the reporting period. By the end of the reporting period, the Company had nearly 140 laboratories in chemistry, biology, physics, mechanics, electromagnetism, etc. The group and subsidiaries issued more than 2,000,000 certification reports with credibility every year, serving more than 100,000 customers.

The businesses of the Company can be divided into four segments by industry, consisting of life science, trade guarantee, consumer goods and industrial test, covering food, environment, medicine, consumer goods, industrial products, constructional engineering, etc. The Company can provide technical services such as testing, inspection, verification, certification, measurement and calibration, and provide one-stop solutions for enterprises. The Company is devoted to creating service value for the society and customers by virtue of its perfect service network and the profound service ability:

1. Maintain public health and safety, and escort for a quality life

For the purpose of maintaining public health and safety, the Company constantly pursues the standards of guarantee from source to circulation, developing such services as food and agricultural products detection, environmental detection and monitoring, control of hazardous substances, testing and certification of consumer goods, medical testing, biomedical CRO and quality control and detection of e-commerce, in an endeavor to escort for people's lives with precise standards. During the outbreak of COVID-19, the Company did not stop the testing services for agricultural products related to people's livelihood during the Spring Festival; after the outbreak, the Company actively responds to the government call, and makes use of its own ability to rapidly develop the testing services related to epidemic prevention, such as nucleic acid test of COVID-19, mask detection, protective clothing detection, thermometer detection and disinfection and anti-epidemic services in public places and office, and actively performs its social responsibility, providing escort for the life and safety of the public.

2. Assist China's industrial clusters to integrate into global competition and facilitate industrial upgrading and technological innovation

With the continuous advancement of economic globalization, the industrial cluster, as an emerging form of economic competition, gradually becomes a mainstream in the process of economic development. The Company can provide such services as testing & certification of electronic and electrical products, testing & certification of medical equipment, automobile industry chain service, power testing of new energy, technical services for petrochemical products, non-destructive testing of special equipment, measurement and calibration, to facilitate industrial upgrading and technological innovation and assist China's industrial clusters to further enhance their competitiveness and integrate into the global competition.

3. Assist the government to identify potential market risks and promote the healthy development of the national economy

The Company can assist the government to identify potential market risks. For example, the Company can provide the government with environmental monitoring services, including provision of monitoring services to the central environmental monitoring team, and provision of environmental monitoring, environmental testing for large public activities, environmental monitoring for emergencies and other technical services as requested by the government; It can conduct spot checks for the government on the consumer goods, food, medicine, cosmetics, building materials, oil products and chemical fertilizers in the circulation stage; assist the government to conduct scientific supervision and promote the healthy development of the industry. During the reporting period, the environmental department of the Company receives multiple commendatory letters from China National Environmental Monitoring Centre, which highly recognizes the performance of the Company in the special supervision and inspection of surface water environment testing and the operation & maintenance inspection of the urban station of the national ambient air quality monitoring network.

4. Protect the legitimate interests of enterprises in the global value chain and ensure fair and orderly trade

Inspection & testing certification is an internationally accepted quality management method and trade facilitation tool. It can effectively reduce international market barriers and serve as a passport for enterprises and products to enter the international market. The Company can provide enterprises with system certification, product certification, trade compliance solutions, inspection and verification, judicial authentication, port services, maritime services, electronic certification, energy conservation and emission reduction, greenhouse gas services, etc., to facilitate enterprises to participate in international trade, protect the reasonable interests of enterprises, and ensure fair and orderly trade.

(II) Overall business model of the Company

Overall business model of the Company: the R&D department of the Company is responsible for studying both domestic and foreign standards (including standards of Europe and USA), national standards, industry standards, and standards made by large customers (enterprise standards), developing new testing methods, and determining the operation flow by equipment and personnel allocation, so as to improve the testing ability and expand the testing scope. Relying on the excellent brand effect of the Company, the marketing

department actively promotes testing services of the Company to customers, obtain testing orders from customers, issue data and provide testing reports after laboratory testing.

(III) Performance drivers

During the reporting period, the Company achieved total operating revenues of RMB 3,183,255,700, up by 18.74% compared with the same period in the previous year; The net profits attributable to shareholders of the listed company reached RMB 476,396,500, up by 76.45% compared with the same period in the previous year. Main reasons for performance growth of the Company are as follows:

1. Support is provided through national macro policies, and the trend of testing demand is positive

The testing & certification industry in China is still in a period of rapid growth. With the continuous development of society, people's material life ushers in a deeper level of all-round upgrade, and the whole society attaches increasing importance to QHSE (quality, health, safety and environment), pushing forward the legislation and standardized management of national, local and industrial levels, promoting the development of testing technologies, and generating more testing demand.

2. Operational efficiency has been continuously improved

During the reporting period, the Company adheres to the strategy of high-quality development, and constantly optimizes the internal management and resource allocation through in-depth exploration of fine management. Therefore, the operational efficiency is continuously improved and the profit level is steadily improved.

II. Significant change in main assets

1. Significant change in main asset

Main assets	Description of significant change
Equity assets	<p>1. Zhejiang CTI Yuanjian Testing Co., Ltd. (hereinafter referred to as "Zhejiang Yuanjian"): in accordance with the <i>Equity Transfer Agreement of Zhejiang CTI Yuanjian Testing Co., Ltd.</i> and the <i>Framework Agreement for Investment</i> signed by and between the Company and original shareholders of Zhejiang Yuanjian (Wang Junyan, Liu Hanyan and Zhang Jia), the Company purchased 51% of equities held by Wang Junyan, Liu Hanyan and Zhang Jia in Zhejiang Yuanjian for RMB 3,511,500 in cash. Meanwhile, within 15 working days after original shareholders of Zhejiang Yuanjian (Wang Junyan, Liu Hanyan and Zhang Jia) completed the paid-in contribution, new investors shall increase the capital contribution to Zhejiang Yuanjian, and the Company shall increase the capital contribution by RMB 6,103,300. The purchases by the Company of the equity and increased capital of Wang Junyan, Liu Hanyan and Zhang Jia constituted a basket of transactions. The actual investment costs of the Company were RMB 9,614,800.</p> <p>2. Tianjin Jinbin CTI Product Testing Center Co., Ltd. (hereinafter referred to as "Tianjin Jinbin"): on March 4, 2019, the Company and the Measurement & Testing Institute of Dongli District, Tianjin signed an <i>Ownership Transaction Contract</i>, under which, the Measurement & Testing Institute of Dongli District, Tianjin transferred 30% of equities in Tianjin Jinbin for RMB 7,228,800 in cash, and after transfer, Tianjin Jinbin became a wholly-owned subsidiary of the Company.</p> <p>3. Guangzhou CTI Hengjian Engineering Testing Co., Ltd. (hereinafter referred to as "Guangzhou Hengjian"): on January 17, 2019, the Company signed the <i>Equity Transfer Agreement of Guangzhou CTI Hengjian Engineering Testing Co., Ltd.</i> with Lai Yuanming, under which, Lai Yuanming transferred 35% of equities in Guangzhou Hengjian to the Company for RMB 5,880,000 in cash, and after transfer, Guangzhou Hengjian became a wholly-owned subsidiary of the Company. On June 28, 2019, the Company signed the <i>Equity Transfer Agreement of Guangzhou CTI Hengjian Engineering Testing Co., Ltd.</i> with Guo Lin and Zhu Xiuqing, under which, the Company transferred 12% of equities in Guangzhou Hengjian to Guo Lin and Zhu Xiuqing for RMB 1,440,000 in cash, and the Company transferred 6% of equities in Guangzhou Hengjian which was waived by Zhu Xiuqing to Guo Lin for RMB 720,000 in cash. After transfer, the Company held 94% of equities in Guangzhou Hengjian.</p>
Fixed assets	Fixed assets increased by 10.71% compared with the beginning of the year: Phase I of CTI East China Comprehensive Testing Base (Shanghai) were completed, and transferred from construction in process to fixed assets, valuing at RMB 169,000,000.
Intangible assets	Intangible assets increased by 5.13% compared with the beginning of the year: the land use rights obtained by the fund-raising project "Qingdao Testing Base" of the Company were transferred from a price of RMB 95,473,800.
Construction in progress	Construction in progress decreased by 47.05% compared with the beginning of the year: the capital construction for Phase I of CTI East China Comprehensive Testing Base (Shanghai) was completed, and transferred from construction in process to fixed assets, valuing at RMB 169,000,000.

2. Main overseas assets

Applicable Not Applicable

III. Analysis of core competitiveness

1. Advantages in brand and credibility

As an independent third-party testing body, brand and credibility are the key to the survival and development of enterprises. Based on the local market in China and facing the global market, the Company is committed to building a globally competitive testing brand of China. The Company established the laboratory management system as per ISO/IEC 17025 and the inspection body management system as per ISO/IEC 17020. It is certified by China National Accreditation Service for Conformity Assessment (CNAS), qualified by China Metrology Accreditation (CMA), and authorized by China Quality Certification Centre (CQC), with full qualifications for issuing third-party testing reports. In addition, the Company is also certified by multiple international certification organizations, such as UKAS, CPSC, SPRING and Nadcap. The all-sided qualifications give more international credibility to the testing reports issued by the Company.

2. Advantages in excellent management team and professional talents

The sustainable development of enterprises depends on the growth of enterprise team. The core team of the Company has accumulated rich experience in the testing industry, and is capable of quickly grasping the development trend of industry to make strategies in adaptation to changes in policy and the industry. The Company insists on creating a research-based atmosphere oriented at high proportion of highly educated and high-quality talents, and establishing and improving a sound scientific promotion system. This enables the Company to continuously attract talents from all walks of life who are interested in the testing industry. The Company attaches great importance to the growth of every employee. It is committed to become a platform suitable for career development of employees. It encourages the employees to become experts or professional managers in the field involved on basis of their actual situations, deeply tapping the potential of every employee and giving them the opportunity for adequate adaptation and attempt so that they can realize the dynamic balance between self-development and enterprise development. As for the personnel training system, the company invests in a series of courses and promotion projects for new employees, common employees, professional skills and leadership development, providing a strong guarantee for the sustainable development of the Company. In 2019, the Company launched "Guanghua LAP Leadership Promotion Project" to systematically train high-potential management talents. The project was focused on the leadership development, cultivation of strategic thinking and training of management skills for high-potential talents, to fully empower high-potential management talents, and achieved remarkable results. Meanwhile, in order to maintain the stability of the core team and attract more excellent talents, the Company, by implementing the employee performance evaluation scheme, employee stock ownership plan, equity incentive plan and other incentives, arouse the enthusiasm of the Company's core team and led the team achieving the Company's strategic target, which laid the foundation for the efficient, high-quality and sustainable development of the Company.

3. Advantages in one-stop service and big data support

The laboratory network of the Company has spread over major cities in China, reaching surrounding regions by making full use of its geographical location. The services provided by the Company include testing, inspection, authentication, certification, measurement, calibration and all other technical services, covering a wide range of industries and products. The complete laboratory network and one-stop service capability of the Company become important advantages of the Company in competition.

The Company has been deeply engaging in the testing industry for many years, with its services covering a wide range of industries and a large number of test projects. In each year, its laboratories can produce millions of reports, collecting a large amount of testing data which is strongly reliable, with rich dimensions and sufficient depth, and applicable for extensive purposes. The Company can provide enterprises with risk-based testing schemes, risk-based internal and supply chain management schemes, quality & cost control basis, supplier evaluation basis, etc.; provide the government with the basis for prediction and prevention of spot check risks, the basis for decisions concerning policies and regulations, and the support for efficiency and scientificity of decisions; and provide the decision basis for consumers to understand the product quality and safety. Big data analysis and application can improve customer experience and provide customers with more valuable services.

4. Technological advantage and improvement of the service guarantee system

The Company is the earliest private testing body and the most invested professional research institution in China. With the technological support of research institutes, the Company constantly improves its core competitiveness in the field of testing technologies. The core research team, with industry experts as the core, concentrates on the research of frontier technologies for the industry, providing strong technological support to the business development of major business divisions and making sufficient technical preparation. The Company actively participates in the research projects at national, provincial and municipal levels, and has undertaken over 10 national projects such as national 973 programs, science and technology support programs and industry research projects for public welfare; The Company maintains extensive, close and positive cooperation with research institutes and institutions of higher learning, including Chinese Academy of Sciences and China National Institute of Standardization; and serves as the public testing service platform of various places and undertakes other public service projects of the government. The Company actively participates in the drafting of various domestic and foreign standards. It is a member of more than twenty national technical committees and sub-committees for standardization. Many of the Company's research and development results have been recognized by the market, government departments and industry associations. The leading the research and development ability provides an important guarantee for the development of the Company.

The Company establishes its quality management system in accordance with the requirements in ISO/IEC 17025, ISO/IEC 17020, Laboratory Accreditation Criteria, Accreditation Criteria for Food Inspection Agencies. The laboratories constantly improve the quality and quality level guided by the quality policies and goals of the Company. As for quality assurance, the Company establishes

a QA team, consisting of the quality managers, QHSE department/personnel and laboratory QA personnel. The QA team implements various quality management requirements of the Company through quality review, special verification, internal verification, management review, etc. As for the technological capability assurance, the laboratory conducts regular supervision on the testing/calibration ability of technicians in the laboratory by appointing a group of experienced technicians as quality control supervisors, to ensure the technicians meet the requirements concerning methods and standards.

The Company uses an international top laboratory information management system (LIMS) to manage the laboratory personnel, equipment, testing methods and customer samples, realizing the systematic management of customer samples in the process of testing in the laboratory. Meanwhile, the laboratory informationizes the experimental process and realizes paperless office operation. It can control and comprehensively manage the organization, analysis, processing and search of experimental data and the quality activities in the experimental process, so as to ensure the authenticity and reliability of the reports.

Section IV Discussion and Analysis of Business Operation

I. Overview

In 2019, in face of the complex and changeable macroeconomic environment, the management of the Company focused on high-quality development, carried out fine management throughout the work, accurately grasped the market trend of each segmentation, and laid out the fields with strategic advantages. The production and operation were making progress while maintaining stability, and the operation quality and efficiency were continuously improved, thus, making the comprehensive competitiveness improve steadily. In 2019, the Company achieved total operating revenues of RMB 3,183,255,700, up by 18.74% compared with the same period in the previous year; the operating profits reached RMB 522,110,900, up by 65.92% compared with the same period in the previous year; the total profits reached RMB 536,247,100, up by 65.77% compared with the same period in the previous year; The net profits attributable to shareholders of the listed company reached RMB 476,396,500, up by 76.45% compared with the same period in the previous year. During the reporting period, the Company sold 51% equities in the subsidiary, REACH24H, receiving RMB 52,244,400 as investment proceeds, which have a positive impact on the net profits of the Company.

(I) Main operations are as follows:

During the reporting period, due to the support of national macro policies, the trend of testing demand was positive and the Company maintained a good overall momentum of business development and achieved sustained growth in each business segment.

1. Actively implement the business objectives, with four business segments improving together

(1) Life science

In the reporting period, the Company achieved operating revenues of RMB 1,762,555,400 in life science, with a year-on-year growth of 23.68%. Life science was the largest segment of the Company, maintaining a rapid growth rate. The Company is leading in the market share of environmental testing business, network deployment and technological capabilities all over the country. In the reporting period, the Company focuses on strengthening the internal management of laboratory efficiency and improving the operational efficiency. The food testing business retains its competitive edge in the industry. Focusing on the development of enterprise customers, the Company, in the reporting period, provides customers with professional solutions by taking advantage of its advantages in food testing, constantly makes innovations to meet the deeper needs of customers and get more market share.

(2) Trade guarantee

During the reporting period, the Company achieved operating revenues of RMB 434,106,300 in trade guarantee, with a year-on-year growth of 18.82%. Trade guarantee, in which the Company has been engaging for many years, is a superior business. In the trade guarantee segment, the scale effect is maximized, with steady operating revenues and profit margins. In the reporting period, RoHS2.0 was duly launched, with increasing testing demands. Meanwhile, the Company strengthened the development of large customers and endeavored to promote the service quality, thus, making an increase of market share.

(3) Consumer goods

In the reporting period, the Company achieved operating revenues of RMB 424,515,400 in consumer goods, with a steady year-on-year growth of 8.84%. In the reporting period, based on the development trend of the industry and in consideration of the strategic direction, the Company invested in laboratories of aeronautical material, automotive electronics, wireless communications, etc., to foster the growth point of new businesses. The newly invested laboratories are making steady progress. In January 2020, the aeronautical materials laboratory of the Company was qualified by NADCAP. There were 44 companies in China which had obtained such qualification. The Company was the first comprehensive and private listed third-party testing body in China which was certified by NADCAP for materials laboratory.

(4) Industrial test

During the reporting period, the Company achieved operating revenues of RMB 562,078,600 in industrial test, with a year-on-year growth of 12.32%. In 2019, businesses concerning testing of industrial products maintained a steady development. In the reporting period, the Company focused on investment in laboratories of rail transit, fire resistance, etc. The rail transit laboratory of the Company passed the safety assessment qualification for rail transit in China, and was expected to be a new business growth point of the Company.

2. Deepen customer cooperation and constantly improve the service capabilities

In the reporting period, the Company was committed to providing customers with a full range of services, meeting deep-seated demands of customers, getting more market share, and further optimizing the customer structure. In the reporting period, the Company organized, implemented and coordinated the capability demonstration programme of 2019 class B national projects of CNCA; In the reporting period, the Company won the bidding of multiple government bidding projects and the quality control & comparison services for the monitoring data of 138 automatic air quality monitoring stations in townships and villages of Yantai for a bid price of RMB 8,308,700; and won the bidding of the project on quality control of automatic air stations in townships and villages (sub-districts) of Suzhou for a bid price of RMB 8,008,800; The subsidiary, Qingdao CTI, entered the national project on selection of sampling inspection and monitoring institutions for food safety of the *State Administration for Market Regulation* and carried out food sampling inspections across the country, becoming the first private third-party institution shortlisted for national projects.

In the reporting period, the Company actively developed large corporate customers. The company signed a strategic cooperation agreement with Mengniu Dairy with respect to "Focus on Quality of Milk Source -- Create One-stop Technical Services for the Whole Supply Chain", under which the two parties would carry out strategic cooperation in aspects of raw materials testing, risk

control, quality control, talent exchange and training; The cooperation project between the Company and Jingdong covered all the food items under the quality control of Jingdong. During the reporting period, the Company became a member of "Jingdong Quality Inspection Union", assisting Jingdong in creating an ecosystem of quality control services through the six core tools, namely, detection of mystery buyers, goods inspection, review, training, consultation and quick inspection.

(II) Fine management begins to show results and operational efficiency achieves continuous enhancement

In the reporting period, the Company continued to promote fine management and improve the operational efficiency, with focus on the improvement of gross margin. The Company strove to improve the per capita output by controlling the growth target of population through budget management; improved the capacity utilization by enhancing the real-time monitoring on major equipment; strengthened the synergistic effect of internal laboratories, and promoted the operational efficiency through process optimization; in terms of appraisal, the Company changed the performance appraisal system. In 2019, the profit appraisal system was implemented over all employees, to fully mobilize their enthusiasm; in terms of investment, the Company gradually changed the previous form of investment, which was overly aggressive, set the proportion of investment in fixed assets, and attached more attention to the analysis of return on investment (ROI) and post-investment management; and in terms of cash flow, the Company managed the accounts receivable in an institutionalized manner, achieving significant improvement.

(III) Carry forward strategic mergers and acquisitions as scheduled

In the reporting period, the Company and the senior executive - Zeng Xiaohu jointly purchased 61% equities in Zhejiang Yuanjian, of which 51% was purchased by the Company and 10% by Zeng Xiaohu. Zhejiang Yuanjian is an enterprise which develops fire simulation & evaluation system based on the combustion test, and provides professional testing services for the fire resistance and fire safety of combustion components of materials. By acquisition of Zhejiang Yuanjian, the Company can quickly enter the field of combustion test, which is conducive to improving the strategic layout of the Company.

The Company sponsored for establishing Hualing Fund jointly with Shanghai Lingyue Venture Capital Investment Center (Limited Partnership), for the purpose of seeking for targets of great significance to the Company within a more extensive range, integrating resources advantages of all parties, and making full use of professional investment teams and financing channels based on the industry experience of the Company. It was conducive to further enhancing the investment ability of the Company and improving the comprehensive competitiveness of the Company.

(IV) Team construction and incentives

1. Implement the plan for construction and development of talent team

The Company constantly improves the competitiveness of its core team in multiple manners including internal training and introduction of external talents, and establishes a training system for employees at different levels. During the reporting period, the Company organized two executive training, to unify the thinking of senior executives through communication, discussion and reference. The Company launched "Guanghua LAP Leadership Promotion Project" to systematically improve the integrated management abilities of senior executives, including "strategic implementation ability, ability to analyze and solve problems, ability to cultivate subordinates and self-leadership"; the Company organized 21 sessions of management training, 22 sessions of common skill training and 9 sessions of sales service training, to improve the professional competence of employees; in terms of on-boarding training, the Company optimized the on-boarding experience of employees through standardized design of courseware, systematic training of lecturers and process-based organization, which was conducive to enhancing the identification of employees with the corporate culture of the Company. In the reporting period, the "post-doctoral innovative practice base" established by the Company was approved, marking a new situation created by the Company in the introduction of high-level talents. Mobilizing effective resources from all sides, the Company focused on the search for excellent talents in environment, food, machinery and consumer goods, so as to provide a strong guarantee of talent pool for the technological innovation and development business of the Company.

2. Combine employee stock ownership and stock option incentive and improve the long-acting incentive mechanism

In the reporting period, the Company implemented the second Stock Option Incentive Plan and granted 4,700,000 stock options to 9 incentive objects at the exercise price of RMB 9.23/share. In the reporting period, the first employee stock ownership plan of the Company expired. Based on the confidence in the future development of the Company and the earnings from the first employee stock ownership plan, it was decided in the assembly of holders to extend the first employee stock ownership plan to August 18, 2021, and distribute rights and interests to holders by selling part of the shares in the Company held by the first employee stock ownership plan. By combination of the employee stock ownership plan and the stock option incentive plan, the Company managed to effectively mobilize the enthusiasm of employees, attract and retain excellent management talents and business backbones, take into account both long-term and short-term interests of the Company, realize the alignment of the interests of shareholders, the Company and employees, further promote the structure of Corporate Governance, improve the long-term and effective incentive and restraint mechanism of the Company, and facilitate the sustainable and healthy development of the Company.

(V) Technological capability

1. Increase the investment in research and development to keep the technological advantages

In the reporting period, the Company signed an agreement with the Institute of Physics of the Chinese Academy of Sciences, i.e., Tianmu Lake Institute of Advanced Energy Storage Technologies Co., Ltd, working together to promote the innovative progress and development of the testing industry, and striving for promoting the technological level of the testing industry. According to the market demand and relying on the technical support of the Institute, the Company actively developed new testing methods and

standard projects, and participated in the formulation of national standards, industrial standards and enterprise standards. By the end of 2019, the Company has participated in the formulation and revision of 506 standards, among which 402 have been published, including 257 national standards and 19 mandatory standards. The Company attached great importance to independent innovation and research & development, owning core technologies in fields of multiple testing technology. By the end of 2019, the Company has obtained 179 patents, including 46 invention patents and 133 utility model patents.

2. Obtain qualification recognition and constantly expand the scope of service

In the reporting period, the subsidiary, Poly NDT, obtained the supplier qualification for preparing the list of hazardous substances issued by Registro Italiano Navade (RINA). RINA ranks first in the world in ferry classification. The official certification of RINA indicates the recognition of customer to the ability of the Company. The subsidiary, CTI Pest Management, passed the on-site audit by the expert group of The Chinese Pest Control Association and successfully obtained the highest level (class A) of certificate for pest control service institutions in China, only few of which were granted with such class A certificate. CTI laboratory successfully passed the qualification organized by the International Safe Transit Association (ISTA). CTI laboratory developed the new ISTA Project 6-amazon in addition to the original ISTA Projects 1, 2, 3 and 7. The Company was recognized by CNAS for its capacity in rail transit and obtained the safety assessment qualification for rail transit in China, marking that the Company could enter the rail transit field and provide product safety certification (SIL certification) for systems related to the safety of rail transit, as well as provide ISA safety evaluation services by an independent third-party body for rail transit projects such as subway project.

(VI) Complete the general election and improve Corporate Governance

In the reporting period, the Company completed the general election of the Board of Directors and the Board of Supervisors. In order to meet the strategic development needs of the Company, the fifth Board of Directors set up a Strategy and M&A Committee, which improved the scientificity and quality of major investment decisions of the Company, the investment decision-making procedures of the Company, and the structure of Corporate Governance.

(VII) Highlight investor returns and complete equity allocation

The Company established a sustainable, stable and scientific return planning and mechanism, to strictly implement the dividend policy. On April 24, 2019, the Company convened a Board Meeting and adopted the *Profit Distribution Plan for 2018* as follows: increase by transferring 0 share with the provident fund for every 10 shares, and distribute RMB 0.35 (including tax) in cash dividends for every 10 shares based on the total share capitals of 1,657,530,714 as of December 31, 2018, thus, distributing RMB 58,013,574.99 of cash dividends in total. On May 28, 2019, the equity allocation was completed.

II. Analysis of Main Business

1. Overview

Please refer to "I. Overview" in "Discussion and Analysis of Business Operation".

2. Revenue and costs

(1) Composition of operating revenues

Overall operating revenues

Unit: RMB

	2019		2018		Year-on-year increase/decrease
	Amount	Percentage of operating revenues	Amount	Percentage of operating revenues	
Total operating revenues	3,183,255,712.67	100%	2,680,881,245.22	100%	18.74%
Industry					
Technical service	3,183,255,712.67	100.00%	2,680,881,245.22	100.00%	18.74%
Product					
Trade guarantee	434,106,278.51	13.64%	365,346,630.73	13.63%	18.82%
Consumer goods test	424,515,411.61	13.34%	390,024,662.06	14.55%	8.84%
Industrial test	562,078,608.49	17.66%	500,425,378.53	18.67%	12.32%
Life science	1,762,555,414.06	55.37%	1,425,084,573.90	53.16%	23.68%
Region					
Domestic	3,090,282,691.67	97.08%	2,612,999,063.77	97.47%	18.27%
Overseas	92,973,021.00	2.92%	67,882,181.45	2.53%	36.96%

(2) Industries, products or regions accounting for more than 10% of the Company's

operating revenues or operating profits√ Applicable Not Applicable

Unit: RMB

	Operating revenues	Operating costs	Gross margin	Increase/decrease of operating revenues compared with the same period in the previous year	Increase or decrease of operating costs compared with the same period in the previous year	Increase/decrease of gross margin compared with the same period in the previous year
Industry						
Technical service	3,183,255,712.67	1,610,465,291.81	49.41%	18.74%	8.82%	4.61%
Product						
Trade guarantee	434,106,278.51	140,254,089.35	67.69%	18.82%	27.34%	-2.16%
Consumer goods test	424,515,411.61	203,429,559.78	52.08%	8.84%	1.79%	3.32%
Industrial test	562,078,608.49	336,025,924.25	40.22%	12.32%	8.49%	2.12%
Life science	1,762,555,414.06	930,755,718.43	47.19%	23.68%	8.21%	7.55%
Region						
Domestic	3,090,282,691.67	1,573,655,120.21	49.08%	18.27%	7.21%	5.26%
Overseas	92,973,021.00	36,810,171.60	60.41%	36.96%	206.93%	-21.92%

The main business data of the Company for the previous 1 year, adjusted according to the statistical caliber at the end of the reporting period if the statistical caliber for the main business data of the Company is adjusted in the reporting period

Applicable Not Applicable

(3) Whether or not the revenues from physical sales of the Company is greater than the service revenues

Yes No

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

Applicable Not Applicable

(5) Composition of operating costs

Industry category

Industry category

Unit: RMB

Industry category	Item	2019		2018		Year-on-year increase/decrease
		Amount	Proportion of operating costs	Amount	Proportion of operating costs	
Technical service	Employee remuneration	634,354,133.98	39.39%	597,779,188.37	40.39%	6.12%
Technical service	Depreciation and amortization costs	243,994,372.42	15.15%	204,024,994.81	13.79%	19.59%
Technical service	Outsourcing expenses	188,418,653.82	11.70%	182,985,414.67	12.36%	2.97%
Technical service	Laboratory consumables	182,589,352.67	11.34%	151,706,529.86	10.25%	20.36%
Technical service	Rents and utilities	126,147,403.16	7.83%	120,066,690.37	8.11%	5.06%

Technical service	Others	234,961,375.76	14.59%	223,312,412.64	15.09%	5.22%
Total	Total	1,610,465,291.81	100.00%	1,479,875,230.72	100.00%	8.82%

Note

N/A.

(6) Whether or not the consolidation scope has changed in the reporting period

√ Yes No

(I) Enterprise merger not under the same control

1. Enterprise merger not under the same control incurred in the current period

Name of acquiree	Date of acquiring equity	Cost of equity acquisition	Equity ratio acquired (%)	Method of equity acquisition	Purchase date	Determination basis of purchase date	Revenues of the acquiree from the purchase date to the end of the period	Net profits of the acquiree from the purchase date to the end of the period
Hebei CTI Junrui Testing Technology Co., Ltd.	May 8, 2019	100.00	68.00	Purchase with cash	May 8, 2019	Acquisition of control	57,447.85	-636,464.30
Zhejiang CTI Yuanjian Testing Co., Ltd.	September 16, 2019	9,614,800.00	51.00	Purchase with cash	September 16, 2019	Acquisition of control	2,077,692.59	-213,569.68

2. Merger costs and goodwill

Merger costs	Hebei CTI Junrui Testing Technology Co., Ltd.	Zhejiang CTI Yuanjian Testing Co., Ltd.
Cash	100.00	9,614,800.00
Fair value of non-cash assets		
Fair value of debts issued or assumed		
Fair value of equity securities issued		
Fair value of contingent consideration		
Fair value on the purchase date of equity held prior to the purchase date		
Others		
Total merger costs	100.00	9,614,800.00
Less: fair value of identifiable net assets obtained		4,974,948.02
Goodwill/amount of merger costs lower than the fair value of identifiable net assets acquired	100.00	4,639,851.98

(1) Determination of the fair value of merger costs and description of contingent consideration and its changes: the fair value of merger costs shall be determined subject to the cash actually paid.

(2) Main reason for the formation of large goodwill: the amount of the fair value of merger costs greater than the fair value of identifiable net assets acquired by the acquiree in the merger

(3) Other notes:

The net asset of Hebei CTI Junrui Testing Technology Co., Ltd. was RMB 0 when it was purchased. As its volume was low and the operation scale was small, the fair value shall be subject to the amount of net assets in the financial statements as of the purchase date.

Lixinzhonglian CPAs (SPECIAL GENERAL PARTNERSHIP), Shenzhen Firm audited the financial statements of Zhejiang CTI Yuanjian Testing Co., Ltd. as of August 31, 2019 and issued its audit report, LXZLSZ [2019] S- No. 0140. On December 31, 2018, Tianjin Huaxia Jinxin Asset Appraisal Co., Ltd. issued the appraisal report, HXJXPBZ [2019] No. 221, for the fair value of net

identifiable assets of Zhejiang Yuanjian. As there is small difference between the fair value set forth in the appraisal report and the audited net assets, the audited net value is adopted as the fair value on August 31, 2019. Moreover, Zhejiang CTI Yuanjian Testing Co., Ltd. had very little business during the short period from August 31, 2019 to the acquisition date, during which the major transaction was the capital increase by shareholders. Therefore, the net assets audited on August 31, 2019, plus the increased capitals by shareholders up to the acquisition date, shall be deemed as the fair value of the net assets of the Company on the acquisition date.

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

Item	Hebei CTI Junrui Testing Technology Co., Ltd.		Zhejiang CTI Yuanjian Testing Co., Ltd.	
	Fair value on the purchase date	Book value on the purchase date	Fair value on the purchase date	Book value on the purchase date
Currency fund			11,056,185.39	11,056,185.39
Receivables			13,431.25	13,431.25
Advances to suppliers			1,048,804.75	1,048,804.75
Other receivables			198,383.4	198,383.4
Other current assets			141,641.15	141,641.15
Fixed assets			151,284.71	151,284.71
Less: accounts payable			23,805.97	23,805.97
Advances from customers			114,862.00	114,862.00
Payroll payable			216,243.12	216,243.12
Taxes payable			19.52	19.52
Other accounts payable			2,500,000.00	2,500,000.00
Net assets			9,754,800.04	9,754,800.04
Less: minority interests				
Net assets acquired			9,754,800.04	9,754,800.04

Note 1: the fair value of net assets of Zhejiang CTI Yuanjian Testing Co., Ltd. on the acquisition date was RMB 9,754,800. In accordance with the *Equity Transfer Agreement of Zhejiang CTI Yuanjian Testing Co., Ltd.* and the *Framework Agreement for Investment* signed by and between the Company and original shareholders of Zhejiang Yuanjian (Wang Junyan, Liu Hanyan and Zhang Jia), the Company purchased 51% of equities held by Wang Junyan, Liu Hanyan and Zhang Jia in Zhejiang Yuanjian at the price of RMB 3,511,500. Meanwhile, within 15 working days after original shareholders of Zhejiang Yuanjian (Wang Junyan, Liu Hanyan and Zhang Jia) completed the paid-in contribution, new investors shall increase the capital contribution to Zhejiang Yuanjian, and the Company shall increase the capital contribution by RMB 6,103,300. The purchases by the Company of the equity and increased capital of Wang Junyan, Liu Hanyan and Zhang Jia constituted a basket of transactions. The actual investment costs of the Company were RMB 9,614,800.

The fair value of net assets of Zhejiang Yuanjian on the acquisition date was RMB 9,754,800, of which the Company held RMB 4,974,900 for the shares held by the Company. The investment cost of the Company was RMB 9,614,800 and the difference, i.e. RMB 4,639,900, was recorded in the goodwill.

Note 2: method of determining the fair value of identifiable assets and liabilities: in consideration of the small acquisition target, Hebei CTI Junrui Testing Technology Co., Ltd. determined the fair value of identifiable assets and liabilities subject to the amount of net assets on the acquisition date. See this Note for the method of determining the fair value of identifiable assets and liabilities of Zhejiang CTI Yuanjian Testing Co., Ltd.

(II) Enterprise merger under the same control

There is no enterprise merger under the same control incurred in the current period.

(III) Disposal of subsidiaries

1. The control on investment in subsidiaries is lost upon single disposal

Name of subsidiary	Equity disposal Price	Ratio of equity disposal (%)	Method of equity disposal	Date of losing control	Basis for determining the date of losing control	The difference in the net assets of subsidiaries related to disposal price and disposal investment in the consolidated financial statements
CTI Luxuries Testing (Shenzhen) Co., Ltd.	756,000.00	60.00	Sale	June 27, 2019	Industrial and commercial registration of	119,101.60

					changes completed	
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Continued:

Name of subsidiary	Ratio of residual equity on the date of losing control (%)	Book value of residual equity on the date of losing control	Fair value of residual equity on the date of losing control	Gains or losses from recalculation of residual equity at fair value	Method of determining the fair value of residual equity on the date of losing control and the main assumptions	Amount of investment gains/losses transferred from other comprehensive incomes related to previous equity investment in subsidiaries
CTI Luxuries Testing (Shenzhen) Co., Ltd.	10.00	106,149.73	126,000.00	19,850.27	Divide the disposal price by the ratio of equities sold and multiply by the ratio of residual equities	

(IV) Changes of merger scope for other reasons

New subsidiaries of the Company include: Wuhan Huaxin Physical and Chemical Testing Technology Center Co., Ltd., Henan CTI Quantong Engineering Testing Co., Ltd., CTI Biotechnology (Suzhou) Co., Ltd., Chengdu Xijiao CTI Rail Transit Technology Co., Ltd. and Shanghai CTI Pinchuang Medical Diagnostic Testing Institute Co., Ltd.

The subsidiaries canceled by the Company include: CTI TESTING AND CERTIFICATION UK LTD., Tianjin CTI Pinzheng Petrochemical Testing Technologies Co., Ltd., Centre Testing International(Viet Nam)Company Limited, Shenyang CTI New Energy Testing Technology Co., Ltd. and Wenzhou CTI Testing Technology Co., Ltd.

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

Applicable Not Applicable

(8) Main sales accounts and suppliers

Main sales accounts of the Company

Total sales amount of top five customers of the Company (RMB)	103,251,019.38
Proportion of total sales amount of top five customers to the total annual sales amount	3.24%
Percentage of sales by affiliates in that of top five customers to the total annual sales amount	0.00%

Information concerning top five customers of the Company

No.	Name of customer	Sales amount (RMB)	Proportion to the total annual sales amount
1	China National Environmental Monitoring Centre	28,561,100.98	0.90%
2	Market Supervision Administration of Shenzhen Municipality	24,764,150.99	0.78%
3	Huawei Technologies Co., Ltd.	20,720,756.70	0.65%
4	Zhejiang Tmall Technology Co., Ltd.	17,127,211.68	0.54%
5	Beijing Missfresh Ecommerce Co.,Ltd.	12,077,799.03	0.38%
Total	--	103,251,019.38	3.24%

Other information of main customers

Applicable Not Applicable

Main suppliers of the Company

Total purchase amount of top five suppliers of the Company (RMB)	50,601,961.34
Proportion of total purchase amount of top five suppliers to the total annual purchase amount	12.25%
Proportion of purchase amount by affiliates in that of top five suppliers to total annual purchase amount	0.00%

Information concerning top five suppliers of the Company

No.	Name of supplier	Purchase amount (RMB)	Proportion to the total annual purchase amount
1	Shaanxi ZHZ Test Engineering Co., Ltd.	21,139,789.26	5.12%
2	MTS Systems (China) Co., Ltd.	9,651,200.00	2.34%
3	Espec Environmental Equipment (Shanghai) Co., Ltd.	8,060,017.24	1.95%
4	Weiss-Voetsch Environmental Testing Instruments (Taicang) Co., Ltd.	6,364,821.85	1.54%
5	Beijing Zhongsheng Del Testing Equipment Co., Ltd.	5,386,132.99	1.30%
Total	--	50,601,961.34	12.25%

Other information of main suppliers

Applicable Not Applicable

3. Expenses

Unit: RMB

	2019	2018	Year-on-year increase/decrease	Explanations for significant changes
Selling expenses	604,729,179.17	506,355,023.16	19.43%	
Management fee	222,671,207.51	180,879,690.96	23.10%	
Financial expenses	7,670,384.43	21,575,203.84	-64.45%	The Company repaid a large amount of loans and relevant interest expenses decreased.
R&D expenses	300,589,399.68	222,057,288.77	35.37%	The Company increased the investment in research and development.
Taxes and surcharges	13,479,362.30	9,022,386.84	49.40%	The Company witnessed business growth, with increase of surtaxes and real estate taxes, on which the value-added taxes shall be imposed, compared with the previous year.
Investment incomes	84,443,113.62	44,306,057.43	90.59%	In the reporting period, the Company sold the equity of REACH24H, resulting in increase of investment incomes.
Losses from asset impairment	-13,520,247.34	-49,754,628.32	-72.83%	The new financial instrument guideline was implemented by the Company, with impairment of receivables, other receivables and bills recognized under the item of losses from credit impairment.
Non-operating revenues	23,047,194.61	12,112,883.67	90.27%	Mainly consisting of the government subsidies and payments of litigation claims
Non-operating expenditures	8,910,973.47	3,311,790.31	169.07%	Mainly consisting of the performance bonus payable to original shareholders of Zhoushan Jingwei and Suzhou Jiakang.

Gains/losses of minority shareholders	7,575,775.06	12,584,846.16	-39.80%	
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4. RD investment

√ Applicable Not Applicable

As of December 31, 2019, the Company has obtained 151 patents, including 38 invention patents, 133 utility model patents and 0 appearance patent. The Company has participated in the formulation and revision of 436 standards, among which 368 have been published, including 215 national standards and 17 mandatory standards. In the reporting period, there were 11 new patents and 46 new standards.

The progress of research and development projects carried out by the Company in 2019 and the intended goals are as follows:

No.	Name of project	Progress	Intended goal
1	Atmospheric sampling device with self-protection function	Authorized 201720339325.1	Obtain patent licensing
2	Atmospheric sampling device with over-current & over-heat protection function	Authorized 201720336977.X	Obtain patent licensing
3	Steel ball surface defect detector	Authorized 201721853712.3	Obtain patent licensing
4	Light detector of surface defect	Authorized 201721867143.8	Obtain patent licensing
5	Automatic titration system of permanganate index	Authorized 201721875505.8	Obtain patent licensing
6	Surface defect detector	Authorized 201721854182.4	Obtain patent licensing
7	Multi-task testing mechanism for electronic and electric xenon lamps	Authorized 201721855009.6	Obtain patent licensing
8	Cosmetic microorganism detector	Authorized 201721853622.4	Obtain patent licensing
9	Microorganism detector	Authorized 201721853716.1	Obtain patent licensing
10	Pre-testing treatment device for particles	Authorized 201721853465.7	Obtain patent licensing
11	Ultrasonic cleaning equipment for tetrachlorodibenzo-p-dioxin	Authorized 201721853463.8	Obtain patent licensing
12	Standards for acceptance of technical requirements for inspection and testing laboratories	National standards, issued	Establish industry laboratory standards
13	Method for stress measurement of flat glass	National standards, issued	
14	Online detection of punctate defects of flat glass	National standards, issued	An online detection method
15	Quality assurance guidance for online automatic measure system of gas analysis	National standards, issued	
16	Method of assessing heavy metals in furniture, such as antimony, arsenium, barium, selenium and hexavalent chromium	National standards, issued	Improve the quality control technology of furniture industry
17	General rules and guidelines for robot safety	National standards, in progress	Establish the standards of intelligent manufacturing industry
18	National safety technical code for electric equipment	National standards, in progress	Mandatory national standards
19	Innovative research on technologies of pre-testing treatment of tetrachlorodibenzo-p-dioxin in ambient air and waste gas	Research results have been obtained	Provide more accurate sample pre-treatment method
20	Validation research on the measurement of MV122 in the serum of machin by ELISA	Research results have been obtained	A drug safety evaluation method
21	Research on the method of identifying the stable isotope ratio of the original and production mode of ganoderma lucidum	Research results have been obtained	Research on the detection method of stable isotope
22	Establishment of the environmental risk assessment test system for pesticide registration	Research results have been obtained	An environmental risk assessment system

23	Research on application of block chain and digital certificates in identity authentication	Research results have been obtained	A new identity authentication technology
24	Public service platform of home service robot detection technology	Basically finished	Provide testing services for home service robot industry

Amount invested by the Company in research and development in the past three years and its proportion to operating revenues

	2019	2018	2017
Number of R&D personnel (person)	1,260	983	643
Proportion of R&D personnel	13.47%	11.77%	8.63%
Amount invested in R&D (RMB)	300,589,399.68	222,057,288.77	181,920,819.91
Proportion of R&D investment to operating revenues	9.44%	8.28%	8.59%
Amount of capitalized R&D expenditures (RMB)	0.00	0.00	0.00
Proportion of capitalized R&D expenditures to R&D investment	0.00%	0.00%	0.00%
Proportion of capitalized R&D expenditures to current net profits	0.00%	0.00%	0.00%

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

Applicable Not Applicable

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

Applicable Not Applicable

5. Cash flow

Unit: RMB

Item	2019	2018	Year-on-year increase/decrease
Subtotal cash inflow from operating activities	3,358,683,752.65	2,923,659,626.34	14.88%
Subtotal cash outflow from operating activities	2,563,520,340.64	2,239,814,392.80	14.45%
Net cash flow from operating activities	795,163,412.01	683,845,233.54	16.28%
Subtotal of cash inflow from investing activities	1,950,393,752.41	1,198,652,960.28	62.72%
Subtotal of cash outflow from investing activities	2,608,548,507.40	1,620,961,449.42	60.93%
Net cash flow from investing activities	-658,154,754.99	-422,308,489.14	-55.85%
Subtotal of cash inflow from financing activities	240,887,570.00	548,577,916.06	-56.09%
Subtotal of cash outflow from financing activities	630,449,911.12	551,530,521.64	14.31%
Net cash flow from financing activities	-389,562,341.12	-2,952,605.58	-13,093.85%
Net increase in cash and cash equivalents	-250,531,477.06	261,572,313.53	-195.78%

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

Applicable Not Applicable

[Subtotal of cash inflow from investment activities]: the cash inflow from investment activities increased by 62.72%, mainly due to redemption of amount under money management, and the amount under money management redeemed in the reporting period

witnessed a year-on-year growth of RMB 840,000,000.

[Subtotal of cash outflow from investment activities]: the cash outflow from investment activities increased by 60.93%, mainly due to purchase of amount under money management, and the amount under money management purchased in the reporting period witnessed a year-on-year growth of RMB 1,120,000,000.

[Net cash flow from investment activities]: the net cash flow from investment activities decreased by 55.85%, mainly due to increase of amount under money management purchased in the reporting period than the previous year.

[Subtotal of cash inflow from financing activities]: the cash inflow from financing activities decreased by 56.09%, mainly due to decrease of short-term borrowings compared with the same period in the previous year, and the short-term borrowings in the reporting period witnessed a year-on-year decrease of RMB 310,000,000.

[Net cash flow from financing activities]: the net cash flow from financing activities decreased by 13093.85%, mainly due to decrease of new borrowings compared with the previous year.

[Net increase in cash and cash equivalents]: the net increase in cash and cash equivalents decreased by 195.78%, mainly due to the combined impact of the operating activities, investment activities and financing activities above.

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

Applicable Not Applicable

III. Non-main business

Applicable Not Applicable

IV. Assets and liabilities

1. Significant changes in asset composition

The Company started to implement the new standards for financial instrument, revenue or lease from 2019, and adjusted the implementation of items related to the financial statements at the beginning of the year

Applicable Not Applicable

Unit: RMB

	End of 2019		Beginning of 2019		Increase/decrease of proportion	Explanations for significant changes
	Amount	Proportion to total assets	Amount	Proportion to total assets		
Currency fund	507,068,508.11	11.44%	807,978,236.57	19.90%	-8.46%	The Company repaid a large amount of short-term borrowings, i.e. RMB 320,000,000, and increased the purchase of financing products.
Accounts receivable	744,630,069.58	16.79%	503,895,516.73	12.41%	4.38%	Mainly due to increase of customers of monthly payment.
Inventory	19,880,920.66	0.45%	14,760,152.01	0.36%	0.09%	The spare consumables for testing increased.
Investment real estate	35,017,442.03	0.79%	36,252,165.58	0.89%	-0.10%	
Long-term equity investment	105,752,802.31	2.38%	98,698,088.28	2.43%	-0.05%	
Fixed assets	1,276,280,965.46	28.78%	1,152,792,587.53	28.40%	0.38%	
Construction in progress	116,978,198.50	2.64%	220,913,833.90	5.44%	-2.80%	Phase I of CTI East China Comprehensive Testing Base (Shanghai) was completed and transferred from construction in process to fixed assets, valuing at RMB 169,000,000.
Short-term	192,777,359.15	4.35%	507,710,916.06	12.51%	-8.16%	Mainly due to loan

borrowings						repayment.
Long-term borrowings		0.00%		0.00%	0.00%	
Financial assets held for trading	555,903,309.16	12.54%	150,000,000.00	3.70%	8.84%	Mainly due to implementation of new standards for financial instrument, and transfer of non-principal-protected financial products from other current assets to financial assets held for trading
Notes receivable	13,064,427.95	0.29%	5,035,771.73	0.12%	0.17%	The customers increased the proportion of settlement by notes.
Other current assets	321,961,292.15	7.26%	390,916,381.58	9.63%	-2.37%	Mainly due to implementation of new standards for financial instrument, and transfer of non-principal-protected financial products from other current assets to financial assets held for trading
Other non-current financial assets	30,212,344.64	0.68%	31,000,000.00	0.76%	-0.08%	In the current period, the Company implemented the new standards for financial instrument, transferring "financial assets available for sale" to "other non-current financial assets".
Deferred income tax assets	45,511,252.61	1.03%	26,856,434.75	0.66%	0.37%	Mainly due to increase of the deferred income tax assets withdrawn from asset impairment reserves and deductible losses of the Company.
Other non-current assets	104,932,975.71	2.37%	44,071,913.31	1.09%	1.28%	The prepayments for undelivered equipment increased compared with the beginning of the year.
Notes payable	0.00	0.00%	1,974,960.49	0.05%	-0.05%	The Company was well funded and reduced the use of notes.
Payroll payable	309,519,142.24	6.98%	207,988,471.13	5.12%	1.86%	With expansion of scale, increase of personnel and growth of performance, the Company increased the accrued bonuses.
Taxes payable	51,665,724.93	1.17%	26,068,197.01	0.64%	0.53%	The Company achieved a growth of business performance, resulting in the increase of income tax and value-added tax.
Other accounts payable	55,074,086.91	1.24%	42,318,200.45	1.04%	0.20%	Unpaid amount of reimbursement increased.
Estimated liabilities	4,162,259.46	0.09%	1,885,898.74	0.05%	0.04%	Mainly consisting of the litigation compensation and late payment penalties for real estate tax withdrawn by subsidiaries.

Deferred income tax liabilities	48,344,986.51	1.09%	21,372,792.84	0.53%	0.56%	Increase of the deferred income tax liabilities covered by the preferential policy of one-time pre-tax deductions for fixed assets under RMB 5,000,000 of the Company.
Other comprehensive incomes	4,241,925.44	0.10%	2,324,968.79	0.06%	0.04%	Mainly due to increase of differences arising from translation of financial statements denominated in foreign currencies.
Surplus reserve	138,233,476.24	3.12%	105,212,602.04	2.59%	0.53%	Due to increase of the statutory surplus reserve drawn by the parent company

2. Assets and liabilities measured at fair value

Applicable Not Applicable

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

N/A.

V. Investment analysis

1. General

Applicable Not Applicable

2. Significant equity investment obtained during the reporting period

Applicable Not Applicable

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

Applicable Not Applicable

4. Financial assets measured at fair value

Applicable Not Applicable

5. Utilization of raised funds

Applicable Not Applicable

(1) Overall utilization of raised funds

Applicable Not Applicable

Unit: RMB 10,000

Year of raising	Method of raising	Total funds raised	Total raised funds used in the current period	Total used amount of funds raised	Total funds raised with changed purpose of use during the reporting period	Total accumulated funds raised with changed purpose of use	Percentage of accumulated funds raised with changed purpose of use	Total funds raised yet to be used	Purpose of raised funds yet to be used and their allocation	Amount of raised funds left idle for more than two years
2016	Issue RMB ordinary shares to 5 specific	90,521.38	23,117.52	55,445.83		44,369.82	49.02%	41,486.03	In the second Extraordinary General Shareholders' Meeting of	

	investors through private placements									2019, the Company deliberated and adopted the <i>Proposal on Continuing to Use Idle Raised Funds for Cash Management</i> , where the Company agreed to use an amount of idle raised funds no more than RMB 250,000,000 for cash management. By the end of the reporting period, the Company purchased RMB 250,000,000 of principal-protected financial products, and the remained RMB 164,860,200 was deposited in the special account for raised funds.	
Total	--	90,521.38	23,117.52	55,445.83	0	44,369.82	49.02%	41,486.03	--	0	

Overall utilization of raised funds

(I) Amount of actually raised funds and time of being credited into account

Approved by the China Securities Regulatory Commission in the *Reply on Approval of Private Placement by Centre Testing International Group Co., Ltd.* (ZJXX [2016] No. 1500), and agreed by your company, the Company issued 71,539,657 RMB ordinary shares (A share) to 5 specific investors through private placements in September 2016 at the issue price of RMB 12.86/share, raising RMB 920,000,000 in total. The amount of RMB 906,900,000 after deduction of the underwriting and sponsoring fees, i.e. RMB 13,100,000, was transferred by the underwriter, Changjiang Financing Services Co., Ltd., to the regulatory account for raised funds of the Company on September 29, 2016. And after deducting the new external expenses directly related to the issuance of equity securities, i.e. RMB 1,686,200, including the expenses for internet issue, printing of prospectus, reporting accountant, attorneys and assessment, the net funds raised in this placement by the Company was RMB 905,213,800. The availability of the raised funds above was verified by Pan-China Certified Public Accountants LLP, which issued the *Capital Verification Report* (TJY [2016] No. 3-133).

(II) Use and balance of raised funds

The accumulated amount of raised funds used by the Company for investment in previous years reached RMB 323,283,100, and the accumulated net bank interests received in the previous years was RMB 49,251,700 after deduction of bank charges, etc.; in 2019, the amount of raised funds actually used by the Company was RMB 231,175,200; and the net bank interests received in 2019 was RMB 14,853,100 after deduction of bank charges, etc. As of December 31, 2019, the accumulated amount of raised funds used by the Company for project investment reached RMB 554,458,300, and the accumulated net bank interests received was RMB 64,104,800 after deduction of bank charges, etc.

As of December 31, 2019, the balance of raised funds was RMB 414,860,300 (including the amount of accumulated net bank interests after deduction of bank charges, etc., including: the balance of RMB 164,860,300 deposited in the special account for raised funds, and the amount of idle raised funds used for purchasing principal-protected financial products and outstanding for redemption was RMB 250,000,000, on which there was no pledge).

(2) Promised projects of raised funds

√ Applicable □ Not Applicable

Unit: RMB 10,000

Investment projects	Project change	Total amount	Total invest	Amount	Accumulated	Investment	Date when	Returns	Cumulative	Achieve the	With signifi
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committed and deployment of over-raised funds	d or not (including partial change)	of raised funds committed to be invested	ment after adjustment (1)	invested in the current reporting period	amount invested by the end of the period (2)	progress at the end of the period (3) = (2)/(1)	the project reaching the expected serviceable condition	realized in the current reporting period	benefits realized by the end of the reporting period	expected performance or not	change in feasibility of the project or not
Committed investment projects											
Phase I of CTI East China Comprehensive Testing Base (Shanghai)	Yes	44,276.76	30,276.76	9,362.46	30,611.07	101.10%	March 31, 2020			(Note 1)	No
Phase II of CTI East China Testing Base (Suzhou)	Yes	21,646.42	12,646.42	6,870.55	11,755.42	92.95%	August 31, 2020			(Note 1)	No
Construction of information-based system and data center	Yes	14,758.92	3,184.86	320.18	1,069.75	33.59%	December 31, 2022			(Note 1)	No
Product authenticity and traceability testing platform based on stable isotope	Yes	5,903.57	43.52		43.52	100.00%	December 31, 2019			(Note 1)	No
High through-put gene testing platform	Yes	3,935.71					December 31, 2018			(Note 1)	No
Establishment of Southern Testing Base	No		11,574.06	1,860.85	3,662.43	31.64%	December 31, 2021			(Note2)	No
Establishment of Northern Testing Base	No		14,000	2,463.43	4,044.21	28.89%	December 31, 2021			(Note2)	No
Establishment of Central China Testing Base	No		9,795.76	1,242.22	3,261.6	33.30%	December 31, 2021			(Note2)	No
Establishment of Qingdao Testing Base	No		9,000	997.83	997.83	11.09%	December 31, 2025			(Note 3)	No
Sub-total of committed investment projects	--	90,521.38	90,521.38	23,117.52	55,445.83	--	--	0	0	--	--
Deployment of over-raised funds											
N/A											
Total	--	90,521.38	90,521.38	23,117.52	55,445.83	--	--	0	0	--	--

Circumstances and reasons for non-achievement of planned progress or expected benefits (by specific project)	<p>Note 1: among the five projects under private placements in 2016, the projects of "product authenticity and traceability testing platform based on stable isotope" and "high through-put gene testing platform" are terminated, and the remained funds are invested in the establishment of Central China Testing Base. Other projects are under normal construction.</p> <p>Note 2: 2017 witnessed changes in the raised funds, namely, the deployment of funds for non-public projects of 2016 was adjusted, with three projects under capital construction.</p> <p>Note 3: 2018 witnessed changes in the raised funds, namely, the deployment of funds for non-public project of 2016 was adjusted, with such project under capital construction.</p>
Explanation for significant change in project feasibility	Not applicable.
Amount, purpose and utilization of over-raised funds	Not applicable
Change in implementation location of investment project funded by raised funds	Applicable
	<p>In the 27th Meeting the 4th Board of Directors held on May 20, 2019, the Company deliberated and adopted the <i>Proposal on Increasing the Implementation Location of Some Fund-raising Projects</i>, where the Company agreed to establish "Phase II of CTI East China Testing Base (Suzhou)". Suzhou CTI Testing Technology Co., Ltd. was the subject for implementing "Phase II of CTI East China Testing Base (Suzhou)" among the fundraising projects of the Company, and the original planned implementation location was at No. 3286, Chengyang Road, Xiangcheng District, Suzhou. On May 8, 2019, the subject of implementation, Suzhou CTI Testing Technology Co., Ltd., set up a branch company in Kunshan. In order to more effectively integrate the resources of the subsidiaries, an implementation site was added, i.e. Zhihuixincheng Eco-industry Park, No. 1206, Jinyang East Road, Lujia Town, Kunshan City, to jointly continue the implementation of the project.</p>
Adjustment for implementation mode of investment project funded by raised funds	Applicable
	<p>Occurred in previous years</p> <p>The Company deliberated and adopted the <i>Proposal on Changing the Purpose of Raised Funds</i> in the 11th Meeting of the 4th Board of Directors and the 8th Meeting of the 4th Board of Supervisors held on August 23, 2017.</p> <p>With expansion of the Company's business scale and the situation of industry development, for the purpose of seizing the regional market, the Company planned to build regional testing centers in major cities across the country. The land use rights of some regions have been obtained, and the approval procedures with relevant units are expected to be completed in the near future. Therefore, the Company is in high demand for capitals. The funds raised in private placements of 2016 were available in September 2016. Some project go well, but some projects are making slow progress. There are a lot of idle raised funds. In order to increase the use efficiency of raised funds and reasonably allocate the resources of the Company, according to <i>GEM Listing Rules of Shenzhen Stock Exchange, Guidelines for Standardized Operation of GEM Listed Companies on Shenzhen Stock Exchange</i> and other related regulations, the Company adjusted the deployment of funds for non-public projects of 2016, namely:</p> <ol style="list-style-type: none"> 1. Adjust the funds for "Phase I of CTI East China Comprehensive Testing Base (Shanghai)" Based on the actual progress and capital requirements of the project, the project funds of RMB 140,000,000 is adjusted to be used for the construction of the Northern Testing Base. 2. Adjust the funds for "construction of information-based system and data center" Due to the long construction cycle of informatization related projects, the short-term capital demand is not large, resulting in a large amount of idle funds. In order to improve the use efficiency, the Company adjusts some funds for construction of bases according to the project progress and the time of capital demand. The Company will continue to promote the project, carry out the project by stages, and meet subsequent capital demands with self-owned funds. The Company transfers RMB 115,740,600 from the project funds to invest in the construction of Southern Testing Base. 3. The projects of "product authenticity and traceability testing platform based on stable isotope" and "high through-put gene testing platform" were terminated. As the projects above are in the early stage in the whole market, resulting in low market demand and small short-term capital demand, in order to improve the use efficiency, the Company uses the remained funds of RMB 97,964,800 to invest in the construction of Central China Testing Base. (Due to the fact that two decimals are not retained in the announcement data concerning change of purpose during the reporting period, there is a difference of RMB 7,200 in the amount of change). The Company will use self-raised funds for subsequent capital demands according to the development of project. <p>The Company deliberated and adopted the <i>Proposal on Changing the Purpose of Raised Funds</i> in the 14th Meeting of the 4th Board of Directors and the 11th Meeting of the 4th Board of Supervisors held on April 26, 2018.</p> <p>Considering the requirement of base construction and the fund use arrangement for "Phase II of CTI East China Testing Base (Suzhou)", in order to increase the use efficiency of raised funds and reasonably allocate the resources</p>

	of the Company, according to GEM Listing Rules of Shenzhen Stock Exchange, Guidelines for Standardized Operation of GEM Listed Companies on Shenzhen Stock Exchange and other related regulations, the Company adjusted the deployment of funds for non-public projects of 2016 and the funds for "Phase II of CTI East China Testing Base (Suzhou)". Based on the actual progress and capital requirements of the project, the project funds of RMB 90,000,000 was adjusted to be used for the construction of Qingdao Testing Base.
Up-front input in investment projects funded by raised funds and replacement	Applicable On December 6, 2016, the Company deliberated and adopted the <i>Proposal on Replacing Self-financed Funds Already Available to Fundraised Project with Raised Funds</i> in the 6 th Meeting of the 4 th Board of Directors, where the Company agreed to replace own funds (RMB 45,366,400) previously invested in such project with raised funds. The above investment and replacement were audited by Pan-China Certified Public Accountants LLP, which issued the <i>Verification Report on Self-financed Funds of Centre Testing International Group Co., Ltd. Already Available to Fundraised Project</i> (TJS [2016] No. 3-624).
Temporary supplementation of working capital with idle raised funds	Applicable On December 17, 2018, the Company deliberated and adopted the <i>Proposal on Temporary Replenishment of Working Capitals with Some Idle Raised Funds</i> in the 22 nd meeting of the 4 th Board of Directors, agreeing that an amount of no more than RMB 150,000,000 in idle raised funds shall be used for temporary replenishment of working capitals, subject to guaranteeing the capital requirements for construction of fund-raising projects and maintaining normal construction of fund-raising projects, and the period of use shall not exceed 12 months from the date of approval by the Board of Directors, and shall be returned to the special account for raised funds upon expiration. As of December 31, 2019, the idle raised funds used for temporary replenishment of working capitals were fully repaid. On December 21, 2019, the Company deliberated and adopted the <i>Proposal on Replenishment of Working Capitals with Some Idle Raised Funds</i> in the first meeting of the 5 th Board of Directors, agreeing that an amount of no more than RMB 150,000,000 in idle raised funds shall be used for replenishment of working capitals, subject to guaranteeing the capital requirements for construction of fund-raising projects and maintaining normal construction of fund-raising projects, and the period of use shall not exceed 12 months from the date of approval by the Board of Directors, and shall be returned to the special account for raised funds upon expiration.
Balance of raised funds for project implementation and the reasons	Not applicable
Purpose of raised funds not utilized and their allocation	The 33 rd meeting of the 4 th Board of Directors held by the Company on November 14, 2019 deliberated and approved the <i>Proposal on Continuing to Use Idle Raised Funds for Cash Management</i> , agreeing the Company to use an amount of no more than RMB 250,000,000 in temporarily idle raised funds for cash management without affecting the construction and normal production & operation of project invested by the raised funds, to purchase wealth management products with high security, good liquidity and principal protection agreement, and the amount of cash management can be used in a rolling way within 12 months from the date of deliberation and approval of the General Shareholders' Meeting. The proposals above were deliberated and adopted in the first 2019 Extraordinary General Shareholders' Meeting held on December 2, 2019. As of December 31, 2019, the Company purchased principal-protected wealth management products with RMB 250,000,000 of temporarily idle raised funds.
Problems or other situations existing in the utilization and disclosure of raised funds	N/A.

(3) Change in project funded by raised funds

√ Applicable □ Not Applicable

Unit: RMB 10,000

Changed project	Corresponding committed project	Total amount of raised funds to be invested in the changed project (1)	Actual amount invested in the current reporting period	Actual cumulative investment amount at the end of the period (2)	Investment progress at the end of the period (3) = (2)/(1)	Date when the project reaching the expected serviceable condition	Returns realized in the current reporting period	Achieve the expected performance or not	Any material change in the feasibility of the changed project or not

Establishment of Southern Testing Base	Construction of information-based system and data center	11,574.06	1,860.85	3,662.43	31.64%	December 31, 2021			No
Establishment of Northern Testing Base	Phase I of CTI East China Comprehensive Testing Base (Shanghai)	14,000	2,463.43	4,044.21	28.89%	December 31, 2021			No
Establishment of Central China Testing Base	Product authenticity and traceability testing platform based on stable isotope/high through-put gene testing platform	9,795.76	1,242.22	3,261.6	33.30%	December 31, 2021			No
Establishment of Qingdao Testing Base	Phase II of CTI East China Testing Base (Suzhou)	9,000	997.83	997.83	11.09%	December 31, 2025			No
Total	--	44,369.82	6,564.33	11,966.07	--	--	0	--	--
Notes on reasons, decision-making procedures and information disclosure (by specific project)	<p>The Company deliberated and adopted the <i>Proposal on Changing the Purpose of Raised Funds</i> in the 11th Meeting of the 4th Board of Directors and the 8th Meeting of the 4th Board of Supervisors held on August 23, 2017.</p> <p>With expansion of the Company's business scale and the situation of industry development, for the purpose of seizing the regional market, the Company planned to build regional testing centers in major cities across the country. The land use rights of some regions have been obtained, and the approval procedures with relevant units are expected to be completed in the near future. Therefore, the Company is in high demand for capitals. The funds raised in private placements of 2016 were available in September 2016. Some project go well, but some projects are making slow progress. There are a lot of idle raised funds. In order to increase the use efficiency of raised funds and reasonably allocate the resources of the Company, according to <i>SSE GEM Listing Rules, Guidelines for Standardized Operation of GEM Listed Companies</i> and other related regulations, the Company adjusted the deployment of funds for non-public projects of 2016, namely:</p> <ol style="list-style-type: none"> Adjust the funds for "Phase I of CTI East China Comprehensive Testing Base (Shanghai)" Based on the actual progress and capital requirements of the project, the project funds of RMB 140,000,000 is adjusted to be used for the construction of the Northern Testing Base. Adjust the funds for "construction of information-based system and data center" Due to the long construction cycle of informatization related projects, the short-term capital demand is not large, resulting in a large amount of idle funds. In order to improve the use efficiency, the Company adjusts some funds for construction of bases according to the project progress and the time of capital demand. The Company will continue to promote the project, carry out the project by stages, and meet subsequent capital demands with self-owned funds. The Company transfers RMB 115,740,600 from the project funds to invest in the construction of Southern Testing Base. The projects of "product authenticity and traceability testing platform based on stable isotope" and "high through-put gene testing platform" were terminated. As the projects above are in the early stage in the whole market, resulting in low market demand and small short-term capital demand, in order to improve the use efficiency, the Company uses the remained funds of RMB 97,964,800 to invest in the construction of Central China Testing Base. (Due to the fact that two decimals are not retained in the announcement data concerning change of purpose during the reporting period, there is a difference of RMB7,200 in the amount of change). The Company will use self-raised funds for subsequent capital demands according to the development of project. <p>The Company deliberated and adopted the <i>Proposal on Adjusting Details of Fund-raising Projects</i> in the 13th meeting of the 4th Board of Directors and the 10th</p>								

	<p>Meeting of the 4th Board of Supervisors held on November 30, 2017.</p> <p>In order to further improve the efficiency of fund raising and reduce the Company's cost of funding, in combination with the current equipment purchase needs of the Company's three testing bases, the Company increased the equipment purchase projects, and set aside equipment purchase funds of RMB 36,000,000, RMB 34,000,000 and RMB 23,100,000 for the three bases, totaling RMB 93,100,000. The total amount of investment in the three testing bases remained unchanged. See details in the <i>Notice on Adjusting Details of Fund-raising Projects</i>. The matters adjusted were deliberated and approved in the 3rd Extraordinary General Shareholders' Meeting of 2017.</p> <p>The Company deliberated and adopted the <i>Proposal on Changing the Purpose of Raised Funds</i> in the 14th Meeting of the 4th Board of Directors and the 11th Meeting of the 4th Board of Supervisors held on April 26, 2018.</p> <p>Considering the requirement of base construction and the fund use arrangement for "Phase II of CTI East China Testing Base (Suzhou)", in order to increase the use efficiency of raised funds and reasonably allocate the resources of the Company, according to SSE GEM Listing Rules, Guidelines for Standardized Operation of GEM Listed Companies and other related regulations, the Company adjusted the deployment of funds for non-public projects of 2016 and the funds for "Phase II of CTI East China Testing Base (Suzhou)". Based on the actual progress and capital requirements of the project, the project funds of RMB 90,000,000 were adjusted to be used for the construction of Qingdao Testing Base. The matters adjusted were deliberated and approved in the Annual General Shareholders' Meeting of 2017. The contents above have been disclosed on the information disclosure website, cninfo.com.cn, designated by China Securities Regulatory Commission.</p>
Circumstances and reasons for non-achievement of planned progress or expected benefits (by specific project)	N/A.
Explanation for significant change in the feasibility of the changed project	N/A.

VI. Sale of major assets and equity

1. Sale of major assets

Applicable Not Applicable

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

2. Sale of major equity

Applicable Not Applicable

VII. Analysis of major holding and participating companies

Applicable Not Applicable

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

Unit: RMB

Company name	Company type	Main businesses	Registered capital	Total assets	Net assets	Operating revenues	Operating profits	Net profits
Suzhou CTI Testing Technology Co., Ltd.	Subsidiary	Provide testing services	200,000,000.00	330,036,379.46	269,701,081.07	265,843,334.07	42,818,395.90	39,139,535.16
Shanghai CTI Pinbiao Testing Technology Co., Ltd.	Subsidiary	Provide testing services	30,868,981.00	208,647,656.30	121,738,131.93	311,322,293.77	60,242,359.19	55,577,656.99

Acquisition and disposal of subsidiaries in the reporting period

√ Applicable □ Not Applicable

Company name	Method for acquisition and disposal of subsidiaries in the reporting period	Impact on overall production, operation and performance
Hebei CTI Junrui Testing Technology Co., Ltd.	Enterprise merger not under the same control	-432,795.72
Zhejiang CTI Yuanjian Testing Co., Ltd.	Enterprise merger not under the same control	-108,920.54
CTI Luxuries Testing (Shenzhen) Co., Ltd.	Disposal of subsidiaries	138,951.87
Wuhan Huaxin Physical and Chemical Testing Technology Center Co., Ltd.	New subsidiaries	-2,481,565.08
Henan CTI Quantong Engineering Testing Co., Ltd.	New subsidiaries	-2,662.04
CTI Biotechnology (Suzhou) Co., Ltd.	New subsidiaries	-1,752.50
Chengdu Xijiao CTI Rail Transit Technology Co., Ltd.	New subsidiaries	-3,331.80
Shanghai CTI Pinchuang Medical Diagnostic Testing Institute Co., Ltd.	New subsidiaries	-
CTI TESTING AND CERTIFICATION UK LTD.	Canceled subsidiaries	98,283.41
Tianjin CTI Pinzheng Petrochemical Testing Technologies Co., Ltd.	Canceled subsidiaries	110,472.25
Centre Testing International(Viet Nam)Company Limited	Canceled subsidiaries	-
Shenyang CTI New Energy Testing Technology Co., Ltd.	Canceled subsidiaries	-53,943.09
Wenzhou CTI Testing Technology Co., Ltd.	Canceled subsidiaries	1,201,696.31

Description of major holding and participating companies

Suzhou CTI Testing Technology Co., Ltd. is a wholly-owned subsidiary of CTI. Business scope: laboratory testing, technical consultation for laboratory management, laboratory testing technology and information consultation; Environmental technology testing service; Agricultural soil and products testing; Technical inspection service for drinking water, chemicals, food, electric products, metal materials, textiles, clothing, shoes & hats, toys, automobiles and building materials; Testing and evaluation of occupational hazard factors, and occupational disease hazard of construction projects; Instrument calibration; Development and design of testing instrument and reagent. (Other items subject to the approval by law should not be carried out until authorities give such approval.)

Shanghai CTI Pinbiao Testing Technology Co., Ltd. is a wholly-owned subsidiary of CTI. Business scope: technical consultation for laboratory management, testing technology consultation (except for brokerage), laboratory testing (except for special approval), laboratory testing technology and information consultation service, development and design of electric products, development of food testing reagent, development of environmental monitoring system engineering and new environmental protection technology, development of electromagnetic radiation control technology for power grid and information system, import and export of goods and technologies, inspection and verification of imported and exported commodities, and certification services; (Other items subject to the approval by law should not be carried out until authorities give such approval.)

VIII. Structured entities controlled by the Company

□ Applicable √ Not Applicable

IX. Prospects for the future development of the Company

I. Industry structure and trend

(I) Industry structure

In recent years, China witnessed rapid development of the inspection & testing certification market. According to statistics of the State Administration for Market Regulation, by the end of 2018, there were 39,472 inspection and testing certification bodies in total, up by 8.66% compared with 2017, achieving an annual operating revenue of RMB 281,050,000,000, up by 18.21% compared with 2017. The number and market size of inspection & testing bodies maintain a growth rate of 10% for many years. The inspection & testing certification industry is under an important turning point of reform, integration, transformation, upgrading, and quality and efficiency improvement. In 2019, in the government work reports made in the Two Sessions, the quality foundation was mentioned for the first time. It was required to "strengthen the support of quality foundation, promote the alignment of standards with advanced world standards, improve the quality of products and services, and enable more domestic and foreign users to choose Chinese

products and services". Inspection & testing certification is an important part of the national quality infrastructure and an important technical support for economic construction and development. With China entering the stage of high-quality development, as a service industry leading the quality development, the inspection & testing certification industry occupies an important position.

(II) Industry trends

In 2019, the State Administration for Market Regulation issued and implemented the *Opinions on further Promoting the Qualification Accreditation Reform of Inspection and Testing Bodies*, which thoroughly implemented the requirements of "streamline administration, delegate power, strengthen regulation and optimize service", created a healthy business environment, further stimulated the vitality of the inspection & testing market, and promoted the inspection and testing bodies to move toward marketization, internationalization, specialization, intensification and standardization.

(1) Marketization trend

In 2018, China had 26,000 inspection & testing enterprises, accounting for 65.87% in the total number; there were 10924 public inspection and testing institutions, accounting for 27.68% of the total. As can be seen from the statistics, the proportion of public inspection and testing institutions declined year by year. Under the background of advocating "Small Government, Big Society", public institutions gradually withdraw from the inspection & testing market, and switch the focus back to government services, which enables the release of testing resources, increase in the number of private inspection & testing companies and further enhancement of marketization. However, there is still disordered competition in the inspection and testing industry, which requires further guidance and planning from the government and adjustment of testing resources through market mechanism, to realize the sound development of the testing industry.

(2) Intensification trend

By the end of 2018, there were 5,051 inspecting and testing institutions in China which had operating income above the designated scale (annual operating income RMB 10,000,000) each, and they had total operating income of RMB 214,880,000,000. The inspecting and testing institutions above the designated scale only accounted for 12.8% of all inspecting and testing institutions of the whole industry, but their operating income was 76.5% of total operating revenue of the whole industry. This means that the inspecting and testing industry develops in an intensification trend. The current biggest challenge of inspecting, testing and certifying institutions in China is inefficient operation which results from numerous but scattered companies, poor scale effect and relatively weak competitiveness. The inspecting, testing and certifying institutions gradually show polarization where some of them develop well and have big market share and excellent management, but some of them are trapped in falling service industry, increasing competition and lagging-behind management and develop with a lot of difficulties. In the intensification trend, the inspecting and testing institutions need to improve operation efficiency and market competitiveness through strategic selection and management.

(3) Internationalization trend

Inspection and Test are internationally common tools for quality management, which can reduce international market barriers and make international trade more convenient. Along with the development in global testing industry, the general trend of testing systems in all countries is consistent. China National Accreditation Service for Conformity Assessment is in the process of deepening reform, strengthening integration with international community and successfully passing an international peer review to create conditions for institutions to enter international market so that the inspecting and testing institutions can use internationally recognized marks. All these lay a foundation for the development of third-party testing bodies.

The test and certification are applied in all industries. For each segment, there are technical characteristics and regulatory requirements. The segments are relatively independent, so the testing industry is fragmented. Considering the fragmentation, even an industry leader has a small market share. Strategic M&A becomes a necessary way for international testing institutions to become bigger and stronger and also common practice for international testing institutions. In the internationalization process, third-party testing bodies need to enter new fields and regions through M&A to realize cross-field and cross-region development and become global comprehensive testing institutions.

(III) The Company's competitive position in the industry

Over years of accumulation and development, the Company has become a leader among domestic private testing institutions. From a perspective of main activities of inspecting and testing institutions, the state-owned institutions, which take advantage of the traditional monopoly position to occupy half of the testing market and have main activities like mandatory inspection and testing pursuant to various certification requirements of ministries and committees, such as commodity inspection, quality inspection, environmental protection and health inspection, are not in direct competition with the Company. However, when the future mandatory certification products specified by the government are open to third-party testing bodies including the Company, the competition will gradually form. At present, most private testing institutions in China are mainly engaged in technical testing services in a certain field, and thus are in weak competition with the Company which provides comprehensive testing services. Along with rapid development of private testing institutions in China, excellent listed companies are appearing and the competition will gradually form. Since Accession to WTO, China has made the technical testing industry open to foreign companies. Major international testing institutions have set up branches in China which are mainly engaged in comprehensive testing services, and become our main competitors.

In the reporting period, the Company continues to maintain its market edges in environment testing, food testing, trade security and other fields, and through fine management, reduces costs and increases efficiency to enhance the cost edge of the Company. The Company, by taking advantage of its own capabilities, continuously innovates to meet customers' needs, provides customers with one-stop solutions and strives for more market share. The Company continues strategic investment to further consolidate its industry-leading position. The Company continues to increase investment in research and development and participate in the formulation and revision of standards to lead the development of the industry. The Company strengthens the construction of talent

team to provide guarantee for sustainable development of the Company.

II. Future development strategy

As our vision is "CTI services will be always by your side in your everyday life" and our mission is "providing global services of testing and certification, and conveying trust for quality life", the Company is committed to developing a competitive international testing and certification institution foothold in China market.

1. Improve operation efficiency and realize high quality development

The inspection and testing industry has entered the stage of intensive cultivation, and imposes higher requirements for the Company's management level. Fine management has become an important tool for the Company's high quality development. The Company focuses on investment efficiency, utilization of equipment, personnel and sites, laboratory process optimization, fund use efficiency and other aspects to maximize benefits, thus realizing the Company's sustainable and high quality development.

2. Adhere to strategic investment and develop on the internationalization path

While striving to improve operation efficiency, the Company continues to strategic investments and M&As, and plans and trains major business growth points in the short, medium and long terms according to the industry development direction. Considering the fragmentation characteristic of the testing industry, it is very suitable for the Company to become bigger and stronger through M&A. The fields with more synergy with China will be selected by the Company for international M&As, such as consumer goods, electronic technology, and wireless communication.

3. Adhere to the talent strategy which helps the Company's sustainable development

As the testing industry is a professional technical service industry, the core team and leadership determine the Company's long-term development. The Company mobilizes the enthusiasm and creativity of its employees by establishing and improving talent training mechanism and using flexible talent incentive mechanism to attract outstanding talents, including employee stock ownership plan, stock option incentive plan, scientific assessment mechanism, to help the Company's sustainable and efficient development.

III. 2020 Annual Work Plan

In 2020, the Company's Board of Directors and Management will continue to push forward various work plans around the Company's development goals and strategies. The 2020 Plan will focus on the following aspects:

1. Continue to deepen fine management and improve operation efficiency

In 2020, we will continue to deepen fine management, control our budget and thus employee growth percentage, and increase per capita output value. As for the utilization of equipment, personnel and sites, we will research and develop the system for monitoring equity utilization, which allows for real-time monitoring, coordination and allocation of resources, to improve equipment utilization efficiency, reasonably control laboratory area and increase output per unit area. The laboratories will continue to implement and strengthen process optimization to improve profit margins. We will further reduce the number of loss-making laboratories, and ensure profit growth through sustained income increase by reversing loss-making laboratories. We will deepen the collaboration between different product lines in the same region and the collaboration within the region. We will continue to improve operating cash flow, rationally arrange capital expenditures, dividends and other fund allocations, and improve the efficiency of the use of funds. In 2020, fine management measures will continue to be promoted with focus on optimizing efficiency and structure to achieve high quality development of the Company.

2. Continue strategic investment around internationalization goals

Over years of experience accumulation, the Company has been in the domestic leading position in the fields of environment testing, food testing, trade security, etc. Combining with the development trend of the industry and the characteristics of the business fields, the Company will formulate corresponding implementation plans. In the fields of environment, food, automobile, etc., we will maintain our attentions to the construction of segment-specialized laboratories and maintain the continuous growth of our original advantageous areas. To invest in new fields, we will focus on aviation materials, automotive electronics, industry and engineering (including rail transit and industrial materials), consumer goods, electronic science and technology, fire prevention materials, medicine and health, etc., and integrate domestic and foreign high quality resources through self-establishments, joint ventures, M&As and other ways to promote the Company's sustainable and rapid growth.

The Company has been striving to develop into an internationally-competitive Chinese testing institution, and M&A is a necessary way for the Company to go global. The Company's domestic M&As mainly focus on the opportunity to restructure state-owned enterprises and the acquisitions related to business collaboration. We will also pay attention to global distribution of services and overseas acquisitions that meet the collaboration of domestic and overseas activities. The measures like equity sales, asset liquidation or disposal will be used for the enterprises which have non-performing assets or low value and their equipment, employees and qualifications to further optimize the Company's asset structure.

To improve investment efficiency, we will do more methodical and rhythmic investment, do analysis of return on investment (ROI) in reasonably detailed manner before doing such investment, and continuously track whether the investment deviates from the investment plan and expectations during the investment process. We will pay attention to integration and coordination after M&A, look for talents with integration capabilities in the industry to carry out collaborative management and operation, and adopt a series of M&A integration measures from the perspectives of corporate governance, financial management, risk control management, business integration, etc. to ensure full play of the synergy effect of various investments and help the Company develop into an internationally competitive testing institution.

3. Strengthen the construction of talent echelon and enhance the Company's sustainable competitiveness

The Company will continue to implement an active talent strategy, build up a talent echelon reserve, and complement it with an introduction mechanism for key external professionals in new fields to stimulate the enthusiasm of employees and enhance the Company's competitiveness through flexible incentive mechanisms.

We will build talent training system and establish multi-dimensional and comprehensive training system covering employees at different levels, including new employee training, Qinghua Management Trainee (MT) Program, Jinghua Management Awareness Program (MAP), Guanghua Leadership Awareness Program (LAP) and Succession Plan. We will, through recruitment, training and promotion, systematically absorb and train talents, build a complete talent echelon, retain talents for the Company's long-term development, and ensure high-level service and leading professional status in the industry.

By adopting an employee stock ownership plan, stock option incentive plan, partner system and other incentives, we will encourage core management, establish sound incentive mechanism, attract more outstanding professionals, and enhance the Company's sustainable competitiveness.

4. Concentrate on corporate value and enhance brand influence

With the aim to satisfy customers, we will strengthen the Group's ability to develop major customers and provide customers with high value-added services. We will be concentrating on corporate value to enhance Quality, Health, Safety and Environmental Protection (QHSE) and improve service quality and service level. We will also strengthen the layout of our international network, gradually build up global sales and service network, and further enhance overseas service capabilities. Additionally, we will invest more into Environmental, Social and Corporate Governance (ESG) aspects to perform our social responsibility and enhance the Company's brand influence.

5. Continue to complete corporate governance structure and secure steady development for the Company

In strategic transformation and upgrading, along with expansion of business scale and multiplication of subsidiaries, bigger challenges have been brought about in the management and control of the Company. In 2020, the Company will continue to improve its corporate governance structure and secure steady development of the Company.

On one hand, we will continue to improve our corporate governance structure, further optimize and adjust the organizational setup, management process and job division, give full play to the Group's vertical control functions, further deepen the control over the companies which are owned or held by the Company, strengthen daily management and standardized operation of subsidiaries, and improve the management level of the Company.

On the other hand, we will continue to establish, improve and optimize the Group's rules and regulations as well as internal control procedures. Based on the experience and achievements gained in internal control construction, we will further promote the improvement of internal control system and realize standardization, refinement and operability in the construction of the internal control system. Horizontally, we will expand internal control scope and gradually achieve full coverage of parents and subsidiaries. Vertically, we will reinforce and deepen the achievements gained by the Company in its internal control and strive for greater progress in the construction of internal control system.

IV. Possible adverse risks

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

As a third-party testing body, credibility and brand are the motive force for the sustainable development of the Company as well as the foundation of business survival. It is only possible for the Company to gradually expand the market share and gain a favorable position in market competition when customers recognize its technology and impartiality. Once credibility and brand are impaired by quality problems, the Company will lose customers, and the business development and profitability will also be impaired. In severe cases, the Company might be disqualified for certification & testing, which will affect the continuing operations of the Company.

The Company attaches great importance to the maintenance of credibility and brand, actively advocates the integrity-based values, establishes a good internal quality management system to ensure the authenticity and accuracy of test reports, and continuously improves the quality of test service. During the reporting period, the Company organizes professional training for multiple times to improve the technological capability and professional level of laboratory personnel, and appoints experienced technical personnel as quality supervisors to monitor the competence of technical personnel and ensure that the personnel competence meets the standard requirements. The Company establishes a group-level QHSE department for vertical control by the group over quality, health, safety and environment, and modifies the Measures for QHSE Supervision and Management and the Measures for QHSE Supervision and Accident Management. Consisting of the quality managers, QHSE department/personnel and laboratory QA personnel of branches, the QA team of branches exercises strict control over quality risks through quality review, special verification, internal verification, management review, etc., giving zero tolerance for violations. Meanwhile, the Company establishes a special commission on public integrity and operates it under high standard of morality, to defend the brand concept and credibility value treasured by the Company from beginning to end from the perspectives of system and technology.

2. Market and policy risks

The testing industry is an industry with strong policy orientation. The government policy concerning the development of testing industry affects the development speed of the testing industry. With the development of the global testing industry, the testing systems in various countries are consistent in the overall trend, i.e., the government or industry association conducts the industry management of testing bodies through market access rules such as assessment and approval, to marketize the business of testing and

conformity assessment, improve the service quality and promote the industrial development. The independent testing bodies shall conduct the market-oriented operation based on the services provided by itself and in accordance with requirements of the client. The service fee shall be determined by both parties through negotiation. The testing industry in China is influenced by the planned economic system for a long time. After accession to the WTO, under the pressure from the international community requiring to speed up the opening of the service market, the testing industry is in urgent need of standardizing and restricting industrial behaviors with such industry standards as are converging with the international rules. Although the open market-oriented development is confirmed in national policies, there may still be some policies and regulations which are not conducive to the market-oriented development of the industry. Uncertainties still exist on the degree of openness granted by the government to testing, posing a certain degree of risk to the Company.

In view of this risk, the Company sets up a special department, which gives close attention to the policy situation of relevant regulatory departments, regularly reports to the management, and actively deals with potential policy risks.

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

The testing and certification industry is featured with segmentation, stretching over multiple industries. Each segmentation is relatively independent. Fast replication is difficult and rapid expansion through capital is impossible. It is common practice for international testing and certification giants to quickly cut into new fields through M&A. M&A strategy is one of the long-term development strategies of the Company. As both selection of M&A targets and integration after M&A relate to the success or failure of M&A, there are substantial risks. Through the trials in the past few years, the Company explores and learns some lessons concerning M&A.

Adhering to the principle of prudence, the Company will make a sufficient demonstration through detailed due diligence in the early stage of M&A, make strategic choice of proper industries and quality targets at home and abroad, and make adequate analysis of return on investment (ROI) by continuously following up whether or not the investment is in line with the plan and realizes the expected effect of enhancing post-investment management through the introduction of industry talents with integration capability for collaborative management & operation. In view of the decision-making risk concerning M&A, during the reporting period, the Company set up the Strategy and M&A Committee of the Board of Directors, and further improved the investment decision-making procedures to adapt to the development of company strategy. In accordance with provisions of the Articles of Association, the Work Rules of the Strategy and M&A Committee of the Board of Directors, etc., major investment matters are managed by the Operation and Management Committee of the Group, which shall prove the feasibility of the project; According to the decision-making authority, major investment matters are submitted to the Strategy and M&A Committee of the Board of Directors, the Board of Directors and the General Shareholders' Meeting for deliberation. This improves the scientificity and quality of major investment decisions of the Company.

4. Risk of impact on company profits by failure of new laboratories to meet the expectation

The testing industry has a first mover advantage. In order to accelerate the layout of the national testing market, in recent years, the Company builds a number of international or domestic leading laboratories or testing bases. The Company witnesses continuous and rapid growth of fixed assets, projects under construction, project supplies and total equipment purchase. The construction of a laboratory consists of decoration, personnel recruitment, equipment purchase and review. The laboratory can be put into formal operation only after obtaining qualification. And it takes a certain period to achieve the profit and loss balance. The profits of the Company might be impacted by failure of the new laboratories to meet the expectation. In the future, the Company will focus on new laboratories, promote the operational efficiency of new laboratories and gradually release the production capacity of new laboratories, so that the scale effect is increasingly felt and that the Company achieves a steady growth of income margins.

The Company has basically completed the network layout of laboratories. The Company will control the total amount of investment through budget management, make a detailed analysis of return on investment (ROI), evaluate the reasonableness and necessity of each investment, and properly control the pace of investment.

X. Registration Form for Reception of Investigation, Communication, Interview and Other Activities

1. Registration Form for Reception of Investigation, Communication, Interview and Other Activities in the reporting period

√ Applicable Not Applicable

Time of reception	Way of reception	Type of visitor	Basic information of research
August 19, 2019	Field research	Institution	http://www.cninfo.com.cn/new/disclosure/stock?plate=szse&orgId=9900008369&stockCode=300012
August 20, 2019	Field research	Institution	http://www.cninfo.com.cn/new/disclosure/stock?plate=szse&orgId=9900008369&stockCode=300012
October 29, 2019	Field research	Institution	http://www.cninfo.com.cn/new/disclosure/stock?plate=szse&orgId=9900008369&stockCode=300012

Section V Important Matters

I. Profit distribution for ordinary shares and conversion of capital reserve into share capital of the Company

Formulation, implementation or adjustment of profit distribution policies for ordinary shares, especially cash dividend policy, during the reporting period

√ Applicable Not Applicable

In the spirits of the *Notice of China Securities Regulatory Commission on Further Implementing Matters Related to Cash Dividends of Listed Companies* (ZJF [2012] No.37), the *Guidelines No. 3 on the Supervision and Administration of Listed Companies – Distribution of Cash Dividends of Listed Companies* (CSRC Announcement [2013] No. 43) and other documents, since its listing, the Company has always adhered to an active, sustained and stable profit distribution policy, shared the operating results from the development of the Company with all shareholders, actively returned investors, guided investors to set up a long-term investment concept and a rational investment concept, and formulated the *Plan of Dividends and Returns to Shareholders for Next Three Years*. On the premise that normal operation and long-term development are ensured, the Company will continue to implement a stable dividend policy in the future.

Special explanation on cash dividend policy	
Whether it complies with provisions of Articles of Association or resolutions of General Shareholders' Meeting:	Yes
Whether the standard and proportion are specific and clear:	Yes
Whether relevant decision-making procedures and mechanisms are complete:	Yes
Whether independent directors have performed their responsibilities or not:	Yes
Whether minority shareholders are given an opportunity to express their opinions and claims, and their lawful rights and interests are protected fully:	Yes
Whether the conditions and procedures for adjusting or changing the cash dividend policy are compliant and transparent:	Yes

Whether the Company's profit distribution plan and the plan for conversion of capital reserve into share capital during the reporting period are consistent with its Articles of Association and dividend management rules:

√ Yes No Not Applicable

The Company's profit distribution plan and the plan for conversion of capital reserve into share capital during the reporting period are in line with the provisions of the Articles of Association of the Company.

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

Number of dividend shares per 10 shares (share)	0
Amount of distributed dividends per 10 shares (RMB) (including tax)	0.35
Number of capital shares converted from every 10 capital reserve shares (share)	0
Number of basic shares subject to the distribution plan (share)	1,657,530,714
Amount of cash dividends (RMB) (including tax)	58,013,574.99
Amount of cash dividends in other ways (such as share repurchase) (RMB)	0.00
Total cash dividends (including in other ways) (RMB)	58,013,574.99
Profit available for distribution (RMB)	792,874,450.13
Proportion of total cash dividends (including in other ways) to total profit distribution amount	100.00%
Cash dividends	
Where the Company is in a developing stage and has significant capital expenditure arrangement, the dividends distributed in the form of cash shall not be less than 20% of the total profit distribution amount.	
Explanation on details of the profit distribution plan or the plan on conversion capital reserve into share capital	

As audited by Da Hua Certified Public Accountants (Special General Partnership), the parent realized net profit in the amount of RMB 330,208,742.02 for 2019. Assuming that 10% of the parent's net profit for 2019, i.e. RMB 33,020,874.20, is statutory capital reserve, plus the undistributed profits at the beginning of the year RMB 553,700,156.91 and less the cash dividends paid in 2018 RMB 58,013,574.60 (including tax), as at December 31, 2019, the profits of the parent available for distribution is RMB 792,874,450.13. According to the *Company Law*, the Articles of Association and other relevant provisions, combining with actual situation of the Company, the Profit Distribution Plan for 2019 of the Company is to distribute RMB 58,013,574.99 in total on the base of 1,657,530,714 total shares as at December 31, 2019 where 0 capital share is converted from every 10 capital reserve shares and RMB 0.35 (including tax) is paid as cash dividends for every 10 shares. If the number of total shares changes for restricted stock re-purchase, share compensation for committed performance and share re-purchase implemented by the Company before this profit distribution plan is implemented, the then number of total shares shall be based on to carry out profit distribution where the distribution proportion remains changed and the total distribution amount is adjusted accordingly. This profit distribution plan has been adopted on the Fourth Session of the Meeting of the Fifth Board of Directors, and may not be implemented until it has been approved at the 2019 Annual General Shareholders' Meeting.

Dividend distribution plans for ordinary shares (proposed plans) and plans for conversion of capital reserve into share capital (proposed plans) of the Company in recent 3 years (including the reporting period)

The Profit Distribution Plan for 2019 of the Company adopted at the meeting of Board of Directors in 2019 is to distribute RMB 58,013,574.99 in total on the base of 1,657,530,714 total shares as at December 31, 2019 where 0 capital share is converted from every 10 capital reserve shares and RMB 0.35 (including tax) is paid as cash dividends for every 10 shares. If the number of total shares changes for restricted stock re-purchase, share compensation for committed performance and share re-purchase implemented by the Company before this profit distribution plan is implemented, the then number of total shares shall be based on to carry out profit distribution where the distribution proportion remains changed and the total distribution amount is adjusted accordingly.

The proposed profit distribution plan of the Company adopted at the meeting of Board of Directors in 2018 is to distribute RMB 58,013,574.99 in total on the base of 1,657,530,714 total shares where 0 capital share is converted from every 10 capital reserve shares and RMB 0.35 (including tax) is paid to shareholders as cash dividends for every 10 shares, with 0 bonus share (including tax).

The proposed profit distribution plan of the Company adopted at the meeting of Board of Directors in 2017 is to distribute RMB 41,438,267.85 in total on the base of 1,657,530,714 total shares where 0 capital share is converted from every 10 capital reserve shares and RMB 0.25 (including tax) is paid to shareholders as cash dividends for every 10 shares, with 0 bonus share (including tax).

Table of cash dividends for ordinary shares of the Company in recent 3 years (including the reporting period)

Unit: RMB

Year of distribution	Amount of cash dividends (including tax)	Net profits attributable to ordinary shareholders of the listed company in consolidated statements of the year of distribution	Proportion of the amount of cash dividends to the net profits attributable to ordinary shareholders of the listed company in consolidated statements	Amount of cash dividends in other ways (such as share repurchase) (RMB)	Proportion of the amount of cash dividends in other ways to the net profits attributable to ordinary shareholders of the listed company in consolidated statements	Total cash dividends (including in other ways)	Ratio of total cash dividends (including other ways) to the net profits attributable to ordinary shareholders of the listed company in consolidated statements
2019	58,013,574.99	476,396,504.93	12.18%	0.00	0.00%	58,013,574.99	12.18%
2018	58,013,574.99	269,983,678.83	21.49%	0.00	0.00%	58,013,574.99	21.49%
2017	41,438,267.85	133,898,301.98	30.95%	0.00	0.00%	41,438,267.85	30.95%

Within the reporting period, both the Company's profit and the parent's profit available for distribution to the common shareholders are positive, but no cash dividend plan has been raised.

Applicable Not Applicable

II. Performance of commitments

1. Commitments, made by relevant parties involving the commitments such as the Company's actual controllers, shareholders, affiliates, purchasers and the Company itself, that have been fulfilled during the reporting period and that have not been fulfilled at the end of the reporting period

Applicable Not Applicable

Source of commitment	Undertaker	Type of commitment	Contents of commitment	Time of commitment	Term of commitment	Performance
Commitments made in acquisition report or equity change report						
Commitments made in assets restructuring						
Commitments made in initial public offering or refinancing	Guo Bing; Guo Yong; Wan Feng; Wan Lipeng	The commitment on horizontal competition, connected transactions, and capital occupation	To avoid possible horizontal competition with the Company in the future, major shareholders of the Company, Wan Lipeng, Wan Feng, Guo Bing and Guo Yong, signed a Letter of Commitments to Avoid Horizontal Competition, under which each of them commits that: 1. they have not engaged in or participated in any competition with the Company. To avoid new or potential horizontal competition with the Company, they will not directly or indirectly engage in or participate in any business that competes with the Company, or have any right or interest in any economic entity, institution or economic organization that competes with the Company in or outside China, or otherwise acquire the control over such economic entity, institution or economic organization, or serve in senior executives or other core management in such economic entity, institution or economic organization; and 2. the above commitment shall be effective as long as they hold shares or take office in the Company, and they shall pay for all economic losses	September 1, 2008	Long-term	In normal performance

			resulted from breach of the above commitment.			
	Wan Feng; Wan Lipeng	The commitment on shareholders acting in concert	The actual controllers of the Company, Wan Lipeng and Wan Feng who are parent-child relationship, commit to act in concert and they are persons acting in concert.	September 1, 2008	Long-term	In normal performance
The commitment on equity incentive						
Other commitments to minority shareholders of the Company	Yu Cuiping	The commitment on limited sales of shares	I, Yu Cuiping, hereby commit to act for my CTI shares acquired upon divorce and to continue to fulfill Mr. Wan Feng's original commitments on share locking: (1) I commit that during Mr. Wan Feng's tenure as a director, supervisor or other senior executive of the Company, the acquired CTI shares that can be reduced every year shall be up to 25% of the remaining shares held by me; (2) I commit to voluntarily appoint and authorize Mr. Wan Feng to vote for these CTI shares acquired by me; (3) I will not transfer any of these CTI shares within 6 months, or more than 50% of these CTI shares within 18 months, after Mr. Wan Feng resigns or is dismissed; (4) Relevant provisions of China Securities Regulatory Commission and Shenzhen Stock Exchange on restricted shares; (5) Relevant provisions of <i>Several Provisions on the Reduction of Shares Held in a Listed Company by the Shareholders</i> ,	June 28, 2017	Long-term	In normal performance

			<p><i>Directors, Supervisors, and Senior Executives of the Listed Company</i> issued by China Securities Regulatory Commission on May 26, 2017 and of the <i>Detailed Implementing Rules of the Shenzhen Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies</i> issued by Shenzhen Stock Exchange on May 27, 2017; (6) For the CTI shares added for distribution of bonus shares in CTI, conversion of capital reserve to share capital or any other reason, the above provisions shall be followed.</p>			
Whether commitments are performed on schedule	Yes					
If the commitments are unperformed by the deadline, the specific reasons for the failure to perform and the work plan for next steps shall be explained in detail.	Not applicable					

2. The Company's statement on meeting any original profit forecast on any assets or projects of the Company and the reasons therefor, where such profit forecast has been made and the reporting period falls within the profit forecast period

Applicable Not Applicable

III. Non-operating capital of listed companies occupied by controlling shareholders and their related parties

Applicable Not Applicable

There is no non-operating capital of listed companies occupied by controlling shareholders or their related parties during the reporting period of the Company.

IV. Explanation of the Board of Directors on relevant situation of the latest issue of “Non-standard Audit Report”

Applicable Not Applicable

V. Explanation of the Board of Directors, Board of Supervisors and Independent Directors (if any) on the “Non-standard Audit Report” for the reporting period issued by the accounting firm

Applicable Not Applicable

VI. Explanation of the Board of Directors on the changes of accounting policies and

accounting estimates or correction of significant accounting errors during the reporting period

√ Applicable Not Applicable

1. To reasonably reflect the Company's provision for bad debts and further improve the quality of the Company's accounting data, since March 1, 2019, no provision for bad debts has been confirmed for the Company's combination of deposit and security. The 23rd Session of the Meeting of the Fourth Board of Directors and the 19th Session of the Meeting of the Fourth Board of Supervisors of the Company held on March 1, 2019 approved the *Proposal on Changes in Accounting Estimates*, as detailed in the *Announcement on Changes in Accounting Estimates* (Announcement No.: 2019-008) issued on March 2, 2019.

2. According to the *Notice on Revising and Issuing the Format of 2019 Financial Statements of General Enterprises* (CK [2019] No. 6) issued by the Ministry of Finance on April 30, 2019, non-financial business implementing Accounting Standards for Enterprises is required to prepare 2019 interim financial statements, annual financial statements and later financial statements according to such format. The *Accounting Standards for Enterprises No. 7 – Exchange of Non-monetary Assets* [CK 2019 No. 8] issued by the Ministry of Finance on May 9, 2019 shall apply all business implementing Accounting Standards for Enterprises according to its provisions. According to the above documents, the Company needs to change its accounting policies used before. The 29th Session of the Meeting of the Fourth Board of Directors and the 25th Session of the Meeting of the Fourth Board of Supervisors of the Company held on August 15, 2019 approved the *Proposal on Changes in Accounting Policies*, as detailed in the *Announcement on Changes in Accounting Policies* (Announcement No.: 2019-049) issued on August 16, 2019.

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

√ Applicable Not Applicable

(I) Enterprise merger not under the same control

1. Enterprise merger not under the same control incurred in the current period

Name of acquiree	Date of acquiring equity	Cost of equity acquisition	Equity ratio acquired (%)	Method of equity acquisition	Purchase date	Determination basis of purchase date	Revenues of the acquiree from the purchase date to the end of the period	Net profits of the acquiree from the purchase date to the end of the period
Hebei CTI Junrui Testing Technology Co., Ltd.	May 8, 2019	100.00	68.00	Purchase with cash	May 8, 2019	Acquisition of control	57,447.85	-636,464.30
Zhejiang CTI Yuanjian Testing Co., Ltd.	September 16, 2019	9,614,800.00	51.00	Purchase with cash	September 16, 2019	Acquisition of control	2,077,692.59	-213,569.68

2. Merger costs and goodwill

Merger costs	Hebei CTI Junrui Testing Technology Co., Ltd.	Zhejiang CTI Yuanjian Testing Co., Ltd.
Cash	100.00	9,614,800.00
Fair value of non-cash assets		
Fair value of debts issued or assumed		
Fair value of equity securities issued		
Fair value of contingent consideration		
Fair value on the purchase date of equity held prior to the purchase date		
Others		
Total merger costs	100.00	9,614,800.00
Less: fair value of identifiable net assets obtained		4,974,948.02
Goodwill/amount of merger costs lower than the	100.00	4,639,851.98

fair value of identifiable net assets acquired		
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(1) Determination of the fair value of merger costs and description of contingent consideration and its changes: the fair value of merger costs shall be determined subject to the cash actually paid.

(2) Main reason for the formation of large goodwill: the amount of the fair value of merger costs greater than the fair value of identifiable net assets acquired by the acquiree in the merger

(3) Other notes:

The net asset of Hebei CTI Junrui Testing Technology Co., Ltd. was RMB 0 when it was purchased. Considering its volume is low and its operation scale is small, the net assets in the financial statements on the date of purchase are used as the fair value.

Lixinzhonglian CPAs (SPECIAL GENERAL PARTNERSHIP), Shenzhen Firm audited the financial statements of Zhejiang CTI Yuanjian Testing Co., Ltd. as at August 31, 2019 and issued its audit report, LXZLSZ [2019] S-No. 0140. On August 31, 2019, Tianjin Huaxia Jinxin Asset Appraisal Co., Ltd. issued the appraisal report, HXJXPBZ [2019] No. 221, as for fair value of net identifiable assets of Zhejiang Yuanjian. Considering the difference between the fair value set forth in the appraisal report and the reviewed net asset is small, the net value reviewed is adopted as the fair value on August 31, 2019. Moreover, Zhejiang Yuanjian had very little business during the short period from August 31, 2019 in which the major transaction was the shareholders' contribution to increased capital. Therefore, the net asset reviewed on August 31, 2019 plus the increased capital contributed into by the shareholders on the acquisition date shall be deemed as the fair value of net asset of that company on the acquisition date.

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

Item	Hebei CTI Junrui Testing Technology Co., Ltd.		Zhejiang CTI Yuanjian Testing Co., Ltd.	
	Fair value on the purchase date	Book value on the purchase date	Fair value on the purchase date	Book value on the purchase date
Currency fund			11,056,185.39	11,056,185.39
Receivables			13,431.25	13,431.25
Advances to suppliers			1,048,804.75	1,048,804.75
Other receivables			198,383.4	198,383.4
Other current assets			141,641.15	141,641.15
Fixed assets			151,284.71	151,284.71
Less: accounts payable			23,805.97	23,805.97
Advances from customers			114,862.00	114,862.00
Payroll payable			216,243.12	216,243.12
Taxes payable			19.52	19.52
Other accounts payable			2,500,000.00	2,500,000.00
Net assets			9,754,800.04	9,754,800.04
Less: minority interests				
Net assets acquired			9,754,800.04	9,754,800.04

Note 1: the fair value of net assets of Zhejiang CTI Yuanjian Testing Co., Ltd. on the acquisition date was RMB 9,754,800. In accordance with the *Equity Transfer Agreement of Zhejiang CTI Yuanjian Testing Co., Ltd.* and the *Framework Agreement for Investment* signed by and between the Company and original shareholders of Zhejiang Yuanjian (Wang Junyan, Liu Hanyan and Zhang Jia), the Company purchased 51% of equities held by Wang Junyan, Liu Hanyan and Zhang Jia in Zhejiang Yuanjian at the price of RMB 3,511,500. Meanwhile, within 15 working days after original shareholders of Zhejiang Yuanjian (Wang Junyan, Liu Hanyan and Zhang Jia) completed the paid-in contribution, new investors shall increase the capital contribution to Zhejiang Yuanjian, and the Company shall increase the capital contribution by RMB 6,103,300. The purchases by the Company of the equity and increased capital of Wang Junyan, Liu Hanyan and Zhang Jia constituted a basket of transactions. The actual investment costs of the Company were RMB 9,614,800.

The fair value of net asset of Zhejiang Yuanjian on the acquisition date was RMB 9,754,800, of which the Company held RMB 4,974,900 for the shares held by the Company in Zhejiang Yuanjian. The investment cost of the Company was RMB 9,614,800 and the difference, i.e. RMB 4,639,900, was recorded in the goodwill account.

Note 2: method of determining the fair value of identifiable assets and liabilities: in consideration of the small acquisition target, Hebei CTI Junrui Testing Technology Co., Ltd. determined the fair value of identifiable assets and liabilities subject to the amount of net assets on the acquisition date. See this Note for the method of determining the fair value of identifiable assets and liabilities of Zhejiang CTI Yuanjian Testing Co., Ltd.

(II) Enterprise merger under the same control

There is no enterprise merger under the same control incurred in the current period.

(III) Disposal of subsidiaries

1. The control on investment in subsidiaries is lost upon single disposal

Name of subsidiary	Equity disposal Price	Ratio of equity disposal (%)	Method of equity disposal	Date of losing control	Basis for determining the date of losing control	The difference in the net assets of subsidiaries related to disposal price and disposal investment in the consolidated financial statements
CTI Luxuries Testing (Shenzhen) Co., Ltd.	756,000.00	60.00	Sale	June 27, 2019	Industrial and commercial registration of changes completed	119,101.60

Continued:

Name of subsidiary	Ratio of residual equity on the date of losing control (%)	Book value of residual equity on the date of losing control	Fair value of residual equity on the date of losing control	Gains or losses from recalculation of residual equity at fair value	Method of determining the fair value of residual equity on the date of losing control and the main assumptions	Amount of investment gains/losses transferred from other comprehensive incomes related to previous equity investment in subsidiaries
CTI Luxuries Testing (Shenzhen) Co., Ltd.	10.00	106,149.73	126,000.00	19,850.27	Divide the disposal price by the ratio of equities sold and multiply by the ratio of residual equities	

(IV) Changes of merger scope for other reasons

New subsidiaries of the Company include: Wuhan Huaxin Physical and Chemical Testing Technology Center Co., Ltd., Henan CTI Quantong Engineering Testing Co., Ltd., CTI Biotechnology (Suzhou) Co., Ltd., Chengdu Xijiao CTI Rail Transit Technology Co., Ltd. and Shanghai CTI Pinchuang Medical Diagnostic Testing Institute Co., Ltd.

The subsidiaries canceled by the Company include: CTI TESTING AND CERTIFICATION UK LTD., Tianjin CTI Pinzheng Petrochemical Testing Technologies Co., Ltd., Centre Testing International(Viet Nam)Company Limited, Shenyang CTI New Energy Testing Technology Co., Ltd. and Wenzhou CTI Testing Technology Co., Ltd.

VIII. Appointment and dismissal of accounting firms

Currently employed accounting firm

Name of domestic accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Compensation for domestic accounting firm (RMB ten thousand)	160
Consecutive years for domestic accounting firm to provide audit service	1
Name of CPA of the domestic accounting firm	Chen Yong and Lv Hongtao
Consecutive years for CPA of domestic accounting firm to provide audit service	Three years for Chen Yong, two years for Lv Hongtao
Name of international accounting firm (if any)	N/A
Compensation for international accounting firm (RMB ten thousand) (if any)	0
Consecutive years for international accounting firm to provide audit service (if any)	N/A

Name of CPA of the international accounting firm (if any)	N/A
Consecutive years for CPA of international accounting firm to provide audit service (if any)	N/A

Whether to change the accounting firm

Yes No

Any replacement of the accounting firm during the audit period or not

Yes No

Whether have approval procedures been approved for the replacement of the accounting firm

Yes No

Explanation on appointment and dismissal of accounting firms

As the business team of Lixin CPAs (SPECIAL GENERAL PARTNERSHIP) which provided services for the Company joined Da Hua Certified Public Accountants (Special General Partnership), to ensure continuity of business and services, the 33rd Session of the Meeting of the Fourth Board of Directors and the 2019 First Extraordinary Meeting of General Shareholders' Meeting of the Company approved the *Proposal on Changing the Accounting Firm for 2019*, considering that Da Hua Certified Public Accountants (Special General Partnership) had professional qualifications in securities and futures and was able to audit for the Company and suitable for annual financial audit of the Company and that this change would not affect 2019 annual audit of the Company. Thus, they agreed to appoint Da Hua Certified Public Accountants (Special General Partnership) as the auditor of the Company in respect of 2019 annual financial statements and internal controls.

Employment of accounting firm for audit of internal controls, financial consultants, or sponsors

Applicable Not Applicable

IX. Suspension of listing and termination of listing after disclosure of annual report

Applicable Not Applicable

X. Matters related to bankruptcy restructuring

Applicable Not Applicable

The Company did not have any matters related to bankruptcy restructuring during the reporting period.

XI. Significant lawsuits and arbitration

Applicable Not Applicable

There was no significant lawsuit or arbitration in the Company in the current year.

XII. Punishment and rectification

Applicable Not Applicable

The Company had no punishment or rectification during the reporting period.

XIII. The integrity of the Company and its controlling shareholder and actual controller

Applicable Not Applicable

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

Applicable Not Applicable

<input type="checkbox"/>	Overview of matters	Query index
Initial Employee Stock Ownership Plan	The 9th Session of the Meeting of the Fourth Board of Directors of the Company held on June 1, 2017 approved the <i>Initial Employee Stock Ownership Plan (Draft) of Centre Testing International Group Co., Ltd. and Its Abstract</i> , the <i>Measures for the Administration of Initial Employee Stock Ownership Plan of Centre Testing International Group Co., Ltd.</i> and the <i>Proposal on General Shareholders' Meeting Authorizing Board of Directors to Handle Employee Stock Ownership Plan of the Company</i> .	The details are available at http://www.cninfo.com.cn in the <i>Announcement of Resolution of the 9th Session of the Meeting of the Fourth Board of Directors</i> (Announcement No.: 2017-031) and <i>Independent Opinions of Independent Directors on the Matters Discussed at the 9th Session of the Meeting of the Fourth Board of Directors</i> issued by the Company on June 2, 2017.
	The 6th Session of the Meeting of the Fourth Board of Supervisors of the Company held on June 1, 2017 approved the <i>Initial Employee Stock Ownership Plan</i>	The details are available at http://www.cninfo.com.cn in the <i>Announcement of Resolution of the 6th Session of the Meeting of the Fourth Board of Supervisors</i> (Announcement No.:

	<i>(Draft) of Centre Testing International Group Co., Ltd. and Its Abstract, and the Proposal on Verifying List of Holders Under Initial Employee Stock Ownership Plan of the Company.</i>	2017-032) issued by the Company on June 2, 2017.
	The 2017 First Extraordinary Meeting of the General Shareholders' Meeting of the Company held on June 19, 2017 approved the <i>Initial Employee Stock Ownership Plan (Draft) of Centre Testing International Group Co., Ltd. and Its Abstract</i> and the <i>Measures for the Administration of Initial Employee Stock Ownership Plan of Centre Testing International Group Co., Ltd.</i>	The details are available at http://www.cninfo.com.cn in the <i>Announcement of Resolution of 2017 First Extraordinary Meeting of General Shareholders' Meeting</i> (Announcement No.: 2017-035) issued by the Company on June 19, 2017.
	On August 12, 2017, the preliminary preparations for the Initial Employee Stock Ownership Plan were completed (including account opening, financing and agreement execution).	The details are available at http://www.cninfo.com.cn in the <i>Announcement on Implementation Progress of Initial Employee Stock Ownership Plan</i> (Announcement No.: 2017-046) issued by the Company on August 12, 2017.
	On August 31, 2017, stock purchase was completed under the Initial Employee Stock Ownership Plan.	The details are available at http://www.cninfo.com.cn in the <i>Announcement on Completion of Stock Purchase Under Initial Employee Stock Ownership Plan</i> (Announcement No.: 2017-055) and <i>Corrective Announcement on Completion of Stock Purchase Under Initial Employee Stock Ownership Plan</i> (Announcement No.: 2017-056) issued by the Company on August 31, 2017.
	On December 18, 2018, the Company disclosed a prompt announcement on expiration of the duration of Initial Employee Stock Ownership Plan.	The details are available at http://www.cninfo.com.cn in the Prompt Announcement on Expiration of the Duration of Initial Employee Stock Ownership Plan (Announcement No.: 2018-083) issued by the Company on December 18, 2018.
	The 26th Session of the Meeting of the Fourth Board of Directors of the Company held on May 17, 2019 approved the <i>Proposal on Extending and Changing the Initial Employee Stock Ownership Plan</i> , the <i>Proposal on Amending the Initial Employee Stock Ownership Plan (Draft) of Centre Testing International Group Co., Ltd. and Its Abstract</i> , and the <i>Proposal on Amending the Measures for the Administration of Initial Employee Stock Ownership Plan of Centre Testing International Group Co., Ltd.</i>	The details are available at http://www.cninfo.com.cn in the <i>Announcement of Resolution of the 26th Session of the Meeting of the Fourth Board of Directors</i> (Announcement No.: 2019-029) and <i>Independent Opinions of Independent Directors on the Matters Discussed at the 26th Session of the Meeting of the Fourth Board of Directors</i> issued by the Company on May 18, 2019.
	The 22nd Session of the Meeting of the Fourth Board of Supervisors of the Company held on May 17, 2019 approved the <i>Proposal on Amending the Initial Employee Stock Ownership Plan (Draft) and Abstract of Centre Testing International Group Co., Ltd.</i> and the <i>Proposal on Verifying Changed List of Holders under Initial Employee Stock Ownership Plan of the Company.</i>	The details are available at http://www.cninfo.com.cn in the <i>Announcement of Resolution of the 22nd Session of the Meeting of the Fourth Board of Supervisors</i> (Announcement No.: 2019-030) issued by the Company on May 18, 2019.
	On September 11, 2019, 5,500,000 shares, i.e. 0.33% of share capital of the Company, were sold by means of block trade on Shenzhen Stock Exchange and held under the Initial Employee Stock Ownership Plan at closing price of RMB 12.19/share, with rights and interests allocated to the holders.	The details are available at http://www.cninfo.com.cn in the <i>Announcement on Changes in Rights and Interests of the Initial Employee Stock Ownership Plan</i> (Announcement No.: 2019-060) issued by the Company on September 12, 2019.
Second Employee Stock Ownership Plan	The 17th Session of the Meeting of the Fourth Board of Directors of the Company held on July 23, 2018 approved the <i>Second Employee Stock Ownership Plan (Draft) of Centre Testing International Group Co., Ltd. and Its Abstract</i> , the <i>Measures for the Administration of Second Employee Stock Ownership Plan of Centre Testing International Group Co., Ltd.</i> and the <i>Proposal on General Shareholders' Meeting Authorizing Board of Directors to Handle Employee Stock Ownership Plan of the Company.</i>	The details are available at http://www.cninfo.com.cn in the <i>Announcement of Resolution of the 17th Session of the Meeting of the Fourth Board of Directors</i> (Announcement No.: 2018-035) and <i>Independent Opinions of Independent Directors on the Matters Discussed at the 17th Session of the Meeting of the Fourth Board of Directors</i> issued by the Company on July 24, 2018.
	The 13th Session of the Meeting of the Fourth Board of Supervisors of the Company held on July 23, 2018 approved the <i>Second Employee Stock Ownership Plan (Draft) and Abstract of Centre Testing</i>	The details are available at http://www.cninfo.com.cn in the <i>Announcement of Resolution of the 13th Session of the Meeting of the Fourth Board of Supervisors</i> (Announcement No.: 2018-036) issued by the Company on July 24, 2018.

	<i>International Group Co., Ltd. and the Proposal on Verifying List of Holders Under Second Employee Stock Ownership Plan of the Company.</i>	
	The 2018 First Extraordinary Meeting of General Shareholders' Meeting of the Company held on August 8, 2018 approved the <i>Second Employee Stock Ownership Plan (Draft) of Centre Testing International Group Co., Ltd. and Its Abstract, the Measures for the Administration of Second Employee Stock Ownership Plan of Centre Testing International Group Co., Ltd. and the Proposal on General Shareholders' Meeting Authorizing Board of Directors to Handle Employee Stock Ownership Plan of the Company.</i>	The details are available at http://www.cninfo.com.cn in the Announcement of Resolution of 2018 First Extraordinary Meeting of General Shareholders' Meeting (Announcement No.: 2018-042) issued by the Company on August 9, 2018.
	The 19th Session of the Meeting of the Fourth Board of Directors of the Company held on October 9, 2018 approved the <i>Proposal on Amending the Second Employee Stock Ownership Plan (Draft) of Centre Testing International Group Co., Ltd. and Its Abstract and the Proposal on Amending the Measures for the Administration of Second Employee Stock Ownership Plan of Centre Testing International Group Co., Ltd.</i>	The details are available at http://www.cninfo.com.cn in the <i>Announcement of Resolution of the 19th Session of the Meeting of the Fourth Board of Directors</i> (Announcement No.: 2018-053) and <i>Independent Opinions of Independent Directors on the Matters Discussed at the 19th Session of the Meeting of the Fourth Board of Directors</i> issued by the Company on October 10, 2018.
	The 15th Session of the Meeting of the Fourth Board of Supervisors of the Company held on October 9, 2018 approved the <i>Proposal on Amending the Second Employee Stock Ownership Plan (Draft) of Centre Testing International Group Co., Ltd. and Its Abstract and the Proposal on Verifying Changed List of Holders under Second Employee Stock Ownership Plan of the Company.</i>	The details are available at http://www.cninfo.com.cn in the Announcement of Resolution of the 15th Session of the Meeting of the Fourth Board of Supervisors (Announcement No.: 2018-054) issued by the Company on October 10, 2018.
	The Meeting of Holders of the Second Employee Stock Ownership Plan held by the Company on October 9, 2018 approved the <i>Proposal on Amending the Second Employee Stock Ownership Plan (Draft) of Centre Testing International Group Co., Ltd. and Its Abstract.</i>	The details are available at http://www.cninfo.com.cn in the <i>Second Employee Stock Ownership Plan Draft (Amendment) and the Second Employee Stock Ownership Plan Draft Abstract (Amendment)</i> issued by the Company on October 10, 2018.
	In October 2018, the Company completed the execution of Asset Management Contract for the Second Employee Stock Ownership Plan.	The details are available at http://www.cninfo.com.cn in the <i>Announcement on Execution of Asset Management Contract for the Second Employee Stock Ownership Plan</i> (Announcement No.: 2018-064) and the <i>Asset Management Contract for Guosen Securities CTI Employee Stock Ownership No. 1 Targeted Asset Management Plan</i> issued by the Company on October 24, 2018.
	On December 10, 2018, stock purchase was completed under the Second Employee Stock Ownership Plan.	The details are available at http://www.cninfo.com.cn in the <i>Announcement on Shareholder's Reduction of Shares and Completion of Stock Purchase Under the Second Employee Stock Ownership Plan</i> (Announcement No.: 2018-075) issued by the Company on December 11, 2018.
2018 Equity Incentive Plan	The 21st Session of the Meeting of the Fourth Board of Directors of the Company held on November 27, 2018 approved the <i>Proposal on Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2018 and Its Abstract, the Proposal on the Measures for the Administration of Assessment of the Implementation of Stock Option Incentive Plan of Centre Testing International Group Co., Ltd. for 2018 and the Proposal on General Shareholders' Meeting Authorizing Board of Directors to Handle Stock Option Incentive Plan of the Company for 2018.</i>	The details are available at http://www.cninfo.com.cn in the <i>Announcement of Resolution of the 21st Session of the Meeting of the Fourth Board of Directors</i> (Announcement No.: 2018-071) and <i>Independent Opinions of Independent Directors on the Matters Discussed at the 21st Session of the Meeting of the Fourth Board of Directors</i> issued by the Company on November 28, 2018.
	The 17th Session of the Meeting of the Fourth Board of Supervisors of the Company held on November 27, 2018 approved the <i>Proposal on Stock Option Incentive Plan (Draft) of Centre Testing</i>	The details are available at http://www.cninfo.com.cn in the <i>Announcement of Resolution of the 17th Session of the Meeting of the Fourth Board of Supervisors</i> (Announcement No.: 2018-072) issued by the Company on November 28,

	<i>International Group Co., Ltd. for 2018 and Its Abstract, the Proposal on the Measures for the Administration of Assessment of the Implementation of Stock Option Incentive Plan of Centre Testing International Group Co., Ltd. for 2018 and the Proposal on Verifying List of Incentive Objects of Stock Option Incentive Plan of the Company for 2018.</i>	2018.
	From November 28, 2018 to December 7, 2018, the Company publicized the List of Incentive Objects of 2018 Stock Option Incentive Plan within the Company, containing the name, position and other details of these incentive objects. In the publication period, no objection to these incentive objects of the stock option incentive plan was received by the Board of Supervisors of the Company.	The details are available at http://www.cninfo.com.cn in the <i>Review Opinions and Publication Explanation of the Board of Supervisors on the List of Incentive Objects of Stock Option Incentive Plan for 2018</i> (Announcement No.: 2018-074) issued by the Company on December 8, 2018.
	The 2018 Second Extraordinary Meeting of General Shareholders' Meeting of the Company held on December 13, 2018 approved the <i>Proposal on Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2018 and Its Abstract, the Proposal on the Measures for the Administration of Assessment of the Implementation of Stock Option Incentive Plan of Centre Testing International Group Co., Ltd. for 2018 and the Proposal on General Shareholders' Meeting Authorizing Board of Directors to Handle Stock Option Incentive Plan of the Company for 2018.</i>	The details are available at http://www.cninfo.com.cn in the <i>Announcement of Resolution of 2018 Second Extraordinary Meeting of General Shareholders' Meeting</i> (Announcement No.: 2018-076) issued by the Company on December 14, 2018.
	On December 14, 2018, the Company conducted self-review on purchase and sales of the stock of the Company by insiders and incentive objects of 2018 Stock Option Incentive Plan (referred to as "this Incentive Plan") during 6 months prior to initial disclosure of the Incentive Plan Draft (May 28, 2018 to November 28, 2018).	The details are available at http://www.cninfo.com.cn in the <i>Self-review Report on Purchase and Sales of Company Stock by Insiders and Incentive Objects of Stock Option Incentive Plan for 2019</i> (Announcement No.: 2018-077) issued by the Company on December 14, 2018.
	The 22nd Session of the Meeting of the Fourth Board of Directors of the Company held on December 17, 2018 approved the <i>Proposal on Awarding Stock Options to Incentive Objects.</i>	The details are available at http://www.cninfo.com.cn in the <i>Announcement of Resolution of the 22nd Session of the Meeting of the Fourth Board of Directors</i> (Announcement No.: 2018-078) and <i>Independent Opinions of Independent Directors on the Matters Discussed at the 22nd Session of the Meeting of the Fourth Board of Directors</i> issued by the Company on December 18, 2018.
	The 18th Session of the Meeting of the Fourth Board of Supervisors of the Company held on December 17, 2018 approved the <i>Proposal on Awarding Stock Options to Incentive Objects.</i>	The details are available at http://www.cninfo.com.cn in the <i>Announcement of Resolution of the 18th Session of the Meeting of the Fourth Board of Supervisors</i> (Announcement No.: 2018-079) issued by the Company on December 18, 2018.
	On December 26, 2018, the Company completed the registration of such issue under 2018 Stock Option Incentive Plan.	The details are available at http://www.cninfo.com.cn in the <i>Announcement on Completion of Registration of the Issue Under 2018 Stock Option Incentive Plan</i> (Announcement No.: 2018-085) issued by the Company on December 27, 2018.
	On December 26, 2019, the exercise price of 2018 Stock Option Incentive Plan was adjusted and the conditions for exercise in the first exercise period were achieved under 2018 Stock Option Incentive Plan.	The details are available at http://www.cninfo.com.cn in the <i>Announcement on Adjusting the Exercise Price of 2018 Stock Option Incentive Plan</i> (Announcement No.: 2019-086) and the <i>Announcement on Achieving the Conditions for Exercise in the First Exercise Period of 2018 Stock Option Incentive Plan</i> (Announcement No.: 2019-087) issued by the Company on December 26, 2019.
	On January 2, 2020, the first exercise period of 2018 Stock Option Incentive Plan began, and the exercise can be made from January 2, 2020 to December 16, 2020.	The details are available at http://www.cninfo.com.cn in the <i>Prompt Announcement on Voluntary Exercise in the First Exercise Period of 2018 Stock Option Incentive Plan</i> issued by the Company on January 2, 2020.
2019 Equity	The 24th Session of the Meeting of the Fourth Board of Directors of the Company held on April 24, 2019	The details are available at http://www.cninfo.com.cn in the <i>Announcement on 2019 Stock Option Incentive Plan (Draft)</i>

Incentive Plan	approved the <i>Proposal on Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2019 and Its Abstract</i> , the <i>Proposal on the Measures for the Administration of Assessment of the Implementation of Stock Option Incentive Plan of Centre Testing International Group Co., Ltd. for 2019</i> and the <i>Proposal on Verifying List of Incentive Objects of Stock Option Incentive Plan of the Company for 2019</i> .	<i>of the Company</i> , the <i>Announcement on 2019 Stock Option Incentive Plan (Draft) Abstract of the Company and the Measures for the Administration of Assessment of the Implementation of 2019 Stock Option Incentive Plan</i> issued by the Company on April 26, 2019.
	The 20th Session of the Meeting of the Fourth Board of Supervisors of the Company held on April 24, 2019 approved the <i>Proposal on Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2019 and Its Abstract</i> , the <i>Proposal on the Measures for the Administration of Assessment of the Implementation of Stock Option Incentive Plan of Centre Testing International Group Co., Ltd. for 2019</i> and the <i>Proposal on Verifying List of Incentive Objects of Stock Option Incentive Plan of the Company for 2019</i> .	The details are available at http://www.cninfo.com.cn in the <i>Announcement on 2019 Stock Option Incentive Plan (Draft) of the Company</i> , the <i>Announcement on 2019 Stock Option Incentive Plan (Draft) Abstract of the Company</i> , the <i>Measures for the Administration of Assessment of the Implementation of 2019 Stock Option Incentive Plan</i> and the <i>List of Incentive Objects of Stock Option Incentive Plan for 2019</i> issued by the Company on April 26, 2019.
	From April 26, 2019 to May 9, 2019, the Company publicized the List of Incentive Objects of Stock Option Incentive Plan for 2019 within the Company, containing the name, position and other details of these incentive objects. In the publication period, no objection to these incentive objects of the stock option incentive plan was received by the Board of Supervisors of the Company.	The details are available at http://www.cninfo.com.cn in the <i>Review Opinions and Publication Explanation of the Board of Supervisors on the List of Incentive Objects of Stock Option Incentive Plan for 2019</i> (Announcement No.: 2019-026) issued by the Company on May 10, 2019.
	The 2018 Annual Meeting of General Shareholders' Meeting of the Company held on May 16, 2019 approved the <i>Proposal on Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2019 and Its Abstract</i> , the <i>Proposal on the Measures for the Administration of Assessment of the Implementation of Stock Option Incentive Plan of Centre Testing International Group Co., Ltd. for 2019</i> and the <i>Proposal on General Shareholders' Meeting Authorizing Board of Directors to Handle Stock Option Incentive Plan of the Company for 2019</i> .	The details are available at http://www.cninfo.com.cn in the <i>Announcement of Resolution of 2018 Annual Meeting of General Shareholders' Meeting</i> (Announcement No.: 2019-027) issued by the Company on May 17, 2019.
	The Company conducted self-review on purchase and sales of the stock of the Company by insiders and incentive objects of 2019 Stock Option Incentive Plan (referred to as "this Incentive Plan") during 6 months prior to initial disclosure of the Incentive Plan Draft (October 26, 2018 to April 26, 2019).	The details are available at http://www.cninfo.com.cn in the <i>Self-review Report on Purchase and Sales of Company Stock by Insiders and Incentive Objects of 2019 Stock Option Incentive Plan</i> (Announcement No.: 2019-028) issued by the Company on May 17, 2019.
	The 27th Session of the Meeting of the Fourth Board of Directors and the 23rd Session of the Meeting of the Fourth Board of Supervisors of the Company held on May 20, 2019 approved the <i>Proposal on Awarding Stock Options to Incentive Objects</i> .	The details are available at http://www.cninfo.com.cn in the <i>Announcement of Resolution of the 26th Session of the Meeting of the Fourth Board of Directors</i> (Announcement No.: 2019-034), the <i>Announcement of Resolution of the 23rd Session of the Meeting of the Fourth Board of Supervisors</i> (Announcement No.: 2019-035) and <i>Independent Opinions of Independent Directors on the Matters Discussed at the 27th Session of the Meeting of the Fourth Board of Directors</i> issued by the Company on May 21, 2019.
	On June 3, 2019, the Company completed the registration of such issue under 2019 Stock Option Incentive Plan.	The details are available at http://www.cninfo.com.cn in the <i>Announcement on Completion of Registration of the Issue Under 2019 Stock Option Incentive Plan</i> (Announcement No.: 2019-038) issued by the Company on June 4, 2019.

XV. Significant connected transactions

1. Connected transactions related to daily operations

Applicable Not Applicable

The Company had no connected transaction related to daily operations in the reporting period.

2. Connected transactions in the acquisition or sale of assets or equity

Applicable Not Applicable

The Company had no connected transaction in the acquisition or sale of assets or equity in the reporting period.

3. Connected transactions for joint outward investment

Applicable Not Applicable

The Company had no connected transaction for joint outward investment in the reporting period.

4. Connected creditor's rights and debts

Applicable Not Applicable

The Company had no connected creditor's rights and debts in the reporting period.

5. Other significant connected transactions

Applicable Not Applicable

The 24th Session of the Meeting of the Fourth Board of Directors of the Company held by the Company on April 24, 2019 approved the *Proposal on Joint Acquisition by the Company and Its Connected Party and Connected Transaction*, according to which the Company and its senior executive Mr. Zeng Xiaohu jointly acquired 61% of the equity of Zhejiang Yuanjian, including 51% to be held by the Company and 10% to be held by Mr. Zeng Xiaohu.

Inquires to relevant interim report disclosure websites for significant connected transactions

Title of interim announcement	Disclosure date of interim announcement	Name of interim announcement disclosure website
<i>Announcement on Joint Acquisition by the Company and Its Connected Party and Connected Transaction</i>	April 26, 2019	cninfo.com.cn

XVI. Significant contracts and their performance

1. Trusteeship, contracting and leasing

(1) Trusteeship

Applicable Not Applicable

There was no trusteeship during the reporting period of the Company.

(2) Contracting

Applicable Not Applicable

There was no contracting during the reporting period of the Company.

(3) Leasing

Applicable Not Applicable

Description of lease

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

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

Applicable Not Applicable

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

2. Major guarantee

Applicable Not Applicable

(1) Guarantee

Unit: RMB 10,000

External guarantees by the Company and its subsidiaries (excluding guarantees for subsidiaries)									
Name of	Disclosure	Guarantee	Actual date	Actual	Type of	Period of	Guarantee	Guarantee	

guaranteed company	date for announcement related to guarantee limit	limit	of occurrence	guarantee amount	guarantee	guarantee	performed or not	provided to related parties or not
Guarantee of the Company to its subsidiaries								
Name of guaranteed company	Disclosure date for announcement related to guarantee limit	Guarantee limit	Actual date of occurrence	Actual guarantee amount	Type of guarantee	Period of guarantee	Guarantee performed or not	Guarantee provided to related parties or not
Hangzhou Hua'an Nondestructive Testing Technology Co., Ltd.	October 29, 2019	2,000			Joint and several liability guarantee	From October 29, 2019 to October 28, 2020	No	Yes
Guangzhou CTI Hengjian Engineering Testing Co., Ltd.	April 26, 2019	1,000	August 16, 2019	144.47	Joint and several liability guarantee	From May 16, 2019 to May 11, 2020	No	Yes
Sichuan CTI Jianxin Testing Technology Co., Ltd.	April 26, 2019	1,000			Joint and several liability guarantee	From May 16, 2019 to May 11, 2020	No	Yes
Suzhou CTI Testing Technology Co., Ltd.	October 16, 2018	3,000			Joint and several liability guarantee	From October 16, 2018 to October 15, 2019	Yes	Yes
Centre Testing International (Suzhou) Co., Ltd.	October 16, 2018	2,000	January 20, 2019	1,200	Joint and several liability guarantee	From October 16, 2018 to October 15, 2019	Yes	Yes
Total limits of guarantees approved to its subsidiaries during the reporting period (B1)			4,000	Total actual incurred amount of guarantees to its subsidiaries during the reporting period (B2)				1,344.47
Total limits of guarantees approved to its subsidiaries at the end of the reporting period (B3)			9,000	Total balance of actual guarantees to its subsidiaries during the reporting period (B4)				1,344.47
Guarantees of subsidiaries to subsidiaries								
Name of guaranteed company	Disclosure date for announcement related to guarantee limit	Guarantee limit	Actual date of occurrence	Actual guarantee amount	Type of guarantee	Period of guarantee	Guarantee performed or not	Guarantee provided to related parties or not
Total limits of guarantees approved to its subsidiaries during the reporting period (C1)			0	Total actual incurred amount of guarantees to its subsidiaries during the reporting period (C2)				0
Total limits of guarantees approved to its subsidiaries at the end of the			0	Total balance of actual guarantees to its				0

reporting period (C3)		subsidiaries during the reporting period (C4)	
Total amount of the Company's guarantees (i.e. the total of the top three items)			
Total guarantee limit approved during the reporting period (A1+B1+C1)	4,000	Total actual guarantee limit during the reporting period (A2+B2+C2)	1,344.47
Total guarantee limit approved at the end of the reporting period (A3+B3+C3)	9,000	Total balance of actual guarantee at the end of the reporting period (A4+B4+C4)	1,344.47
Proportion of the total of actual guarantee (i.e. A4+B4+C4) in the Company's net assets		0.43%	
Including:			
Balance for guarantees provided to shareholders, actual controllers and their affiliates (D)		0	
Balance for debt guarantee directly or indirectly for guaranteed objects with an asset-liability ratio of more than 70% (E)		1,200	
The amount of the total guarantee exceeding 50% of the net assets (F)		0	
Total amount of the above three guarantees (D+E+F)		1,200	
Explanation on the unexpired guarantee where the guarantee liability has occurred during the reporting period or that may be responsible for the joint liability (if any)		N/A	
Explanation for providing external guarantees in violation of the prescribed procedures (if any)		N/A	

Specific description of the use of composite guarantee

(2) Non-compliance external guarantees

Applicable Not Applicable

There was no non-compliance external guarantee during the reporting period of the Company.

3. Entrusting others to manage cash assets

(1) Entrusted asset management

Applicable Not Applicable

Entrusted financial management during the reporting period

Unit: RMB 10,000

Specific type	Source of funds for entrusted financial management	Actual amount of entrusted financial management	Unexpired balance	Overdue amount not recovered
Bank financial products	Own funds	153,500	56,500	0
Bank financial products	Funds raised	108,500	25,000	0
Trust products	Own funds	6,000	0	0
Total		268,000	81,500	0

The specific situation of high-risk entrusted financial management with large single-item amount or low safety, poor liquidity and no break-even

Applicable Not Applicable

Entrusted financial management is expected to be unable to recover the principal or where there are other circumstances that may result in impairment

Applicable Not Applicable

(2) Entrusted loan

Applicable Not Applicable

There was no entrusted loan during the reporting period of the Company

4. Other significant contracts

Applicable Not Applicable

There was no other significant contract during the reporting period of the Company.

XVII. Social responsibility

1. Performance of social responsibility

Chapter One Company Profile

I. About CTI

As the forerunner in testing and verification services for Chinese companies, Centre Testing International Group Co., Ltd. (CTI or the Company) is the leading comprehensive third-party agency specializing in testing, calibration, inspection, certification, and technical services through provision of a one-stop solution for clients of all types and sizes. Founded in 2003 and headquartered in Shenzhen, CTI was successfully listed on October 30, 2009 on SSE with stock code number 300012. CTI was the first company listed on ChiNext and the first testing and certification agency in China's domestic testing industry to be listed.

The Company now has nearly 140 laboratories in chemistry, biology, physics, mechanics, electromagnetism, etc. The group and subsidiaries issued more than 2,000,000 certification reports with credibility every year, serving more than 100,000 customers. The businesses of the Company can be divided into four segments by industry, consisting of life science, trade guarantee, consumer goods and industrial test, covering food, environment, medicine, consumer goods, industrial products, constructional engineering, etc. The Company can provide technical services such as testing, inspection, verification, certification, measurement and calibration.

II. Core values

Vision: CTI services will be always by your side in your everyday life.

Mission: Providing global services of testing and certification, and conveying trust for quality life.

Core values:

Integrity — Our first priority is integrity.

Teamwork — Unity is the strength to burn metal into gold.

Service — Attentive care to make our guests feel welcome

Competency — Through technical specification and pursuit of excellence

Growth — Lofty intention and profound knowledge

Chapter TWO Protection for Rights and Benefits of Shareholders and Investors

I. Improve corporate governance structure

To strictly comply with the *Company Law*, the *Securities Law*, the *Code of Corporate Governance for Listed Companies*, the *Rules of the Shenzhen Stock Exchange for Stock Listing on ChiNext* and other regulatory documents of CSRC concerning corporate governance for listed companies, the Company improves its corporate governance structure and regulate operations of the Company. During the reporting period, for excellent performance, the Company won "Tianma Award - Best Board of Directors on the 10th Investor Relations of Listed Companies in China" of Securities Times.

The Company has established a regulatory framework consisting *Articles of Association*, *Rules of Procedure for Shareholders' General Meeting*, *Rules of Procedure for Board of Directors*, *Rules of Procedure for Board of Supervisors* and other rules so that the General Shareholders' Meeting, the Board of Directors, the Board of Supervisors and the management can operate and perform their duties according to the Articles of Association, the applicable Rules for Procedures and other specific rules. During the reporting period, the Company completed general election for its Board of Directors and Board of Supervisors, and formed Strategy and M&A Committee according to the Company's development strategy to better support the implementation of the strategy. The committees of the Fifth Board of Directors consist Audit Committee, Remuneration Assessment and Nomination Committee and Strategy and M&A Committee, and provide scientific and professional advice for the Board of Directors to make decisions.

During the reporting period, the Company held 2 sessions of the General Shareholders' Meeting, 3 sessions of Board of Directors' Meeting and 11 sessions of Board of Supervisors' Meeting, and Independent Directors issued independent opinions on the matters discussed on the sessions of Board of Directors' Meeting in many occasions. All directors, supervisors and senior executives have played an important role in a serious and responsible attitude towards all shareholders, and have always been committed to further improving the corporate governance system and corporate governance structure of the Company.

II. Enhance information disclosure management

In 2019, as for information disclosure, the Company sustained performance of information disclosure disclosures pursuant to the *Administrative Measures for the Disclosure of Information of Listed Companies*, the *Rules of the Shenzhen Stock Exchange for Stock Listing on ChiNext* and other applicable rules for timely, accurate, legal, true and complete disclosure of information, for

transparency of corporate governance and for basic interests of investors. In 2019, the Company made information disclosure in detail on major activities, such as periodic reporting, equity incentive, employee stock ownership and general elections, and timely and accurately communicated to the investors updates on significant activities of the Company to enable the investors to be further informed of the developments of the Company. The information disclosure made by the Company was recognized by SSE, and the Company was rated A in 2018 Information Disclosure Performance Assessment.

III. Multi-dimensional investor relations management

The Company has placed investor relations management on a strategic level, further improving corporate governance and information disclosure systems, enhancing the transparency of corporate governance and protecting the basic interests of investors. Along with continuous evolution in the securities market, various investors have put forward higher requirements for the management, strategic development and corporate governance of listed companies. The investor relations management is increasingly highlighted. The Company has always taken protecting interests of shareholders as its starting point. It set up an all-round investor exchange platform, continuously expanded channels of communication, established good relations with investors, created a good image of capital market for the Company, and was recognized by regulatory agencies and the capital market.

In 2019, the Company further improved its investor relations management and conveyed values from the Company's investment to the investors. The Company participated in many brokerage strategy meetings, road shows and telephone exchanges at home and abroad. After regular reports were disclosed, the Company actively organized on-line and off-line performance briefings. At the same time, the Company delivered its operation, management and development strategies to investors through various forms and channels such as SSE mutual exchange, investor hotline and investor relations application, so as to enhance investors' trust on the Company's value. Since A shares were included in MSCI index, overseas investors' attention to the Company has continued to rise. The Company has increased its efforts to maintain the relations with overseas investors. In 2019, the Company participated in overseas strategy meetings and anti-roadshow activities organized by well-known overseas securities firms such as Morgan Stanley, CICC, JPMorgan Chase, Credit Suisse, Goldman Sachs and actively communicated with overseas investors. The trust of overseas investors on the Company has gradually increased and the proportion of overseas holdings has reached a record high.

IV. Actively implement cash dividend policies

The year of 2019 is the 10th anniversary of CTI's listing. The Company's operating performance has maintained steady growth. Since its listing, the Company has always adhered to an active, sustained and stable profit distribution policy, implemented distribution of cash dividends for 10 consecutive years, shared the Company's operating results with all shareholders, and actively returned to investors.

V. Protect statutory interests of creditors

On the premise that its financial conditions are stable and its assets and capital are safe, the Company has protected statutory interests of creditors. Major operational decisions are made considering statutory interests of creditors. The Company effectively controls their own business risks, and strives to improve their risk prevention capabilities to ensure the safe and stable operation of the Company.

Chapter Three Protection of Rights and Interests of Employees

The Company has always adhered to the "people-oriented" concept and regards the development of talents as an important strategy for the Company's development. While protecting the rights and interests of employees, the Company actively creates a good working environment and a reasonable promotion mechanism, continuously improves the talent development and training system and incentive mechanism, and realizes the common development of the Company and employees. In the year of 2018-2019, the Company won 51job China Human Resources Management Excellence Award.

I. Fair employment and optimization of employees structure

As at December 31, 2019, the total staff of the Company was 9,357, serving for the Company in different fields. The Company is non-discriminatory in terms of nationality, gender, age, race, religion, etc. during recruitment and employment, and thus provides equal employment opportunities for employees. At the end of the reporting period, the male to female staff ratio in the Company is 1:1, and that in middle and above management is 1:0.5. The Company's employees structure has been continuously optimized.

II. Protect legitimate rights and interests of employees

The Company strictly abides by national laws and regulations on protection of workers' rights and interests, and respects and protects the basic legitimate rights and interests of employees. The Company regularly and fully pays all employees' wages, and effects six insurances and one fund for employees. All employees are entitled to paid annual leave, legal holidays, marriage leave, maternity leave, sick leave, funeral leave and other holidays. All employees can lodge complaints to their supervisor or human resources department and other organizations that formulate and handle complaints. All complaints can be submitted confidentially and anonymously. The Company will investigate for all complaints.

III. Diversified talent development plans

The Company attaches great importance to the growth of every employee. It encourages under a two-way development path the employees to become administrative managers or technical experts on basis of their actual situations, deeply tapping the potential of every employee and giving them the opportunities for adequate adaptation and attempt so that they can realize a dynamic balance between self-development and enterprise development. For talent training system, the Company has established perfect training system to ensure common growth and continuous progress of employees and the Company. To train new employees, the Company has set up a series of training courses for new employees, a series of corporate culture courses, elite support quality training programs and "Sunshine Plan for Fresh Graduates". To improve their professional skills and general abilities, the Company has set up a series of employee courses on sales, service, functions, workplace competence and other subjects. For leadership development, the

Company has carried out Huihua Senior Management Program, Guanghua LAP, Jinghua MAP and Management Trainee Program.

Since 2019, the Group's HR has provided Guanghua LAP annually and included the trainees with good performance into the management talent bank of the Group. Guanghua LAP helps systematically improve comprehensive management ability of middle and senior executives in the Company, such as "strategic execution ability, problem analysis and solution ability, subordinate training ability and self-leadership ability", so that employees can apply what they have learned in their work and further improve the management level of the Company.

IV. Optimize remuneration management system and incentive mechanism

The Company continues to optimize and perfect remuneration system, determines basic income standards according to job responsibilities, the ability to perform the duties, the work experience and the education level of the employees, and pays performance-based bonus according to the Company's operating performance and the completion of the employee performance appraisal indicators. The Company implemented profit appraisal for all employees in 2019, effectively combining the employee's income with the Company's operating performance, and stimulating the enthusiasm of the employees.

The Company adopts flexible incentive mechanisms such as employee stock ownership plan, equity incentive plan and partner plan to stabilize the core management team. In 2019, the Company implemented the second Equity Incentive Plan and granted 4,700,000 stock options to 9 core managers at the exercise price of RMB 9.23/share. According to the results of the first employee stock ownership plan, the Company extended the first employee stock ownership plan and implemented the distribution of rights and interests so that employees could share the dividends from the Company's development to achieve all-win. The Company further improves its long-term incentive mechanism to attract and retain outstanding talents, fully mobilize the enthusiasm of employees and fully convey the concept of common development between employees and the Company.

V. Emphasize occupational health and safe production protection for employees

The Company puts the employees' health and safety in the first place, earnestly implements safe work policies, such as "scientific norms, timeliness and fairness, and customer satisfaction; energy saving and consumption reduction, pollution prevention and ecological environment protection; people-oriented, ensuring safety and avoiding occupational hazards", and pay close attention to the implementation of production safety management work.

Great progress was made in 2019 in safety management of the Company: (1) signing safety responsibility letters at different levels, implementing safety responsibility system and strengthening safety production management; (2) improving the safety management system and implementing the safety management procedures. In 2019, the Group's QHSE revised 19 safety production management policies to further lay the foundation for safety production and management standardization; (3) organizing safety education activities to strengthen staff safety awareness. In 2019, the Group's QHSE organized a number of safety training programs, including occupational health and safety management system, hazard identification and prevention and treatment, to ensure everyone's participation and everyone's responsibility for safety. The Company also carries out on-the-job safety education when new employees took office, and organizes regular fire drills and fire knowledge training for employees every year. (4) strengthening safety supervision to avoid potential safety hazards. In 2019, the Group's QHSE carried out irregular abrupt inspections and completed risk assessment of branches in nearly 30 cities, so as to prevent and control potential risks in a timely manner and ensure the health and safety of employees.

During the outbreak of COVID-19, the whole society is responding to the call of the state and actively devoting into working resumption. The Company takes advantage of its own professional edge to provide COVID-19 NAT for employees and to escort the employees to return to work safely.

VI. Care the living conditions of employees and enhance the cohesion of the Company

The Company pays attention to care its employees, both spiritually and materially, advocates the balance between work and life, and improves the happiness of its employees. The Company allocates special funds to carry out abundant and colorful staff activities, such as regular badminton, football and basketball activities, and hold annual sports meeting, family activity day, welcome new year activities, etc. Each employee is entitled to special funding for activities organized by relevant departments or to benefits for each month. A warm and quiet mother and infant room is provided to reflect its care for employees. The Company gives employees a health check-up every year. Employees' birthdays are celebrated through birthday party. Gifts are provided for Dragon Boat Festival, Mid-Autumn Festival, Women's Day and other festivals.

VII. Strengthen the Party Building at the basic level of employees and play a leading role

The Company emphasize the transformation of unique advantages of the Party organization into its own competitive advantages, deeply integrates the Party construction work with the production, operation management of the Company, enables the Party members and employees to play a leading role as a vanguard in the work, encourages and spurs the employees of the Company to do solid work based on their positions, fully mobilizes and exerts the enthusiasm and creativity of the employees, drives further development of the Company by the Party construction, enhances soft power, core competitiveness and comprehensive strength of the Company, and promotes the two-way integration, two-way service and two-way promotion for the Company's economic benefits and the Party construction.

The Party organization of the Company organizes democratic life meetings every month, carries out "two studies and one action" and "three meetings and one lesson" in learning and education, promotes the "remain true to our original aspiration and keep our mission firmly in mind" themed training program, reviews the Party oath, thoroughly studies the Party regulations and constitutions, the spirit of the 19th National Congress of the Communist Party of China and General Secretary Xi Jinping's series of speeches, continuously strengthens the Party awareness of the Party members and improves the quality of the Party members. Meanwhile, each year the party branch organizes badminton competition, carnival and other interactive exchange activities, aiming at strengthening the cohesion of the party organization. The party branch also organizes charitable activities and donates money to employees who have

financial difficulties, sick employees and schools in poverty-stricken areas, so as to play an exemplary role of party members. As various cultural activities largely facilitate the party building, the Company has built a team of party members that is realistic and pragmatic, enthusiastic, innovative, dedicated and plays a vanguard role. The Company has been awarded the titles of Bao'an District's "Top 100 Enterprises for Party Building", "Advanced Party Branch" and "Advanced Grass-roots Party Branch of Shenzhen".

Chapter Four Protection of rights and interests of customers and suppliers

The Company always gives priority to customer requirements, provides professional and reliable testing and certification services to customers by using its advanced technologies, big data and one-stop services and has been widely recognized by the customers and the market. During the reporting period, in the investigation of "the most reliable testing and certification institutions for foreign trade enterprises in 2019" by the *Imp-Exp Executive* magazine, the Company ranked 7 and most institutions on the list were internationally famous testing and certification institutions. Moreover, the Company has been selected as one of "Top 10 Testing Institutions in Terms of Influence Rated by wo.yaoce.cn" for 4 consecutive years.

I. Providing reliable services on the principle of good faith

The Company always reports the data, testing results and other major facts faithfully on the principle of good faith and in a professional, independent and notarial manner, refrains from making improper changes and ensures that all reports issued are consistent with the true investigation data and provide professional judgment or opinions. The Company has established a quality management system in accordance with ISO/IEC 17025, ISO/IEC 17020, the *Rules for the Examination of Qualification Accreditation of Laboratories*, the *Rules for the Examination of the Accreditation of Food Inspection Institutions*, etc. In 2019, the Company further standardized the quality management system. Consisting of the quality managers, QHSE department/personnel and laboratory QA personnel of branches, the QA team of branches carried out the quality management requirements of the Company through the quality audit, special audit, internal audit and management review in order to provide customers with true and accurate data.

The Company always makes improvements on the basis of the customer experience and tries its best to improve the quality of its services. The Company has designed and developed the connection between the customer service system and the laboratory information management system, enabling the customers to make inquiries or download reports on their own; it assists the customers in verifying the authenticity of reports by relying on its professional experience; it has developed the *Administrative Measures on Customer Satisfaction Investigation* and makes improvement plans based on the satisfaction investigation results and the customer feedback; it provides customers with a variety of complaint channels, so customers can report, complain and give suggestions on things by telephone, fax or e-mail using their real names or in an anonymous manner.

With respect to the threats posed by informatization to the security of customer information, the Company has formulated strict confidentiality management regulations, adopted sound confidentiality measures, agreed that employees shall undertake confidentiality obligations, and included "confidentiality clauses" in agreements involving trade secrets, in order to provide more protection for the security of customer privacy.

II. Creating a responsible supply chain and working with partners to achieve win-win results

The Company has formulated a series of procurement management regulations to standardize the procurement, including the *Procurement Management Regulations of the Company*, the *Administrative Measures on the Bidding and Procurement of Productive Materials*, the *Regulations on Management of Productive Materials Suppliers*, the *Management Regulations on Base Construction Projects of Centre Testing International Group*, the *Measures for the Administration of Project Bidding and Procurement*, and the *Interim Measures on the Management of Outsourcing of Testing Standards*. During each procurement, strict examination of qualification and review of technical bids and price bids were carried out and the suppliers were selected on the principles of fairness, justice and adequate competition, in order to ensure the reasonableness of quality, services and cost performance; the Company further improved the centralized procurement mechanism, integrated internal demand and external resources, expanded the scope of centralized procurement and maximized the advantages of procurement scale to achieve economies of scale. All branches and subsidiaries of the Group managed procurement and suppliers through the procurement platform, linked after-sales service with supplier evaluation and grading and published lists of qualified suppliers within the Company.

In 2019, in the context of the "China-United States trade war", the Company launched the "trial and purchase plan for scientific instruments", and the instruments tested as qualified would become long-term partners of the Company in the next 1-3 years. From the strategic perspective of innovation and development, the Company has reviewed and accepted domestic instruments, fulfilled its social responsibility, worked with its partners to achieve a win-win situation and been widely recognized in the industry.

III. Improving the clean governance system and protecting the legitimate rights and interests of business partners

The Company insists on the principle of clean governance, which is reflected in its working process, contracts with customers or suppliers, quotations and general terms, and has always been responsible to the Company's stakeholders. The Company requires its employees to comply with laws and regulations as well as ethical standards, and gives "zero tolerance" for fraud and corruption. Through the publication of *Clean Governance Manual*, the Company sorted out and analyzed the business processes which may involve risk of corruption, developed corresponding risk prevention and control strategies and integrated the same with the business processes.

The Company requires all employees to abide by the principle of fair competition, to conduct sales and marketing activities in an honest, non-cheating and non-misleading manner, and not to use bribery, theft or wiretapping and other improper means to obtain intelligence or information for commercial competition, or to maliciously spread false information about competitors or their products or services. The Company is determined to prohibit corruption and to prohibit employees from giving, receiving or

accepting any form of bribe, including accepting any part of rebates in the contract payments, and to prohibit employees from providing or accepting illegal benefits to or from any customers, agents, contractors, suppliers or their employees or government officials through other means or channels. The Company always requires its suppliers to sign the *Statement on Fair Competition, Transparent Purchase and Integrity* before transacting with them, and requires them to abide by the Company's clean governance regulations. The Company attaches great importance to protecting the rights and interests of its partners, and stipulates that all commercial information obtained in the course of providing services shall be kept confidential, including information that has not been made public and cannot be obtained by a third party in public places.

IV. Improving the internal control system, and supervising the clean governance in multiple dimensions

The Company has established a sound internal control mechanism, supervises the clean governance in multiple dimensions and carries out effective control measures. The Company's management is responsible for establishing and improving the Company's internal control system; each business department/functional department is responsible for establishing its own internal control system, carrying out effective control measures and conducting supervision and inspection to reduce the possibility of fraud and corruption; and the Company's internal audit department and anti-corruption commission are responsible for supervising the business activities and internal control management of each department, reporting to the audit committee of the Board of Directors on a regular basis, and timely discovering and correcting the abnormal situations.

The Company has established a channel for handling violations and accepts real-name or anonymous reports from any of its employees and stakeholders (such as customers, suppliers and partners). The Company's various corruption risk prevention and control measures and daily management activities are fully integrated and implemented, which can prevent the occurrence of corruption, reduce the risk of corruption, and ensure the stable operation of the Company.

Chapter Five Performance of social responsibilities

As the first listed company in the domestic testing industry and one of China's first testing institutions, the Company has been actively fulfilling its social responsibilities, playing a leading role of its own brand, and committed to promoting the innovation, progress and development of the testing industry.

I. Strengthening technology research and development and promoting innovation in the testing industry

The Company has set up a research institute to conduct research and development of projects. In 2019, the kickoff meeting of the key project named "Development and Application of an Integrated Inspection and Testing Service Platform for Emerging Industries" under the key national research and development plan "Research and Development and Application Demonstration of Key Generic Technologies in Modern Service Industry" which the Company took the lead in organizing and carrying out was successfully convened. In 2019, the Company made and entered into an agreement with the Tianmu Lake Institute of Advanced Energy Storage Technologies Co., Ltd. of the Institute of Physics of Chinese Academy of Sciences, which provided a stable and powerful communication platform for the testing industry.

The Company has been actively involved in the setting and drafting of domestic and international standards for many years, and has obtained more than 100 patents and participated in setting and amending over 500 standards. In July 2019, the two national standards *GB/T 37757-2019 Determination of Emission Rate of Volatile Organic Compounds from Materials and Components Used in Electrical and Electronic Products—Emission Test Chamber-Gas Chromatography Mass Spectrometry* and *GB/T 37765-2019 Qualitative Determination Methods of Asbestos in Electrical and Electronic Products* which the Company participated in setting were officially published, providing effective technical support for the electronic and electric industry to deal with the domestic and foreign regulations and policies on the limitation of hazardous substances. Both standards will be implemented from January 1, 2020.

II. Participating in industry forum and building the brand image

The Company has actively participated in industry forums at which the prospective issues concerning industry development are discussed, shared the practical experience of the Company, built a good brand image and played a positive role in promoting the development of the industry. In September 2019, the Company participated in on invitation The 11th China Third-party Testing Laboratory Development Forum and Exhibition cosponsored by Chinese Academy of Inspection and Quarantine and Changsha Municipal People's Government. Focusing on the theme of "stimulating new vitality and guiding new development", the forum was dedicated to building a high-end dialogue and exchange platform for the inspection and testing industry to discuss hot topics such as institutional development and innovation, reconstruction of core competitiveness, investment and financing of the testing industry, in line with the in-depth communication needs during the period of industrial reform. Mr. Richard Shentu, CEO of the Company, delivered a keynote speech entitled "China TIC has great potential", which discussed the development and future possibilities of the inspection and testing industry from the perspective of third-party testing laboratories. At the third party testing leaders' round-table summit, Mr. Richard Shentu expressed his optimism on the market potential of the inspection and testing industry, and hoped that various institutions in the industry could strengthen cooperation and communication and expand the market capacity. He said, companies in the same industry may not be competitors; they can also be partners. Only by expanding the market and strengthening the core competitiveness can we make progress together. Although at present, there is no testing institution with international influence in China, with the development of the market, there will be more than one internationally recognized Chinese testing institution in the world in the next 5 to 10 years, and we hope that CTI will become the first of them. CTI always hopes to be a leader in the testing industry and is willing to set an example for other institutions in the industry in exploring the road of internationalization.

III. Providing global testing and certification services, facilitating green development

Green, sustainable and high-quality development has become the keynote of development in the new era. The report to the 19th

National Congress of the Communist Party of China points out that, green development is a fundamental change in the pattern of development and a breakthrough in the quality and efficiency of development. As the government, consumers and manufacturers become stricter about environmental protection, food safety and product quality, inspection and testing will become a necessary means of quality improvement and brand building. The Company relies on its sound network layout, various businesses and authoritative teams of experts, insists on the management idea of "conveying trust for quality life", and contributes to the implementation of the green development strategy of the country. In 2019, the Company participated in many activities concerning green development. The Company participated in an invitation "China Green Development and Brand Quality Summit 2019". With the theme of quality improvement and brand building for China's green development, this summit focused on the two core concepts of "green development" and "brand quality". Mr. Richard Shentu, CEO of the Company, delivered a speech on "inspection and testing promotes China's green and high-quality development", and shared his opinions on the role of inspection and testing in promoting the development of foreign trade, green development, product quality and safety improvement, as well as the self-improvement and development of the inspection and testing industry. The Company participated in an invitation the 2019 China Rail Transit Vehicles Green and Environmental Protection International Forum to jointly explore the green development of rail transit. On the forum, Mr. Zeng Xiaofu, vice-president of the Company, delivered a keynote speech on "third-party testing bodies contribute to the green development of rail transit". He believed that under the trend of economic globalization, traditional "tariff" barriers would be replaced by "green trade" barriers, and the participation of third-party institutions would be bound to help the rail transit industry accelerate the green development process.

IV. Making use of professional advantages to assist enterprises in improving the level of their quality control

The Company has accumulated sufficient market feedback and practical experience in the field of food and established CTI FACH School of Management, which has advantages in technical resources. Currently, the school has more than 65 senior professional lecturers and laboratory technical engineers, all of which have years of work experience in the industry. With a perfect curriculum system, the school offers eight series of courses, including systems, food contact materials, testing technology and regulations, basics and catering and group meals, factory management, cosmetics and health food, agriculture, and laboratory management. It provides training in various forms, and provides free public class, seminars, online course, and project consulting services. It also designs special training courses according to the training needs of customers, provides convenient learning channels, and obtains the latest and most comprehensive professional information pursuant to national laws and regulations, in order to keep pace with the world and provide enterprises with comprehensive solutions on how to improve the level of quality and safety management and staff quality.

V. Contributing to the "fight against COVID-19" and actively fulfilling social responsibilities

In the face of a sudden outbreak of the COVID-19, the Company makes use of its professional advantages to make contributions to the society. After the outbreak, the Company quickly determined its service capability and developed the testing services related to epidemic prevention, such as nucleic acid testing of COVID-19, mask testing, protection suit testing, thermometer testing and disinfection and anti-epidemic services in public places and offices. It was selected as one of Guangdong's medical equipment emergency testing institutions, and contributed a lot to the fight against the COVID-19 and to the safe return of people to work.

The Company assisted market regulators in rapidly testing food, inspecting catering businesses, conducting evaluation quickly and providing other services as well as visiting the farmer's market, supermarkets, shopping malls and other places of business to conduct food inspection during the outbreak, mainly conducting casual inspection on vegetables, fruit, livestock and poultry and aquatic products and other edible agricultural products commonly purchased by citizens in their daily life, to safeguard the safety of citizens; Entrusted by Shenzhen Metro, Shenzhen Environmental Laboratory actively participated in the air quality testing in the subway station, and sampled and analyzed the total number of inhalable particles and bacteria in the air to ensure the good air quality. During the outbreak, the Company launched the "fight against COVID-19" assistance plan, conducted nucleic acid testing to help small and medium-sized enterprises overcome difficulties, offered free training courses, and helped enterprises resume production and work in areas such as scientific prevention and control, production links and equipment, product compliance and quality control.

In response to the government's call, the Company actively participated in ensuring the safety of donated materials. The Company promptly donated masks and protection suits to Huangshi Hospital of Traditional Chinese Medicine in Hubei province, which effectively alleviated the shortage of materials in the hospital. Qingdao Environmental Laboratory used its own resources to organize analysts to prepare 75% alcohol disinfectant and sodium hypochlorite disinfectant in the laboratory and then donated the same to Qingdao Chengyang District Marine Development Bureau for the fight against the epidemic. Yunnan Laboratory provided quick test and quantitative test services for Yunnan enterprises which donated agricultural products to assist Hubei province, ensuring the safety and security of donated agricultural products.

Chapter Six 2020 outlook

Looking forward to 2020, the Company will continue to actively fulfill its economic and social responsibilities, integrate the concept of high-quality and sustainable development into its strategy, and maximize the interests of its shareholders, employees, customers and partners. The Company will continue to accomplish its mission of "providing global services of testing and certification, and conveying trust for quality life", strive to become a competitive international testing and certification organization rooted in China and realize the vision that "CTI services will be always by your side in your everyday life".

2. Performance of the social responsibility for targeted poverty alleviation

(1) Planning of targeted poverty alleviation

The Company has not carried out targeted poverty alleviation work in the report year, and there is no follow-up targeted poverty alleviation plan.

3. Environmental protection

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

Not applicable

The listed company and its subsidiaries do not belong to the key pollutant discharging units announced by the environmental protection department

XVIII. Explanation of other significant events

√ Applicable □ Not Applicable

Announcement No.	Announcement content	Disclosure date	Media of disclosure
2019-001	Announcement on the passive reduction of the chairman's shares in the Company held by a fund	2019-01-17	cninfo.com.cn
2019-002	Performance forecast for 2018	2019-01-30	cninfo.com.cn
2019-003	Announcement on progress of using idle own funds for cash management	2019-02-12	cninfo.com.cn
2019-004	Announcement on acquisition of government subsidies	2019-02-12	cninfo.com.cn
2019-005	Brief performance report for 2018	2019-02-28	cninfo.com.cn
2019-006	Announcement of Resolution of the 23rd Session of the Meeting of the Fourth Board of Directors	2019-03-02	cninfo.com.cn
2019-007	Announcement of Resolution of the 19th Session of the Meeting of the Fourth Board of Supervisors	2019-03-02	cninfo.com.cn
2019-008	Announcement on changes in accounting estimates	2019-03-02	cninfo.com.cn
2019-009	Announcement on application to commercial banks for comprehensive credit line	2019-03-02	cninfo.com.cn
2019-010	Announcement on adjustment of limit of idle own funds used for cash management	2019-03-02	cninfo.com.cn
2019-011	Performance forecast for Q1 2019	2019-04-10	cninfo.com.cn
2019-012	Announcement on progress of using idle raised funds for cash management	2019-04-23	cninfo.com.cn
2019-013	Indicative announcement on the disclosure in annual report 2018	2019-04-26	cninfo.com.cn
2019-014	Summary of 2018 annual report	2019-04-26	cninfo.com.cn
2019-015	Annual report 2018	2019-04-26	cninfo.com.cn
2019-016	Announcement of Resolution of the 24th Session of the Meeting of the Fourth Board of Directors	2019-04-26	cninfo.com.cn
2019-017	Announcement of Resolution of the 29th Session of the Meeting of the Fourth Board of Supervisors	2019-04-26	cninfo.com.cn
2019-018	Notice on convening of 2018 annual General Shareholders' Meeting	2019-04-26	cninfo.com.cn
2019-019	Announcement on renewal of the appointment of BDO China Shu Lun Pan CPAs as the Company's auditor for 2019	2019-04-26	cninfo.com.cn
2019-020	Announcement on the appointment of senior executives of the Company	2019-04-26	cninfo.com.cn
2019-021	Announcement on application to commercial banks for comprehensive credit line	2019-04-26	cninfo.com.cn
2019-022	Announcement on providing guarantee for subsidiaries	2019-04-26	cninfo.com.cn
2019-023	Report on the open solicitation of voting rights by independent directors	2019-04-26	cninfo.com.cn
2019-024	Announcement on joint acquisition of equity by the Company and its affiliates and connected transactions	2019-04-26	cninfo.com.cn
2019-025	Notice on holding of online explanation session of 2018 performance	2019-04-26	cninfo.com.cn
2019-026	Indicative announcement on the disclosure in the report for Q1 2019	2019-04-29	cninfo.com.cn
2019-026	Review opinions of the Board of Supervisors on the list of incentive targets of the stock option incentive plan in 2019 and explanation on the publicity	2019-05-10	cninfo.com.cn
2019-027	Announcement of Resolution of 2018 Annual General Shareholders' Meeting	2019-05-17	cninfo.com.cn
2019-028	Self-inspection report on the purchase and sale of the Company's shares by insiders and incentive targets of the stock option incentive plan in 2019	2019-05-17	cninfo.com.cn

2019-029	Announcement of Resolution of the 26th Session of the Meeting of the Fourth Board of Directors	2019-05-18	cninfo.com.cn
2019-030	Announcement of Resolution of the 22nd Session of the Meeting of the Fourth Board of Supervisors	2019-05-18	cninfo.com.cn
2019-031	Announcement on the extension and change of the first employee stock ownership plan of the Company	2019-05-18	cninfo.com.cn
2019-032	Announcement on granting of stock options to incentive targets	2019-05-21	cninfo.com.cn
2019-033	Announcement on addition of implementation sites of some equity investment projects	2019-05-21	cninfo.com.cn
2019-034	Announcement of Resolution of the 27th Session of the Meeting of the Fourth Board of Directors	2019-05-21	cninfo.com.cn
2019-035	Announcement of Resolution of the 23rd Session of the Meeting of the Fourth Board of Supervisors	2019-05-21	cninfo.com.cn
2019-036	Review opinions on the list of incentive targets of the stock option incentive plan in 2019 at the grant date	2019-05-21	cninfo.com.cn
2019-037	Announcement on implementation of equity distribution in 2018	2019-05-21	cninfo.com.cn
2019-038	Announcement on completion of registration of grant under the stock option incentive plan in 2019	2019-06-04	cninfo.com.cn
2019-039	Announcement on progress of using idle raised funds for cash management	2019-06-22	cninfo.com.cn
2019-040	Semi-annual performance forecast for 2019	2019-07-09	cninfo.com.cn
2019-041	Announcement of Resolution of the 28th Session of the Meeting of the Fourth Board of Directors	2019-08-10	cninfo.com.cn
2019-042	Announcement of Resolution of the 24th Session of the Meeting of the Fourth Board of Supervisors	2019-08-10	cninfo.com.cn
2019-043	Announcement on electing employee supervisors of the fourth Board of Supervisors	2019-08-10	cninfo.com.cn
2019-044	Announcement on application to commercial banks for comprehensive credit line	2019-08-10	cninfo.com.cn
2019-045	Notice on convening of the first extraordinary General Shareholders' Meeting in 2019	2019-08-10	cninfo.com.cn
2019-046	Indicative announcement on the disclosure in semi-annual report 2019	2019-08-16	cninfo.com.cn
2019-047	Summary of 2019 semi-annual report	2019-08-16	cninfo.com.cn
2019-048	Semi-annual report 2019	2019-08-16	cninfo.com.cn
2019-049	Announcement on changes in accounting policies	2019-08-16	cninfo.com.cn
2019-050	Announcement on participating in the bidding for the equity of REACH24H	2019-08-16	cninfo.com.cn
2019-051	Announcement of Resolution of the 29th Session of the Meeting of the Fourth Board of Directors	2019-08-16	cninfo.com.cn
2019-052	Announcement of Resolution of the 25th Session of the Meeting of the Fourth Board of Supervisors	2019-08-16	cninfo.com.cn
2019-053	Announcement on acquisition of government subsidies	2019-08-16	cninfo.com.cn
2019-054	Announcement on progress of using idle own funds for cash management	2019-08-16	cninfo.com.cn
2019-055	Announcement of Resolution of the 30th Session of the Meeting of the Fourth Board of Directors	2019-08-21	cninfo.com.cn
2019-056	Announcement on the cancellation of the first extraordinary General Shareholders' Meeting in 2019	2019-08-21	cninfo.com.cn
2019-057	Announcement on application to commercial banks for reverse factoring financing credit line	2019-08-21	cninfo.com.cn
2019-058	Announcement of Resolution of the 31st Session of the Meeting of the Fourth Board of Directors	2019-09-04	cninfo.com.cn
2019-059	Announcement on application to commercial banks for comprehensive credit line	2019-09-04	cninfo.com.cn
2019-060	Announcement on the equity change in the first employee stock ownership	2019-09-12	cninfo.com.cn

	plan		
2019-061	Performance forecast for the first three quarters of 2019	2019-10-15	cninfo.com.cn
2019-062	Indicative announcement on the disclosure in the report for Q3 2019	2019-10-29	cninfo.com.cn
2019-063	Report for Q3 2019	2019-10-29	cninfo.com.cn
2019-064	Announcement on extension of some equity investment projects	2019-10-29	cninfo.com.cn
2019-065	Announcement on providing guarantee for subsidiaries	2019-10-29	cninfo.com.cn
2019-066	Announcement on participating in the establishment of an investment fund	2019-10-29	cninfo.com.cn
2019-067	Announcement of Resolution of the 32nd Session of the Meeting of the Fourth Board of Directors	2019-10-29	cninfo.com.cn
2019-068	Announcement of Resolution of the 26th Session of the Meeting of the Fourth Board of Supervisors	2019-10-29	cninfo.com.cn
2019-069	Announcement on changing the audit institution of the Company in 2019	2019-11-15	cninfo.com.cn
2019-070	Announcement on continuing to use idle raised funds for cash management	2019-11-15	cninfo.com.cn
2019-071	Announcement of Resolution of the 33rd Session of the Meeting of the Fourth Board of Directors	2019-11-15	cninfo.com.cn
2019-072	Announcement of Resolution of the 27th Session of the Meeting of the Fourth Board of Supervisors	2019-11-15	cninfo.com.cn
2019-073	Notice on convening of the first extraordinary General Shareholders' Meeting in 2019	2019-11-15	cninfo.com.cn
2019-074	Announcement on changes to the notice on convening of the first extraordinary General Shareholders' Meeting in 2019	2019-11-16	cninfo.com.cn
2019-075	Announcement on the reduction by shareholders of 1% shares in total in the Company	2019-11-23	cninfo.com.cn
2019-076	Announcement of resolution of the first extraordinary General Shareholders' Meeting in 2019	2019-12-03	cninfo.com.cn
2019-077	Announcement on completion of the election of the Board of Directors and the Board of Supervisors and the departure of some directors and supervisors	2019-12-03	cninfo.com.cn
2019-078	Announcement on progress of using idle own funds for cash management	2019-12-05	cninfo.com.cn
2019-079	Announcement on early return of raised funds	2019-12-14	cninfo.com.cn
2019-080	Announcement of Resolution of the 1st Session of the Meeting of the Fifth Board of Directors	2019-12-24	cninfo.com.cn
2019-081	Announcement of Resolution of the 1st Session of the Meeting of the Fifth Board of Supervisors	2019-12-24	cninfo.com.cn
2019-082	Announcement on extending the period of using idle own funds for cash management	2019-12-24	cninfo.com.cn
2019-083	Announcement on replenishment of working capital by part of the temporarily idle raised funds	2019-12-24	cninfo.com.cn
2019-084	Announcement of Resolution of the 2nd Session of the Meeting of the Fifth Board of Directors	2019-12-26	cninfo.com.cn
2019-085	Announcement of Resolution of the 2nd Session of the Meeting of the Fifth Board of Supervisors	2019-12-26	cninfo.com.cn
2019-086	Announcement on adjustment of the exercise price of the stock option incentive plan in 2018	2019-12-26	cninfo.com.cn
2019-087	Announcement on fulfillment of exercise conditions in the first exercise period of the stock option incentive plan in 2018	2019-12-26	cninfo.com.cn
2019-088	Announcement on progress of using idle own funds for cash management	2019-12-28	cninfo.com.cn

XIX. Major events of the Company's subsidiaries

√ Applicable □ Not Applicable

1. The Company has provided the guarantee of no more than RMB 20,000,000 for its subsidiaries Guangzhou CTI Hengjian Engineering Testing Co., Ltd. and Sichuan CTI Jianxin Testing Technology Co., Ltd., which shall remain valid within one year from the date when the guarantee agreement takes effect. See the *Announcement on Providing Guarantee for Subsidiaries* (Announcement

No.: 2019-022) disclosed on April 26, 2019 for details.

2. The Company participated in the bidding for equity of REACH24H, and transferred 51% equity of REACH24H held by the Company at the total price of RMB 56,222,400 according to the bidding result. See the *Announcement on Participating in the Bidding for the Equity of REACH24H* (Announcement No.: 2019-050) disclosed on August 16, 2019 for details.

3. The Company has provided the guarantee of no more than RMB 20,000,000 for its wholly-owned subsidiary Hangzhou Hua'an Nondestructive Testing Technology Co., Ltd., which shall remain valid within one year from the date when the guarantee agreement takes effect. See the *Announcement on Providing Guarantee for Subsidiaries* (Announcement No.: 2019-065) disclosed on October 29, 2019 for details.

Section VI Changes in Shares and Shareholders

I. Changes in shares

1. Changes in shares

Unit: share

	Before the change		Increase/Decrease (+, -)					After the change	
	Quantity	Proportion	Newly issued shares	Allocated shares	Shares transferred from provident fund	Others	Sub total	Quantity	Proportion
I. Shares with restriction on sales	154,365,063	9.31%				-918,375	-918,375	153,446,688	9.26%
1. State-owned shares	0	0.00%						0	0.00%
2. Shares held by state-owned corporations	0	0.00%						0	0.00%
3. Shares held by other domestic investors	154,365,063	9.31%				-918,375	-918,375	153,446,688	9.26%
Including: Shares held by domestic legal persons	0	0.00%						0	0.00%
Shares held by domestic natural person	154,365,063	9.31%				-918,375	-918,375	153,446,688	9.26%
4. Shares held by foreign investors	0	0.00%						0	0.00%
Including: Shares held by foreign legal persons	0	0.00%						0	0.00%
Shares held by foreign natural person	0	0.00%						0	0.00%
II. Shares without restriction on sales	1,503,165,651	90.69%				918,375	918,375	1,504,084,026	90.74%
1. RMB-denominated ordinary shares	1,503,165,651	90.69%				918,375	918,375	1,504,084,026	90.74%
2. Domestically-listed shares held by foreign investors	0	0.00%						0	0.00%
3. Overseas-listed shares held by foreign investors	0	0.00%						0	0.00%
4. Others	0	0.00%						0	0.00%
III. Total number of shares	1,657,530,714	100.00%	0	0	0	0	0	1,657,530,714	100.00%

Reasons for changes in shares

 Applicable Not Applicable

Approval for changes in shares

Applicable Not Applicable

Transfer for changes in shares

Applicable Not Applicable

Progress of share repurchase

Applicable Not Applicable

Progress of the reduction of repurchased shares by means of centralized bidding

Applicable Not Applicable

The influence of changes in shares on financial indicators such as the latest annual and recent basic earnings per share and diluted earnings per share, net assets per share attributable to the Company's common shareholders

Applicable Not Applicable

Such other information as the Company thinks necessary or required by the securities regulators to be disclosed

Applicable Not Applicable

2. Changes in restricted shares

Applicable Not Applicable

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the period	Number of restricted shares increased in the current period	Number of restricted shares released in the current period	Number of restricted shares at the end of the period	Reasons for restriction on sale	Proposed date for lifting the restriction on sales
Wan Feng	90,625,740	0	0	90,625,740	Locking up of shares held by directors, supervisors and senior executives	The date when his/her shares tradable and outstanding in each year during his/her term of office reach 25% of the total shares held by him/her at the end of the previous year
Richard Shentu	1,575,000	1,500,000		3,075,000	Locking up of shares held by directors, supervisors and senior executives	The date when his/her shares tradable and outstanding in each year during his/her term of office reach 25% of the total shares held by him/her at the end of the previous year
Chen Yan	1,779,327	0	0	1,779,327	Locking up of shares held by directors, supervisors and senior executives	The date when his/her shares tradable and outstanding in each year during his/her term of office reach 25% of the total shares held by him/her at the end of the

						previous year
Qian Feng	1,542,846	0	0	1,542,846	Locking up of shares held by directors, supervisors and senior executives	The date when his/her shares tradable and outstanding in each year during his/her term of office reach 25% of the total shares held by him/her at the end of the previous year
Zhou Lu	336,000	0	0	336,000	Locking up of shares held by directors, supervisors and senior executives	The date when his/her shares tradable and outstanding in each year during his/her term of office reach 25% of the total shares held by him/her at the end of the previous year
Li Fengyong	6,150	0	0	6,150	Locking up of shares held by directors, supervisors and senior executives	The date when his/her shares tradable and outstanding in each year during his/her term of office reach 25% of the total shares held by him/her at the end of the previous year
Yu Cuiping	58,500,000	0	2,418,375	56,081,625	Acquiring shares through divorce and continuing to fulfill the commitment to the locking up of shares held by directors, supervisors and senior executives for the period when Mr. Wan Feng acts as a director, supervisor or senior executive.	The date when his/her shares tradable and outstanding in each year during his/her term of office reach 25% of the total shares held by him/her at the end of the previous year
Total	154,365,063	1,500,000	2,418,375	153,446,688	--	--

II. Securities issuance and listing

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

Applicable Not Applicable

2. Changes in the total number of shares and the structure of shareholders of the Company, and changes in the structure of the Company's assets and liabilities

Applicable Not Applicable

3. Existing internal employee stocks

Applicable Not Applicable

III. Shareholders and actual controllers

1. Number of shareholders and shareholdings of the Company

Unit: share

Total number of common shareholders at the end of the reporting period	35,526	Total number of common shareholders at the end of the month prior to the date of disclosure of the annual report	41,358	Total number of preferred shareholders whose voting rights have been restored at the end of the reporting period (if any) (see Note 9)	0	Total number of preferred shareholders whose voting rights have been restored at the end of the previous month before the date of disclosure of the annual report (if any) (see Note 9)	0	
Shareholdings of shareholders holding more than 5% shares or top 10 shareholders								
Name of shareholder	Nature of Shareholders	Shareholding ratio (%)	Number of shares held at the end of the reporting period	Changes (increase or decrease) in the reporting period	Number of shares held with restriction on sales	Number of shares held without restriction on sales	Pledged or frozen	
							Status of shares	Quantity
Hong Kong Securities Clearing Company Ltd.	Foreign legal person	23.39%	387,698,948	223,310,148	0	387,698,948	Pledged	0
							Frozen	0
Wan Yunxiang	Domestic natural person	10.85%	179,774,064	-14,500,000	0	179,774,064	Pledged	0
							Frozen	0
Wan Feng	Domestic natural person	7.29%	120,834,320	0	90,625,740	30,208,580	Pledged	0
							Frozen	0
Yu Cuiping	Domestic natural person	4.33%	71,775,500	-3,000,000	56,081,625	15,693,875	Pledged	0
							Frozen	0
Industrial and Commercial Bank of China Limited – Guangfa Jufeng Hybrid Securities	Others	2.30%	38,186,862	9,168,660	0	38,186,862	Pledged	0
							Frozen	0

Investment Fund								
National Social Security Fund Portfolio 406	Others	1.77%	29,334,968	-	0	29,334,968	Pledged	0
							Frozen	0
China Construction Bank Co., Ltd. – Jiashi Taihe Hybrid Securities Investment Fund	Others	1.12%	18,590,221	-	0	18,590,221	Pledged	0
							Frozen	0
National Social Security Fund Portfolio 115	Others	1.08%	17,930,000	-	0	17,930,000	Pledged	0
							Frozen	0
China International Capital Corporation Hong Kong Asset Management Limited - Clients Fund	Foreign legal person	0.97%	16,023,250	-	0	16,023,250	Pledged	0
							Frozen	0
Bank of China - Jiashi Growth and Open-ended Securities Investment Fund	Others	0.96%	15,952,671	-	0	15,952,671	Pledged	0
							Frozen	0
The case where a strategic investor or a general legal person becomes a top 10 shareholder due to the placement of new shares (if any) (see Note 4)	Not applicable							
Description of related party relationships or acting in concert among the above shareholders	Mr. Wan Yunxiang is the son of Mr. Wan Feng; Wan Feng and Wan Yunxiang are persons acting in concert; Mr. Wan Feng is the actual controller of the Company. Ms. Yu Cuiping is Mr. Wan Feng's ex-wife, and she voluntarily authorizes Mr. Wan Feng to exercise the voting rights attached to the shares obtained by her through divorce for free. The Company has no knowledge of whether other shareholders are related parties or parties acting in concert.							
Shareholdings of top ten shareholders without restriction on sale								
Name of shareholder	Number of shares without restriction on sale at the end of the reporting period		Category of shares					
			Category of shares	Quantity				
Hong Kong Securities Clearing Company Ltd.	387,698,948		RMB-denominated ordinary shares	387,698,948				
Wan Yunxiang	179,774,064		RMB-denominated ordinary shares	179,774,064				
Industrial and Commercial	38,186,862		RMB-denominat	38,186,862				

Bank of China Limited – Guangfa Jufeng Hybrid Securities Investment Fund		ed ordinary shares	
Wan Feng	30,208,580	RMB-denominated ordinary shares	30,208,580
National Social Security Fund Portfolio 406	29,334,968	RMB-denominated ordinary shares	29,334,968
China Construction Bank Co., Ltd. – Jiashi Taihe Hybrid Securities Investment Fund	18,590,221	RMB-denominated ordinary shares	18,590,221
National Social Security Fund Portfolio 115	17,930,000	RMB-denominated ordinary shares	17,930,000
China International Capital Corporation Hong Kong Asset Management Limited - Clients Fund	16,023,250	RMB-denominated ordinary shares	16,023,250
Bank of China - Jiashi Growth and Open-ended Securities Investment Fund	15,952,671	RMB-denominated ordinary shares	15,952,671
Yu Cuiping	15,693,875	RMB-denominated ordinary shares	15,693,875
Explanation for related party relationship or acting in concert among the top 10 shareholders not subject to restriction on sale and between the top 10 shareholders not subject to restriction on sale and the top 10 shareholders	Mr. Wan Yunxiang is the son of Mr. Wan Feng; Wan Feng and Wan Yunxiang are persons acting in concert; Mr. Wan Feng is the actual controller of the Company. The Company has no knowledge of whether other shareholders are related parties or parties acting in concert.		
Description of shareholders participating in the securities margin trading business (if any) (see Note 5)	Not applicable		

Whether any of the Company's top 10 common shareholders and top 10 common shareholders not subject to restriction on sale has carried out any agreed repurchase transaction during the reporting period

Yes No

Whether the Company's top 10 common shareholders and top 10 common shareholders not subject to restriction on sale have not carried out any agreed repurchase transaction during the reporting period.

2. The Company's controlling shareholders

Nature of controlling shareholders: natural person holding

Type of controlling shareholders: natural person

Name of controlling shareholders	Nationality	Having obtained right of residence in other countries or regions or not
Wan Feng	China	No
Wan Yunxiang	China	No
Main occupations and duties	Mr. Wan Feng, participated in the establishment of CTI in 2003 and became the chairman of the Company in August 2007; he was re-elected in August 2010, August 2013, August 2016 and December 2019. Mr. Wan Yunxiang is the son of Mr. Wan	

	Feng; Mr. Wan Feng and Mr. Wan Yunxiang are persons acting in concert.
Equity of other domestic and foreign listed companies controlled or participated in by him/her during the reporting period	N/A

Changes in controlling shareholders during the reporting period

Applicable Not Applicable

The Company's controlling shareholders remain unchanged during the reporting period.

3. The Company's actual controller and persons acting in concert with him/her

Nature of the actual controller: domestic natural person

Type of the actual controllers: natural person

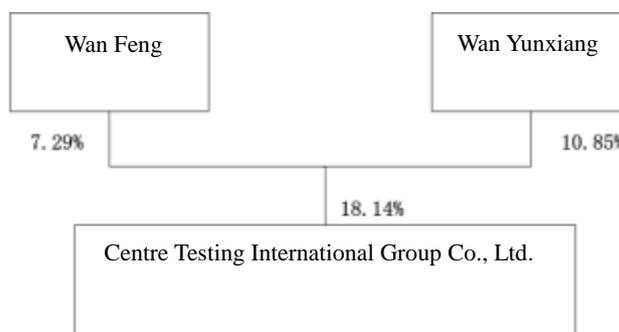
Name of the actual controller	Relationship with the actual controller	Nationality	Having obtained right of residence in other countries or regions or not
Wan Feng	Same person	China	No
Main occupations and duties	Mr. Wan Feng, participated in the establishment of CTI in 2003 and became the chairman of the Company in August 2007; he was re-elected in August 2010, August 2013, August 2016 and December 2019.		
Other domestic and foreign listed companies controlled by him/her in past 10 years	Not applicable		

Changes in actual controller during the reporting period

Applicable Not Applicable

The actual controller of the Company remains unchanged during the reporting period.

Block diagram for the property and control relations between the Company and its actual controller



Notes:

(1) Mrs. Yu Cuiping voluntarily entrusted Mr. Wan Feng to exercise the 4.33% voting rights for 71,775,000 shares she obtained by divorce, without any charges, and Wan Feng owned 11.62% voting rights in the Company.

(2) Mr. Wan Feng, Mr. Wan Yunxiang and Mr. Wan Lipeng are persons acting in concert.

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

Applicable Not Applicable

4. Other legal-person shareholders holding more than 10% shares of the Company

Applicable Not Applicable

5. Restriction on and reduction of shares held by the controlling shareholders, the actual controller, the reorganization parties and other entities making commitments

Applicable Not Applicable

Section VII Preferred Shares

Applicable Not Applicable

The Company had no preferred shares during the reporting period.

Section VIII Convertible Corporate Bonds

Applicable Not Applicable

The Company had no convertible corporate bonds during the reporting period.

Section IX Directors, Supervisors, Senior Executives and Employees

I. Changes in shareholdings of directors, supervisors and senior executives

Name	Title	Incumbent or former	Gender	Age	Start date of term	End date of term	Number of shares held at the beginning of the period (shares)	Number of shares increased in the current period (shares)	Number of shares decreased in the current period (shares)	Other increase and decrease (shares)	Number of shares held at the end of the period (shares)
Wan Feng	Chairman	Incumbent	Male	50	August 25, 2007		120,834,320	0	0	0	120,834,320
Richard Shentu	Director, CEO	Incumbent	Male	51	June 4, 2018		2,100,000	2,000,000	0	0	4,100,000
Chen Yan	Director, secretary of the Board of Directors	Incumbent	Male	46	August 25, 2007		2,372,436	0	0	0	2,372,436
Kuang Zhigang	Director	Incumbent	Male	72	July 28, 2014		0	0	0	0	0
Cheng Hong	Independent director	Incumbent	Male	56	August 12, 2016		0	0	0	0	0
Liu Jiayong	Independent director	Former	Male	42	August 12, 2016	December 2, 2019	0	0	0	0	0
Zeng Fanli	Independent director	Incumbent	Male	55	December 2, 2019		0	0	0	0	0
Zhang Hanbin	Independent director	Incumbent	Male	53	July 28, 2014		0	0	0	0	0
Qian Feng	Vice president	Incumbent	Male	46	August 25, 2007		2,057,128	0	0	0	2,057,128
Zhou Lu	Vice president	Incumbent	Male	46	August 27, 2013		448,000	0	0	0	448,000
Xu Jiang	Vice president	Incumbent	Male	45	May 28, 2010		0	0	0	0	0
Li Fengyong	Vice president	Incumbent	Male	47	August 22, 2016		8,200	0	0	0	8,200
Wang Hao	Vice president	Incumbent	Female	44	August 22, 2016		0	0	0	0	0
Zeng Xiaohu	Vice president	Incumbent	Male	45	April 24, 2019		0	0	0	0	0
Zeng Zhaolong	Chairman of the Board of Supervisors	Former	Male	51	August 12, 2016	December 2, 2019	0	0	0	0	0
Chen Weimin	Chairman of the Board of	Incumbent	Male	47	August 12, 2016		0	0	0	0	0

	Supervisors										
Zhang Yumin	Supervisor	Incumbent	Male	45	August 12, 2016		0	0	0	0	0
Ou Jin	Supervisor	Incumbent	Female	29	December 21, 2019		0	0	0	0	0
Total	--	--	--	--	--	--	127,820,084	2,000,000	0	0	129,820,084

II. Changes in the Company's directors, supervisors and senior executives

√ Applicable □ Not Applicable

Name	Title	Type	Date	Reason
Liu Jiayong	Independent director	Dismission	December 2, 2019	Election at expiration of office terms
Zeng Fanli	Independent director	Employment	December 2, 2019	Election at expiration of office terms
Zeng Zhaolong	Chairman of the Board of Supervisors	Dismission	December 2, 2019	Election at expiration of office terms
Chen Weiming	Chairman of the Board of Supervisors	Employment	December 2, 2019	Election at expiration of office terms
Ou Jin	Supervisor	Employment	December 2, 2019	Election at expiration of office terms

III. Employment information

Professional background, main work experience and current main duties in the Company of the Company's current directors, supervisors and senior executives

1. Directors

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

(2) Mr. Richard Shentu, Chinese nationality, without right of residence outside China, born in 1968, has a doctoral degree. He previously served as the global executive vice president of SGS Group, responsible for global consumer product testing services; he also served as president of SGS in China, and vice president of SGS global consumer product testing and industrial services. He once served as a director of SGS and the chairman and other roles in the Board of Directors of bluesign Technologies ag., a Swiss company. He joined the Company in June 2018 and served as the Company's president and director.

(3) Mr. Chen Yan, Chinese nationality, without right of residence outside China, born in 1973, has a master's degree. He once worked in China Guangfa Bank, and successively served as the head of the credit department of Shenzhen Branch and the integrated manager of CMS migration team, CMS project promotion department and credit department of Shenzhen Branch. He joined CTI Testing Technology Co., Ltd. in 2006 and served as the vice president and the secretary of the Board of Directors. He became a director of the Company in August 2014.

(4) Mr. Kuang Zhigang, Chinese nationality (Hong Kong), born in 1947, has a college degree in textile. He worked for Intertek Group from 1973 to 2006 and once served as the president of the Global Consumer Goods Division and a director of the Group. As a founder of Intertek Group, he established a network covering many Asian-Pacific region and some European and American areas, including Intertek China. He retired from Intertek Group in 2006 and became a director of the Company in August 2014.

(5) Mr. Zhang Hanbin, Chinese nationality, born in 1966, without right of permanent residence outside China, is a master in international accounting, a China certified public accountant, a senior accountant, and also an overseas member of the Society of Chinese Accountants & Auditors. He was a member of the CPA investigation committee of Shenzhen Finance Bureau, an expert of the evaluation committee of Shenzhen industry associations and chambers of commerce, and a director of the fourth and fifth board of directors of Shenzhen Institute of Certified Public Accountants. Now, he is a managing partner of Shenzhen Mingding Certified Public Accountants, a member of the supervision committee of Shenzhen Institute of Certified Public Accountants, an expert of Shenzhen Innovation and Technology Commission, an expert of the Development and Reform Commission of Shenzhen Municipality, a promoter of Shenzhen Experts United Association, an independent director of OFILM Group Co., Ltd., and an independent director of Shenzhen Beauty Star Co., Ltd. He became an independent director of the Company in August 2014.

(6) Mr. Cheng Hong, Chinese nationality, born in 1963, with a PhD in economics, is a professor and doctoral supervisor. Now, he serves as the president of the Institute of Quality Development Strategy (IQDS) of Wuhan University and is also a visiting scholar of

Stanford University. Professor Cheng Hong is the chief expert of major bidding projects of the National Social Science Fund of China and major key projects of the Ministry of Education, and he is also the leader of more than 10 important national scientific research projects. He is mainly engaged in the scientific research in the fields of supply-side structural reform, the mechanism and path of improving the quality of micro products and services and the quality of macroeconomic growth under the background of economic transformation, entrepreneurship and enterprise quality innovation strategy. He became an independent director of the Company in August 2016.

(7) Mr. Zeng Fanli, Chinese nationality, born in 1964, has a bachelor degree in agronomy and a master's degree in world economics. From 1986 to 1999, he served successively as a member of Shenzhen Commodity Inspection and Testing Bureau, the deputy director of Wenjindu Port, the deputy director general, director general and secretary of the party committee of Wenjindu Port, and the director of the certification department and the secretary of Shenzhen Commodity Inspection and Testing Bureau; from 1999 to 2001, he served as the director of the food inspection department and the secretary of the party committee of Shenzhen Inspection and Quarantine Bureau; from 2001 to 2004, he served as the office director and secretary of Shenzhen Inspection and Quarantine Bureau; from 2004 to 2010, he served as the director and the secretary of the leading Party group of Shekou Inspection Bureau (deputy director-general); from 2010 to 2013, he served as the director (deputy director-general) and the secretary of the leading Party group of Huanggang Inspection Bureau; from 2013 to 2015, he served as the deputy director (deputy director-general) and the secretary of the leading Party group of Shenzhen Inspection and Quarantine Bureau; from August 2015 to 2019, he served as the vice president, the secretary of the Party Committee and the president of food cold chain platform, of Eternal Asia Supply Chain Co., Ltd.; he also served as the vice president of Shenzhen Customs Brokers Association, the vice president of Shenzhen Financial Chamber of Commerce, the founding president of Shenzhen Food Material Industry Association, etc.; from March 2019 to now, he serves as the president of Nanhai Shenghui New Energy (Guangdong) Co., Ltd. and Shenzhen Yuehai Shenghui International Trade Co., Ltd.; he became an independent director of the Company on December 2, 2019.

2. Supervisors

(1) Mr. Chen Weiming, Chinese nationality, without right of resident outside China, born in 1972, has a master's degree in business administration. He once served as the deputy general manager of the retail banking department of China Bohai Bank Shenzhen Branch, and the general manager of Shenzhen Jiarun Hengxin Industrial Co., Ltd.; and now he is a director of Shenzhen Aoweifu Technology Co., Ltd.

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

(3) Ms. Ou Jin, Chinese nationality, without right of permanent residence outside China, born in 1990, has a bachelor degree. She once worked in China Construction Bank and Shenzhen Infinova Technology Co., Ltd., and now she is a securities affairs representative of the Company.

3. Senior executives

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

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

(3) Mr. Qian Feng, Chinese nationality, without right of residence outside China, born in 1973, has a master degree. He once worked for Dalian Huaxing Container Transportation Co., Ltd. and Shenzhen Maritime Safety Administration, and served successively as the member, deputy director, director and deputy director general. He joined the Company as the vice president in 2006 and now is the vice president of the Company.

(4) Mr. Xu Jiang, Chinese nationality, without right of residence outside China, born in 1974, has a master degree. From 1998 to 2001, he worked for Huawei Technologies Co., Ltd.; from 2001 to 2010, he worked for Emerson Network Power Co., Ltd.; he joined Shenzhen CTI Testing Technology Co., Ltd. on May 28, 2010 and became the vice president of the Company.

(5) Mr. Zhou Lu, Chinese nationality, without right of residence outside China, born in 1973, has a master degree. He once worked for DNV GL and served successively as the manager of energy efficiency product development and operations in greater China, the director of energy efficiency and climate change services operations in greater China, and the manager of Beijing office. He joined Shenzhen CTI Testing Technology Co., Ltd. in November 2010 and became the director of the certification development department. He became the vice president in August 2013 and now is still the vice president of the Company.

(6) Mr. Li Fengyong, Chinese nationality, without right of residence outside China, born in 1972, has a master degree. He once served as the business manager of Binzhou Huimin County Foreign Trade Corporation, and the marketing manager of Qingdao Ainuo Intelligent Instrument Co., Ltd.; he joined the Company in 2008 and became the general manager of the Food and Drug Division and the general manager of Centre Testing International Group Co., Ltd.; Now he is the vice president of the Company.

(7) Ms. Wang Hao, Chinese nationality, without right of residence outside China, born in 1975, has a master degree. She is an American certified public accountant and also a senior financial executive with 15 years of working experience in China and the United States. From 2006 to 2015, she worked for Freeborders Software Development Co., Ltd. and served successively as finance manager, finance director and vice president of finance in Asia Pacific region. Before then she worked for Huarun Group and an American accounting firm. She joined Centre Testing International Group Co., Ltd. in April 2016 and now is the vice president of the Company.

(8) Mr. Zeng Xiaohu, Chinese nationality, without right of residence outside China, born in 1974, has a master degree. He once served as the general manager of SGS China Industrial, Transportation and Fire Technology Business Group, the head of SGS Northeast Asia Transportation Service, the general manager of SGS China Consumer Goods Testing Business Group and the vice

president of SGS Global Light Industrial Products Business. He joined the Company in January 2019 and now is the vice president of the Company.

Employment by shareholders

Applicable Not Applicable

Employment by other companies

Applicable Not Applicable

Name of employed persons	Name of other companies	Title in the other companies	Start date of term	End date of term	Whether to receive remuneration and allowance in other companies
Wan Feng	THE SHENZHEN HK POLTECHNIC INVESTMENT CO., LTD.	Executive director			
Wan Feng	Beijing Tianrui Junfeng Investment Management Co., Ltd.	Supervisor			
Zhang Hanbin	Shenzhen Mingding Certified Public Accountants	Director and managing partner	August 9, 2004		
Zhang Hanbin	O FILM Group Co., Ltd.	Independent director	November 23, 2017		
Zhang Hanbin	Shenzhen Beauty Star Co., Ltd.	Independent director			
Cheng Hong	Institute of Quality Development Strategy (IQDS) of Wuhan University	President			
Zeng Fanli	South Sea Shenghui New Energy (Guangdong) Co., Ltd.	Legal Representative, General Manager and Executive Director			
Zeng Fanli	Shenzhen Yuehai Shenghui International Trading Co., Ltd.	Legal Representative and General Manager			
Chen Weiming	Shenzhen AVSHD Technology Co., Ltd.	Director			
Xu Jiang	ZhongRen Time Education Technology (Beijing) Corporation Ltd.	Supervisor			
Wang Hao	Shenzhen Langhao Technology Co., Ltd.	Supervisor			
Notes to office holding in other companies	N/A				

Punishments made by the securities regulatory agencies on the Company's directors, supervisors and senior executives currently holding the office and leaving the office during the reporting period in the past three years

Applicable Not Applicable

IV. Remuneration of directors, supervisors and senior executives

Decision-making procedures, basis for determination and actual payment for the remuneration of directors, supervisors and senior executives

1. Decision-making process

The remuneration of directors and supervisors of the Company shall be determined by the General Shareholders' Meeting. The remuneration of senior executives shall be decided by the Board of Directors; The remuneration of directors, supervisors and senior executives of the Company shall be paid by the Company; The allowances for independent directors shall be paid according to the resolution of the General Shareholders' Meeting. Costs for independent directors' meetings and training shall be reimbursed completely.

2. Determination basis

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

3. Amount actually paid

By the end of the reporting period, there were 18 directors, supervisors and senior executives. In 2019, the Company actually paid the remuneration of directors, supervisors and senior executives in a total amount of RMB 10,093,600.

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

Unit: RMB 10,000

Name	Title	Gender	Age	Incumbent or former	Total pre-tax compensation obtained from the Company	Whether or not receiving payment by related parties of the Company
Wan Feng	Chairman	Male	50	Incumbent	113.67	No
Richard Shentu	Director, CEO	Male	51	Incumbent	171.84	No
Chen Yan	Director, secretary of the Board of Directors	Male	46	Incumbent	112.49	No
Xu Jiang	Vice president	Male	45	Incumbent	90.76	No
Li Fengyong	Vice president	Male	47	Incumbent	84.3	No
Wang Hao	Vice President and the person in charge of financial affairs	Female	44	Incumbent	88.15	No
Qian Feng	Vice president	Male	46	Incumbent	124.01	No
Zhou Lu	Vice president	Male	46	Incumbent	81.58	No
Zeng Xiaohu	Vice president	Male	45	Incumbent	78.71	No
Kuang Zhigang	Director	Male	72	Incumbent	7	No
Zhang Hanbin	Independent director	Male	53	Incumbent	9	No
Cheng Hong	Independent director	Male	56	Incumbent	8	No
Liu Jiayong	Independent director	Male	42	Former	7	No
Zeng Fanli	Independent director	Male	55	Incumbent	0	No
Zeng Zhaolong	Chairman of the Board of Supervisors	Male	51	Former	0	No
Chen Weiming	Chairman of the Board of Supervisors	Male	47	Incumbent	0	No
Ou Jin	Supervisor	Female	29	Incumbent	19.5	No
Zhang Yumin	Supervisor	Male	45	Incumbent	13.35	
Total	--	--	--	--	1,009.36	--

Equity incentives granted to directors and senior executives of the Company during the reporting period

√ Applicable □ Not Applicable

Unit: share

Name	Title	Number of vesting shares during the reporting period	Number of vested shares during the reporting period	The exercise price of the vested shares during the reporting period (RMB/share)	Market price at the end of the reporting period (RMB/share)	Number of restricted stocks held at the beginning of the period	Number of shares unlocked in current period	Number of restricted stocks newly granted during the reporting period	The granting price of the restricted stocks (RMB/share)	Number of restricted stocks held at the end of the period
Richard Shentu	Director, president	0	0	0	14.91	0	0	0	0	0
Chen Yan	Director, Vice President and Secretary of the Board of Directors	0	0	0	14.91	0	0	0	0	0
Xu Jiang	Vice president	0	0	0	14.91	0	0	0	0	0
Li Fengyong	Vice president	0	0	0	14.91	0	0	0	0	0
Wang Hao	Vice president	0	0	0	14.91	0	0	0	0	0
Zhou Lu	Vice president	0	0	0	14.91	0	0	0	0	0
Qian Feng	Vice president	0	0	0	14.91	0	0	0	0	0
Zeng Xiaohu	Vice president	0	0	0	14.91	0	0	0	0	0
Total	--	0	0	--	--	0	0	0	--	0
Remarks (if any)	<p>In 2018, the Company implemented the first Stock Option Incentive Plan and granted 20,650,000 options to 38 incentive objects. The adjusted exercise price was RMB 6.095/share. Specifically, 3,000,000 options were granted to Mr. Shentu Xianzhong, 1,000,000 options to Mr. Chen Yan, 700,000 options to Mr. Li Fengyong, 700,000 options to Mr. Qian Feng, 700,000 options to Mr. Xu Jiang, 500,000 options to Ms. Wang Hao and 500,000 options to Mr. Zhou Lu. On December 25, 2019, the Company convened the second session of the 5th Board of Directors, during which the Motion for Achievements in Vesting Conditions of the First Exercise Schedule of the 2018 Stock Option Incentive Plan was deliberated and passed. Details on the number of feasible shares of the directors and senior executives granted options of the Company during the first exercise schedule are described below: Mr. Shentu Xianzhong - 900,000, Mr. Chen Yan - 300,000, Mr. Li Fengyong - 300,000, Mr. Qian Feng - 210,000, Mr. Xu Jiang - 210,000, Ms. Wang Hao - 150,000 and Mr. Zhou Lu - 150,000. According to actual handling of independent exercise, the actual feasible period of the first exercise schedule was January 2, 2020 to December 16, 2020.</p> <p>During the reporting period, the Company implemented the 2019 Stock Option Incentive Plan and granted 4,700,000 options to 9 incentive objects at an exercising price of RMB 9.23/share, including 1,000,000 options granted to Mr. Zeng Xiaohu. At present, stock options of 2019 are still in the waiting period.</p>									

V. Employees of the Company

1. Number of employees, composition of specialties and educational level

Number of service employees in the parent company (person)	1,578
Number of service employees in the main subsidiaries (person)	7,779
Total number of service employees (person)	9,357
Total number of employees receiving salary in the current period (person)	9,357
Number of retired employees who shall be paid by the parent company and main subsidiaries (persons)	48
Disciplines	
Category of occupation	Quantity of composition of specialties (person)
Production personnel	3,260
Sales personnel	2,062
Technical personnel	3,371
Financial personnel	164
Administrative personnel	500
Total	9,357
Education background	
Category of education background	Number (person)
Doctor's degree or above	17
Master	720
Undergraduate	4,736
College degree	3,211
Below college degree	673
Total	9,357

2. Remuneration policy

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

3. Training plan

Departments of the Company, based on demand investigations, training results of the past and actual demands of their own, prepare individual annual training plans and submit the plans to the HR Department for record. As for specialized and quality-related training involving different departments and subsidiaries, the HR Department will implement uniform schematic design and implement the training plans. The HR Department of the Company formulates annual training plans for salesmen, management personnel and personnel engaged in special operations on an annual basis depending on actual demands and organize the training with the approval from the Company.

4. Labor outsourcing

√ Applicable □ Not Applicable

Total working hours outsourced (hours)	617,451.65
Total remuneration of labor outsourcing (RMB)	17,492,405.17

Section X Corporate Governance

I. Actuality of corporate governance

(I) About shareholders and the General Shareholders' Meeting

The Company, strictly in accordance with the requirements of *Rules for the General Meetings of Shareholders of Listed Companies*, *Articles of Association*, *Rules of Procedures of General Shareholders' Meeting* as well as regulations and requirements of SSE for GEM, convenes the General Shareholders' Meeting as required, treats all the shareholders equally and offers facilities to shareholders as much as possible to help them exercising their rights. During the reporting period, the General Shareholders' Meetings held by the Company were all convened by the Board of Directors of the Company, with witnessing lawyers invited to witness the opening and the voting procedure of the General Shareholders' Meeting and present legal opinions accordingly. All shareholders have a full voice at the General Shareholders' Meeting to ensure that all shareholders, especially the minority shareholders, enjoy equal status and fully exercise their powers. During the reporting period, there was no violation of the *Rules of the Shareholders' Meeting of Listed Companies* for the Company's General Shareholders' Meeting. The Company did not have any shareholders who individually or collectively held more than 10% of the total voting shares of the Company to request the convening of an extraordinary General Shareholders' Meeting, and there was also no General Shareholders' Meeting proposed by the board of supervisors.

(II) About the Company and its controlling shareholders

Controlling shareholders of the Company strictly behaved themselves and were not engaged in any direct or indirect interference with the decision-making and business activities of the Company in circumvention of the General Shareholders' Meeting. The Company has independent and complete business and self-management capabilities, and is independent of the controlling shareholders in terms of business, assets, personnel, organization and finance. The Board of Directors, the Board of Supervisors and internal branches of the Company operate independently. During the reporting period, controlling shareholders of the Company strictly followed the *Guidelines for the Governance of Listed Companies*, the *GEM Stock Listing Rules of the Shenzhen Stock Exchange*, the *Guidelines for the Standard Operation of the GEM Listed Companies of the Shenzhen Stock Exchange*, the *Articles of Association* and other requirements to standardize their own behaviors, and there was no behavior bypassing the Company's General Shareholders' Meeting to directly or indirectly interfere with the Company's decision-making and business activities nor damage of interest of the Company and other shareholders, occupation of funds of the Company by controlling shareholders or guarantee tendered by the Company for its controlling shareholders.

(III) About directors and the Board of Directors

The Board of Directors of the Company consists of 7 directors, including 4 non-independent directors. The number and composition of the Board of Directors meet the requirements of relevant laws, regulations and the *Articles of Association*. All directors can carry out their work in accordance with the *Rules of Procedures of the Board of Directors*, the *Working System of Independent Directors*, and the *Guidelines for the Standardized Operation of GEM Listed Companies of Shenzhen Stock Exchange*, attending meetings of the Board of Directors, the Special Committees and General Shareholders' Meetings, and performing their duties and obligations diligently and conscientiously, and actively participating in relevant exchanges and learning sessions to be familiar with relevant laws and regulations.

In accordance with the requirements of the *Guidelines for the Standardized Operation of GEM Listed Companies of the Shenzhen Stock Exchange*, during the reporting period, the Company conducted general election of the Board of Directors and set up three special committees--the Remuneration Examination and Nomination Committee, the Audit Committee and the Strategy and M&A Committee under the 5th Board of Directors. Special committees' members are all directors. Independent directors account for 2/3 in each special committee and the chairman of each committee is assumed by an independent director. Special committees fulfill their duties according to the *Articles of Association* and their own procedural rules without the intervention from any other departments or individuals of the Company, so as to ensure rational and transparent decision-making of the Board of Directors. During the reporting period, directors of the Company improved their capabilities of fulfilling the duties of directors by learning relevant laws and regulations.

(IV) About supervisors and the Board of Supervisors

The 4th Board of Supervisors of the Company consists of 3 supervisors, including one employees' representative. The number of members and composition of the Board of Supervisors are in compliance with the requirements under the relevant laws and regulations. Supervisors can earnestly perform their duties in accordance with the requirements of the *Articles of Association* and the *Rules of Procedures of the Board of Supervisors*, and supervise the Company's major issues, financial status, and the legal compliance of directors and senior executives in performing their duties.

(V) About performance assessment and incentive and accountability mechanism

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

(VI) About information disclosure and transparency

The Company strictly followed the relevant laws and regulations and requirements of the *Information Disclosure System and Investor Relations Management System* to disclose the relevant information in a true, accurate, timely, fair and complete manner; and designated the secretary of the Company's board of directors to be responsible for information disclosure and coordination of the relationship between the Company and investors, receiving shareholders' visits, answering investors' inquiries, providing investors

with information disclosed by the Company; The Company designated *Securities Times* and the GEM information disclosure website appointed by China Securities Regulatory Commission as the information disclosure paper and website of the Company, ensuring that all shareholders of the Company can obtain information with equal opportunities. During the reporting period, the Company did not give any undisclosed information to the substantial shareholder or de facto controller.

(VII) About stakeholders

The Company fully respect and safeguard the legitimate rights and interests of relevant stakeholders, achieve the coordination and balance of interests of shareholders, employees, society and other parties, and jointly promote the Company's sustainable and healthy development.

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

During the reporting period, the Board of Directors of the Company established a complete internal control system according to *Basic Standard for Enterprise Internal Control*, which was in compliance with national laws and regulations and adapted based on management demands of the Company and guaranteed effective implementation of all internal control systems. With the internal control system established, the Company controlled and prevented risks in operation and management, protected legal rights of its investors and developed in a healthy and steady manner. During this period, no major defect in internal control was found.

Whether the actual situation of corporate governance and the regulatory documents issued by the China Securities Regulatory Commission on the governance of listed companies are significantly different

Yes No

There was no significant difference between the actual situation of corporate governance and the regulatory documents issued by the China Securities Regulatory Commission on the governance of listed companies.

2. The independence of the Company relative to the controlling shareholders in terms of business, personnel, assets, organization, finance, etc.

(I) Business independency

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

(II) Assets completeness

The Company has independent and complete procurement, production and marketing support facilities and fixed assets. The Company has the total right to control and allocate the assets on its own, without any damage to the benefit of the Company due to assets and capital taken by the shareholders.

(III) Personnel independency

The Company has its own HR Department. Human resources and salary management of the Company are completely independent and separated from its shareholders. Directors, supervisors and senior executives of the Company are elected strictly according to the *Company Law* and the *Articles of Association*. None of these personnel are working part time in violation of relevant laws and regulations.

(IV) Institutional independency

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

(V) Financial independency

The Company has set up an independent financial department to handle financial accounting and financial management of the Company. The person in charge of finance and financial staff of the Company work at and get paid from the Company. None of these personnel are taking jobs at any other enterprises operating the same or similar businesses or having other interest conflicts with the Company.

III. Horizontal competition

Applicable Not Applicable

IV. Annual General Shareholders' Meeting and the extraordinary general meeting of shareholders held during the reporting period

1. General Shareholders' Meeting during the reporting period

Session of meeting	Type of meeting	Investor participation ratio	Date	Disclosure date	Disclosure index
2018 General Shareholders' Meeting	Annual General Shareholders' Meeting	31.44%	May 16, 2019	May 17, 2019	www.cninfo.com.cn
2018 First Extraordinary General Shareholders' Meeting	Extraordinary General Shareholders' Meeting	32.89%	December 2, 2019	December 3, 2019	www.cninfo.com.cn

2. The preferred stockholders whose voting rights are restored request the convening of an extraordinary General Shareholders' Meeting.

Applicable Not Applicable

V. Execution of duties of independent directors during the reporting period

1. The attendance of independent directors at the meetings of Board of Directors and the General Shareholders' Meetings

Attendance of independent directors at the meetings of Board of Directors and the General Shareholders' Meetings							
Name of independent director	Number of board meetings that should be attended during the reporting period	Number of on-site attendances at the board meetings	Number of board meetings attended by means of communication	Number of entrusted attendances at the board meetings	Number of absences at the board meetings	Whether not to attend the board meetings in person for two successive times	Number of attendance at General Shareholders' Meetings
Zhang Hanbin	13	2	11	0	0	No	2
Cheng Hong	13	2	11	0	0	No	2
Liu Jiayong	11	1	10	0	0	No	1
Zeng Fanli	2	1	1	0	0	No	1

Reasons for absences at the board meetings for two successive times

N/A

2. Objections proposed by independent director on the relevant matters of the Company

Whether the independent director proposes objection to the Company's related matters

Yes No

During the reporting period, the independent directors did not raise any objection to the relevant matters of the Company.

3. Other explanations for the execution of duties of independent directors

Whether the relevant recommendations proposed by the independent directors to the Company have been adopted

Yes No

Description on whether the relevant recommendations proposed by the independent directors to the Company have been adopted or not

Independent directors of the Company strictly abided by the *Company Law*, the *Securities Law*, the *Guiding Opinions of China Securities Regulatory Commission on Establishing the Independent Director System in Listed Companies*, the *Independent Director Working System* and other relevant laws, regulations and requirements and fulfilled their duties in an honest, diligent and independent way in 2019: actively attended meetings convened by the Company, carefully deliberated motions of the Board of Directors, provided independent opinions on major issues of the Company, etc. to give full play to the role of independent directors and special committees. On one hand, independent directors strictly reviewed matters submitted by the Company to the Board of Directors for deliberation, maintained legal rights of the Company and its shareholders and advanced normalized operation of the Company; on the other hand, independent directors utilized their own advantages and eagerly participated in studying the development direction and strategy of the Company, and provided specialized opinions and suggestions for auditing, internal control and strategic planning of the Company. During the reporting period, opinions of independent directors regarding the Company were all accepted.

VI. Execution of duties of special committees subordinated to the board of directors during

the reporting period

(I) Special committees set up under the 4th Board of Directors:

The Audit Committee was set up under the 4th Board of Directors of the Company as a special body established under the board of directors, mainly responsible for communication, supervision and review of the internal and external audit of the Company. The Audit Committee under the 4th Board of Directors consists of three members: Mr. Kuang Zhigang, Mr. Zhang Hanbin and Mr. Liu Jiayong. Mr. Zhang Hanbin, an independent director, assumed the role of chairman of the committee.

The Remuneration and Examination Committee was set up under the 4th Board of Directors to lay down remuneration plans or schemes for senior executives based on the main scope of work, responsibilities and significance and for other positions, review duty fulfillment of senior executives of the Company and conduct annual performance examination accordingly. The Remuneration and Examination Committee under the 4th Board of Directors consists of three members: Mr. Wan Feng, Mr. Cheng Hong and Mr. Zhang Hanbin. Mr. Cheng Hong, an independent director, assumed the role of chairman of the committee.

(II) During the reporting period, the Company conducted general election of the Board of Directors. The following special committees were set up under the 5th Board of Directors:

The Audit Committee was set up under the 5th Board of Directors of the Company as a special body established under the board of directors, mainly responsible for communication, supervision and review of the internal and external audit of the Company. The Audit Committee under the 5th Board of Directors consists of three members: Mr. Kuang Zhigang, Mr. Zhang Hanbin and Mr. Cheng Hong. Mr. Zhang Hanbin, an independent director, assumed the role of chairman of the committee.

The Remuneration Examination and Nomination Committee was set up under the 5th Board of Directors of the Company to provide suggestions on candidates for directors and senior executives and review qualifications of candidates; to lay down remuneration plans or schemes for senior executives based on the main scope of work, responsibilities and significance and for other positions, review duty fulfillment of senior executives of the Company and conduct annual performance examination accordingly; to verify authenticity, accuracy and completeness of information about remuneration of directors, supervisors and senior executives of the Company given in annual reports. The Remuneration Examination and Nomination Committee under the 5th Board of Directors consists of three members: Mr. Zeng Fanli, Mr. Wan Feng and Mr. Cheng Hong. Mr. Zeng Fanli, an independent director, assumed the role of chairman of the committee.

The Strategy and M&A Committee was set up under the 5th Board of Directors of the Company to study and give advice on long-term development strategies and major investment decisions of the Company and to review and approve proposed investment projects of the Company under the authorization of the Board of Directors. The Strategy and M&A Committee under the 5th Board of Directors consists of five members: Mr. Cheng Hong, Mr. Wan Feng, Mr. Shentu Xianzhong, Mr. Kuang Zhigang and Mr. Zeng Fanli. Mr. Cheng Hong, an independent director, assumed the role of chairman of the committee.

(III) Duty fulfillment of the special committees under the Board of Directors during the reporting period

After examining and evaluating the internal control system of the Company in 2019, the Audit Committee concluded that the Company established a complete internal control system according to Basic Standard for Enterprise Internal Control, which was in compliance with national laws and regulations and adapted based on management demands of the Company and guaranteed effective implementation of all internal control systems. With the internal control system established, the Company controlled and prevented risks in operation and management, protected legal rights of its investors and developed in a healthy and steady manner. According to the *Audit Guidelines on Enterprise Internal Control* and relevant regulations, during the reporting period, the internal control measures taken by the Company were effective in all major aspects.

The Remuneration Examination and Nomination Committee reviewed appointment of directors, supervisors and senior executives of the 5th Board of Directors and concluded that all of these personnel are competent and qualified for their positions at a listed company and are able to fulfill their job duties; the committee reviewed disclosed remuneration of directors, supervisors and senior executives of the Company in 2019 and concluded that the remuneration strategies adopted conforms to the performance examination standards for specific posts; it also concluded that the Company has fundamentally established an effective examination and incentive mechanism for directors, supervisors and senior executives, and the systems are effectively executed.

The Strategy and M&A Committee deliberates and provides specific voting opinions on major investment matters of the Company. The Company's investment decision-making procedure is thus further completed and quality of major investment decisions is significantly improved.

VII. Work of the Board of Supervisors

During the reporting period, whether the Board of Supervisors has found that the Company was at risk in the process of their supervisory activities

Yes No

The Company's board of supervisors has no objection to the matters being supervised during the reporting period.

VIII. Evaluation and incentives for senior executives

The Remuneration and Examination Committee is set up under the Board of Directors to lay down remuneration plans or schemes for senior executives based on the main scope of work, responsibilities and significance and for other positions, review duty fulfillment of senior executives of the Company and conduct annual performance examination accordingly. The remuneration of senior

executives is put under the annual salary system of basic salary + performance salary. Annual bonus is awarded based on work performance, work capability and job responsibilities.

To further establish and complete the long-term incentive mechanism of the Company so as to attract and retain talents, fully stimulate enthusiasm of core personnel of the Company, effectively combine interests of shareholders, the Company and core personnel so that all parties involved are highly concerned about long-term development of the Company, the Company, based on the benefit-contribution principle, implemented the Employee Shareholding Plan, the Stock Incentive Plan, etc. for core management personnel of the Company.

During the reporting period, senior executives of the Company strictly abided by the Articles of Association and national laws and regulations and seriously fulfilled their duties. By actively implementing resolutions of the General Shareholders' Meeting and meetings of the Board of Directors, senior executives completed their tasks of this year in a satisfactory way under the direction of the Board of Directors.

IX. Internal Control Evaluation Report

1. The specific circumstances of major defects in internal control discovered during the reporting period

Yes No

2. Internal control self-evaluation report

Date of Full-Text Disclosure of Internal Control Evaluation Report	April 21, 2020	
Index of Full-Text Disclosure of Internal Control Evaluation Report	cninfo.com.cn	
The proportion of the total assets of the unit included in the evaluation scope in the total assets of the Company's consolidated financial statements	100.00%	
The proportion of operating income of the unit included in the evaluation scope in the operating income of the Company's consolidated financial statements	100.00%	
Defect identification standard		
Category	Financial Reports	Non-Financial Reports
Qualitative criteria	Extensive damages; business interruption > 2 days/leading to processes	Continuous media exposure; damaged trust with business partners; damaged trust with shareholders
Quantitative criteria	> 1,000,000	> 1,000,000
Number of major defects in Financial Reports(number)	0	
Number of major defects in non-financial report (number)	0	
Number of important defects in financial report (number)	0	
Number of important defects in non-financial report (number)	0	

X. Audit Report or Forensic Report on Internal control

Not applicable

Section XI Corporate Bonds

Whether the Company has publicly issued corporate bonds that are listed on the stock exchange, and that have not expired or expired on the date of approval of the annual report but unpaid in full

No

Section XII Financial Reports

I. Audit Report

Type of audit opinion	Standard unqualified opinion
Date of signing Audit Report	April 17, 2020
Name of auditing organization	Da Hua Certified Public Accountants (Special General Partnership)
Reference No. of Audit Report	DHSZ [2020] No. 006630
Name of certified public accountant	Chen Yong and Lv Hongtao

Content of Auditing Report

Audit Report

DHSZ [2020] No. 006630

All shareholders of Centre Testing International Group Co., Ltd.:

I. Audit opinions

We have audited the financial statements of Centre Testing International Group Co., Ltd. (hereinafter referred to as CTI), including the balance sheets of consolidated companies and the parent company as of December 31, 2019, and the profit statements of consolidated companies and the parent company, the cash flow statements of consolidated companies and the parent company, the statements of changes in shareholders' equity of consolidated companies and the parent company and the notes to relevant financial statements for 2019.

In our opinion, the attached financial statements are prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects, and fairly reflect CTI's consolidated and the parent company's financial positions as of December 31, 2019, as well as the consolidated and the parent company's business results and cash flows in 2019.

II. Basis for audit opinions

We have conducted the audit in accordance with the Auditing Standards for Chinese Certified Public Accountants. The "responsibilities of CPA for audit of financial statements" in the audit report further explains our responsibilities under those standards. In accordance with the Code of Ethics for Chinese Certified Public Accountants, we are independent of CTI and have fulfilled other responsibilities in professional ethics. We believe that the audit evidences obtained by us are sufficient and appropriate to provide a basis for our audit opinion.

III. Key audit matters

Key audit matters are those which we consider to be the most important for the audit of the current financial statements based on our professional judgment. Those matters are handled in the context that we audit the financial statements as a whole and form an audit opinion, and we do not express a separate opinion on these matters.

We identified the following as the key audit issues that need to be communicated in the Audit Report.

1. Income
2. Goodwill impairment

(I) Income

1. Description of matters

As mentioned in Note IV, "Key Accounting Policies", Accounting Estimates (XXX) "Income" and Note VI, Comment 38 "Operating income and operating cost". CTI's main business is under the category of testing. Features of this industry decides that the testing industry is a fragmented market with highly distributed customers and high traffic of business. Considering the fact that the income of this period increases significantly from the previous period and there is the inherent risk of manipulating income recognition time points for the management layer to achieve specific objectives or satisfy their expectations, we identified CTI's income as a key audit matter.

2. Audit response

We implemented the following key auditing procedures against the income:

- (1) We understood, evaluated and tested internal controls related to main legal person marketing and fund collection inside CTI;
- (2) We determined whether there were significant changes in CTI's marketing business processes and income recognition rules from the past years and confirmed risk transfer marks of CTI's income;
- (3) Existence test: we obtained marketing details at the group level of CTI and selected samples from these details to check materials from contracts to orders, case-opening details, testing reports, invoices, collection orders, settlement orders, completion

orders, etc.;

(4) Integration test: we selected samples from product line income accounts and check income-related materials from these details to check materials from contracts to orders, case-opening details, testing reports, invoices, collection orders, settlement orders, completion orders, accounting records, etc.;

(5) We verified (by letter) accounts receivable and income amounts of main customers for the reporting period and found out the cause of the nonconformance in replying letters. We also conducted substitution tests for customers not replying to our requests. We investigated payment collection after the date;

(6) We compared income amounts of production lines of this current with those of the previous period and analyzed the rationality of significant increase in income for main production lines witnessing income increase during this period;

(7) We conducted income cutoff tests to check if there was any cross-period income;

(8) We conducted background investigation on main customers of the current period and checked if they were affiliated parties;

(9) We compared and analyzed marketing fluctuations in months to check whether there was any anomaly. We analyzed fluctuation in gross margin and compared the result with those of listed companies in the same industry.

Based on executed auditing work, we concluded that the disclosure and report of income recognition by the management layer is appropriate.

(II) Goodwill impairment

1. Description of matters

As mentioned in Note IV, "Key Accounting Policies", Accounting Estimates (XXV) "Long-term Assets Impairment" and Note VI, Comment 18 "Goodwill". Considering that goodwill is important to consolidated financial statements and major judgments and estimates by the management layer are usually involved when determining whether to make provisions for impairment, especially in terms of forecasting future cash flows, including the key assumptions made to predict incomes, long-term average growth rate, profit margin and to determine a proper discount rate which are inherently uncertain and may be biased by preferences of the management layer. Therefore, we identified goodwill impairment in evaluating consolidated financial statements as a key audit matter.

2. Audit response

We implemented the following key auditing procedures against the goodwill:

(1) We understood, evaluated and tested internal controls related to goodwill of CTI.

(2) Based on our understanding of CTI's businesses and rules of Accounting Standards for Business, we reviewed the identification of assets and asset groups by the management layer and the way of allocating goodwill to each asset group;

(3) We evaluated competence of valuation experts and, based on work achievements of valuation experts and according to requirements of Accounting Standards for Business, discussed with the experts about the method and assumptions to be adopted to estimate the current value of future cash flows;

(4) We compared key parameters including estimated income, long-term average growth rate and profit margin with previous performances of subsidiaries, financial budgets approved by the Board of Directors, near-term business opportunity reports, industry research reports and industry statistics and reviewed the assumptions and key judgments made by the management layer in estimating the present value of future cash flows;

(5) We re-calculated the discount rate based on market data of comparable companies in the same industry and compared our calculations with the discount rate adopted by the management layer to calculate and estimate the present value of future cash flows, so as to review the discount rate adopted to estimate the present value of future cash flows;

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

Based on executed auditing work, we concluded that the assumptions and methods adopted by the management layer in estimating goodwill impairment are acceptable.

IV. Other information

The management of CTI shall be liable for other information. Other information includes those covered by Annual Report 2019 but exclude financial statements and our audit report.

Our audit opinion on financial statements does not include other information, and no authentication conclusion on other information has been made by us in any form.

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

If we determine that there is a material misstatement in such other information based on the work we have performed, we should report such material misstatement. In this regard, we have nothing to report.

V. The management's and governance's responsibilities for the financial statements

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

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

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

VI. CPA's Responsibilities for Auditing Financial Statements

Our goal is to obtain reasonable assurance as to whether the entire financial statements are free from any material misstatement due to frauds or errors, and to issue an audit report containing audit opinions. The reasonable assurance is a high level of assurance, but it does not guarantee that the audit conducted in accordance with audit standards can always identify all material misstatements. Misstatement may be caused by frauds or errors. And it is generally considered that the misstatement is significant if it is reasonably expected that the misstatement alone or aggregated may affect the economic decision made by the financial statement user based on the financial statements.

In the course of carrying out audit work in accordance with the audit standards, we use professional judgment and maintain professional suspicion. Meanwhile, we also perform the following tasks: At the same time, we also perform the following tasks:

1. Identify and assess risks of material misstatement of financial statements due to frauds or errors, design and implement audit procedures to address these risks, and obtain adequate and appropriate audit evidence as a basis for expressing audit opinions. Since frauds may involve collusion, falsification, intentional omission, misrepresentation or override of internal controls, the risk of failing to identify a material misstatement due to frauds is higher than that of failing to identify a material misstatement due to errors.
2. Understand audit-related internal controls to design appropriate audit procedures.
3. Assess the appropriateness of the accounting policies selected and the reasonableness of the accounting estimates and relevant disclosures by the Management.
4. Draw conclusion on the appropriateness of going-concern assumption used by the Management. In addition, based on the audit evidence we obtained, we could draw the conclusions on whether there is substantial uncertainty in the matters or conditions that probably result in the significant doubt toward the going-concern operating ability of CTI. If we conclude that a material uncertainty exists, we then are required by the auditing standards to remind the users of the Report in the audit report to pay attention to relevant information disclosures in the Financial Statements. If such disclosures are inadequate, we should give the modified opinions. Our conclusions are based on the information available as of the date of the audit report. However, future events or circumstances may cause CTI to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and contents of the financial statements, and whether the financial statements fairly reflect relevant transactions and matters.
6. (6) Obtain sufficient and appropriate audit evidence for the financial information in the entity or business activities of CTI to make an audit opinion on the financial statements. We are responsible for guiding, supervising and implementing the group audit, and fully responsible for audit opinions. We bear all responsibilities for audit opinions.

We communicate with the Governance Team on the planned audit scope, timing, and major audit findings, including communication on the noteworthy internal control deficiencies that we identified during the audit.

We also provide a statement to the governance layer on compliance with the ethical requirements associated with independence and communicate with the governance layer all relationships and other matters that may reasonably be considered to affect our independence, and related precautions (if applicable).

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

Da Hua Certified Public Accountants (Special General Partnership) Chinese Certified Public Accountant: Chen Yong
Beijing, China (Project Partner)

Chinese Certified Public Accountant: Lv Hongtao

April 17, 2020

II. Financial statements

The notes to the financial statements are represented in RMB.

1. Consolidated Balance Sheet

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

December 31, 2019

Unit: RMB

Item	December 31, 2019	December 31, 2018
Current assets:		
Monetary capital	507,068,508.11	807,978,236.57
Settlement provisions		
Lending funds		
Tradable financial assets	555,903,309.16	
Financial assets measured at fair value with its changes included in the current profits and losses		
Derivative financial assets		
Notes receivable	13,064,427.95	5,035,771.73
Accounts receivable	744,630,069.58	503,895,516.73
Financing of receivables		
Advance payments	35,807,681.77	38,605,612.57
Premium receivable		
Reinsurance accounts receivables		
Provision of cession receivable		
Other receivables	43,307,743.83	36,171,503.60
Including: interest receivable		925,692.20
Dividends receivable	480,000.00	
Recoursable financial assets acquired		
Inventory	19,880,920.66	14,760,152.01
Contract assets		
Holding assets for sale		
Non-current assets due within one year		486,416.22
Other current assets	321,961,292.15	540,916,381.58
Total current assets	2,241,623,953.21	1,947,849,591.01
Non-current assets:		
Loans and advances		
Debt investment		
Available-for-sale financial assets		31,000,000.00
Other debt investments		
Hold-to-maturity investments		
Long-term receivables		1,281,179.71
Long-term equity investments	105,752,802.31	98,698,088.28
Other equity instrument investments		
Other non-current financial assets	30,212,344.64	
Investment real estate	35,017,442.03	36,252,165.58
Fixed assets	1,276,280,965.46	1,152,792,587.53
Construction in progress	116,978,198.50	220,913,833.90
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	150,998,028.15	143,634,737.27

Development expenditure		
Goodwill	162,547,650.79	171,427,946.15
Long-term deferred and prepaid expenses	164,412,786.51	184,664,312.27
Deferred tax assets	45,511,252.61	26,856,434.75
Other non-current assets	104,932,975.71	44,071,913.31
Total non-current assets	2,192,644,446.71	2,111,593,198.75
Total assets	4,434,268,399.92	4,059,442,789.76
Current liabilities:		
Short-term borrowings	192,777,359.15	507,710,916.06
△Borrowings from the central bank		
Received funds from other banks		
Financial liabilities held for trading		
Financial liabilities measured at fair value with its changes included in the current profits and losses		
Derivative financial liabilities		
Notes payable		1,974,960.49
Accounts payable	413,195,187.86	324,483,914.25
Down payment	86,259,492.46	76,840,206.41
Contract Liabilities		
Receivings from selling the repurchased assets		
Deposit taking and inter-bank deposits		
Receivings from vicariously traded securities		
Receivings from vicariously sold securities		
Employee compensation payable	309,519,142.24	207,988,471.13
Tax payable	51,665,724.93	26,068,197.01
Other payables	55,074,086.91	42,318,200.45
Including: interest payable		1,360,511.63
Dividends payable .	1,497,642.91	1,225,164.01
Fees and commissions payable		
Reinsurance accounts payable		
Holding liabilities for sale		
Non-current liabilities mature within one year	97,036.26	
Other current liabilities .		
Total current liabilities	1,108,588,029.81	1,187,384,865.80
Non-current liabilities:		
Reserve fund for insurance contracts		
Long-term borrowings		
Debenture payable		
Including: preferred stocks		
Perpetual capital securities		
Lease liabilities		
Long-term payables	371,605.38	454,450.33

Long-term employee compensation payables		
Estimated liabilities	4,162,259.46	1,885,898.74
Deferred income	64,382,807.91	73,411,156.27
Deferred income tax liabilities	48,344,986.51	21,372,792.84
Other non-current liabilities		
Total non-current liabilities	117,261,659.26	97,124,298.18
Total liabilities	1,225,849,689.07	1,284,509,163.98
Owner's equity:		
Share capital	1,657,530,714.00	1,657,530,714.00
Other equity instruments		
Including: preferred stocks		
Perpetual capital securities		
Capital reserve	51,374,649.84	41,985,773.99
Minus: Treasury shares		
Other comprehensive income	4,241,925.44	2,324,968.79
Special reserve		
Surplus reserves	138,233,476.24	105,212,602.04
Generic risk reserve		
Undistributed profits	1,295,758,239.33	910,396,183.20
Total owner's equity attributable to the Parent Company	3,147,139,004.85	2,717,450,242.02
Minority shareholders' equity	61,279,706.00	57,483,383.76
Total owner's equity	3,208,418,710.85	2,774,933,625.78
Total liabilities and owner's equity	4,434,268,399.92	4,059,442,789.76

Legal representative: Wan Feng Person in charge of accounting: Wang Hao Responsible person of accounting agency: Li Yanhong

2. Parent Company Balance Sheet

Unit: RMB

Item	December 31, 2019	December 31, 2018
Current assets:		
Monetary capital	142,474,013.75	257,960,840.31
Tradable financial assets	555,903,309.16	
Financial assets measured at fair value with its changes included in the current profits and losses		
Derivative financial assets		
Notes receivable	4,698,661.68	3,426,241.59
Accounts receivable	151,511,121.20	124,231,426.31
Financing of receivables		
Advance payments	4,034,182.21	3,850,509.47
Other receivables	696,452,207.63	734,152,956.48
Including: interest receivable		5,379,954.43
Dividends receivable	31,020,293.24	31,406,679.86
Inventory	1,258,705.01	2,493,194.06
Contract assets		
Holding assets for sale		

Non-current assets due within one year		
Other current assets	20,968,337.65	317,797,031.31
Total current assets	1,577,300,538.29	1,443,912,199.53
Non-current assets:		
Debt investment		
Available-for-sale financial assets		
Other debt investments		
Hold-to-maturity investments		
Long-term receivables		
Long-term equity investments	1,739,660,718.60	1,545,299,877.49
Other equity instrument investments		
Other non-current financial assets	126,000.00	
Investment real estate	56,056,822.86	55,123,726.97
Fixed assets	254,965,200.57	252,865,286.57
Construction in progress	6,400,813.77	29,001,727.69
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	25,088,926.85	27,922,316.56
Development expenditure		
Goodwill		
Long-term deferred and prepaid expenses	14,753,634.01	14,960,928.98
Deferred tax assets	9,637,859.81	7,450,883.26
Other non-current assets	4,340,743.59	4,143,465.00
Total non-current assets	2,111,030,720.06	1,936,768,212.52
Total assets	3,688,331,258.35	3,380,680,412.05
Current liabilities:		
Short-term borrowings	180,758,219.18	495,710,916.06
Financial liabilities held for trading		
Financial liabilities measured at fair value with its changes included in the current profits and losses		
Derivative financial liabilities		
Notes payable		
Accounts payable	94,507,768.34	91,071,882.05
Down payment	11,519,323.10	18,644,643.29
Contract Liabilities		
Employee compensation payable	78,555,634.50	50,059,638.97
Tax payable	11,636,393.78	1,285,490.19
Other payables	621,044,091.93	317,274,096.65
Including: interest payable		1,342,700.81
Dividends payable .	31,042.91	88,564.01
Holding liabilities for sale		
Non-current liabilities mature within one year		
Other current liabilities .		

Total current liabilities	998,021,430.83	974,046,667.21
Non-current liabilities:		
Long-term borrowings		
Debt payable		
Including: preferred stocks		
Perpetual capital securities		
Lease liabilities		
Long-term payables		
Long-term employee compensation payables		
Estimated liabilities		
Deferred income	36,444,397.59	39,478,051.82
Deferred income tax liabilities	6,426,704.88	5,737,293.38
Other non-current liabilities		
Total non-current liabilities	42,871,102.47	45,215,345.20
Total liabilities	1,040,892,533.30	1,019,262,012.41
Owner's equity:		
Share capital	1,657,530,714.00	1,657,530,714.00
Other equity instruments		
Including: preferred stocks		
Perpetual capital securities		
Capital reserve	60,178,276.17	46,353,118.18
Minus: Treasury shares		
Other comprehensive income		
Special reserve		
Surplus reserves	136,855,284.75	103,834,410.55
Undistributed profits	792,874,450.13	553,700,156.91
Total owner's equity	2,647,438,725.05	2,361,418,399.64
Total liabilities and owner's equity	3,688,331,258.35	3,380,680,412.05

3. Consolidated Income Statement

Unit: RMB

Item	Year 2019	Year 2018
I. Gross operating revenues	3,183,255,712.67	2,680,881,245.22
Including: operating income	3,183,255,712.67	2,680,881,245.22
Interest income		
Earned premium		
Service charge and commission income		
II. Total operating costs	2,759,604,824.90	2,419,764,824.29
Including: operating costs	1,610,465,291.81	1,479,875,230.72
Interest expenses .		
Service charge and commission fee		
Surrender value		
Net payments for insurance claims		
Net amount of allotment of contracting reserves for insurance liabilities		
Bond insurance expense		

Reinsurance costs		
Taxes and surcharges	13,479,362.30	9,022,386.84
Sales expenses	604,729,179.17	506,355,023.16
Management expenses	222,671,207.51	180,879,690.96
R&D expenses	300,589,399.68	222,057,288.77
Financial expenses	7,670,384.43	21,575,203.84
Including: Interest expenses	9,190,009.02	30,271,015.74
Interest income	3,099,180.27	8,227,057.02
Plus: other income	61,370,552.10	59,527,201.08
Investment income (loss represented with "-")	84,443,113.62	44,306,057.43
Including: Investment income from affiliated business and joint ventures	14,061,999.74	7,116,366.40
Gains from derecognition of financial assets measured with amortized cost		
Exchange gains (loss represented with "-")		
Gains from net exposure hedge (the loss is represented with "-")		
Gains from changes in fair value (loss represented with "-")	-913,655.36	
Loss from credit impairment (the loss is represented with "-")	-32,498,960.46	
Loss from asset impairment (the loss is represented with "-")	-13,520,247.34	-49,754,628.32
Asset disposal income (loss represented with "-")	-420,766.39	-511,498.10
III. Operating profit (loss represented with "-")	522,110,923.94	314,683,553.02
Plus: Non-operating income	23,047,194.61	12,112,883.67
Less: Non-operating expenses	8,910,973.47	3,311,790.31
IV. Total profit (total loss represented with "-")	536,247,145.08	323,484,646.38
Less: Income tax expenses	52,274,865.09	40,916,121.39
V. Net profit (net loss represented with "-")	483,972,279.99	282,568,524.99
(I) Classification based on operational sustainability		
1. Net profit from going concern (net loss represented with "-")	483,972,279.99	282,568,524.99
2. Net profit from discontinuing operation (net loss represented with "-")		
(II) Classification based on ownership		
1. Net profit attributable to owners of the Parent Company	476,396,504.93	269,983,678.83
2. Minority shareholders' profits and losses	7,575,775.06	12,584,846.16
VI. After-tax net amount of other comprehensive income	1,916,956.65	1,830,477.61
Net after tax of other comprehensive incomes attributable to the parent company's owner	1,916,956.65	1,830,477.61
(I) Other comprehensive incomes that		

cannot be reclassified into profits and losses		
1. Remeasured variations in defined benefit pension plans		
2. Other comprehensive incomes that cannot be transferred to profits and losses under the equity method		
3. Fair value change of other equity instrument investments		
4. Fair value change of enterprise's credit risk		
5. Others		
(II) Other comprehensive income that will be reclassified into profits and losses	1,916,956.65	1,830,477.61
1. Other comprehensive income that can be transferred to profits and losses under the equity method		
2. Changes in fair value due to investments with other debt instruments		
3. profits and losses from changes in fair value of financial assets available for sale		
4. Amount of financial assets reclassified into other comprehensive incomes		
5. profits and losses from re-classification of held-to-maturity investments into financial assets available for sale		
6. Provision for credit impairment of other debt investments		
7. Cash flow hedge reserve		
8. Converted difference in foreign currency financial statements	1,916,956.65	1,830,477.61
9. Others		
Net after tax of other comprehensive income attributable to the minority shareholders		
VII. Total comprehensive income	485,889,236.64	284,399,002.60
Total comprehensive income attributable to parent company's owner	478,313,461.58	271,814,156.44
Total comprehensive income attributable to the minority shareholders	7,575,775.06	12,584,846.16
VIII. Earnings per share		
(I) Basic earnings per share	0.2874	0.1629
(2) Diluted earnings per share	0.2865	0.1629

As for business combination under the same control in the current period, net profit of the combined party prior to combination is RMB 0.00, while the net profit of the combined party in the prior period was RMB 0.00.

Legal representative: Wan Feng

Person in charge of accounting: Wang Hao

Responsible person of accounting agency:
Li Yanhong

4. Parent Company Income Statement

Unit: RMB

Item	Year 2019	Year 2018
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I. Operating revenues	781,451,414.91	661,335,756.74
Less: Operating costs	368,331,140.56	357,522,763.96
Taxes and surcharges	3,129,251.65	1,224,576.97
Sales expenses	188,790,968.49	146,490,796.94
Management expenses	102,891,511.48	74,075,798.71
R&D expenses	59,919,963.18	37,897,974.19
Financial expenses	8,499,244.36	21,304,787.23
Including: Interest expenses	10,534,648.64	29,754,326.88
Interest income	2,036,994.33	6,990,509.80
Plus: other income	18,470,213.88	17,142,307.05
Investment income (loss represented with "-")	265,928,316.57	104,301,993.35
Including: Investment income from affiliated business and joint ventures	11,093,385.94	6,259,352.03
Gains from derecognition of financial assets measured with amortized cost (loss represented with "-")		
Gains from net exposure hedge (the loss is represented with "-")		
Gains from changes in fair value (loss represented with "-")		
Loss from credit impairment (the loss is represented with "-")	-4,314,199.02	
Loss from asset impairment (the loss is represented with "-")		-118,918,980.21
Asset disposal income (loss represented with "-")	-12,218.59	-34,685.34
II. Operating profit (loss represented with "-")	329,961,448.03	25,309,693.59
Plus: Non-operating income	16,772,821.09	7,816,394.29
Less: Non-operating expenses	441,704.32	503,188.33
III. Total profit (total loss represented with "-")	346,292,564.80	32,622,899.55
Less: Income tax expenses	16,083,822.78	7,044,838.91
IV. Net income (net loss represented with "-")	330,208,742.02	25,578,060.64
(I) Net profit from continuous operations (net loss represented with "-")		
(II) Net profit from discontinued operations (net loss represented with "-")		
V. After-tax net amount of other comprehensive income		
(I) Other comprehensive incomes that cannot be reclassified into profits and losses		
1. Remeasured variations in defined benefit pension plans		
2. Other comprehensive incomes that cannot be transferred to profits and losses under the equity method		
3. Fair value change of other equity instrument investments		

4. Fair value change of enterprise's credit risk		
5. Others		
(II) Other comprehensive income that will be reclassified into profits and losses		
1. Other comprehensive income that can be transferred to profits and losses under the equity method		
2. Changes in fair value due to investments with other debt instruments		
3. profits and losses from changes in fair value of financial assets available for sale		
4. Amount of financial assets reclassified into other comprehensive incomes		
5. profits and losses from re-classification of held-to-maturity investments into financial assets available for sale		
6. Provision for credit impairment of other debt investments		
7. Cash flow hedge reserve		
8. Converted difference in foreign currency financial statements		
9. Others		
VI. Total comprehensive income	330,208,742.02	25,578,060.64
VII. Earnings per share:		
(I) Basic earnings per share		
(2) Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	Year 2019	Year 2018
I. Cash flows from operating activities:		
Cash received for the sale of goods and rendering of services	3,091,242,895.39	2,727,088,474.19
Net increase in customer's deposits and due to banks		
Net increase in borrowings from the central bank		
Net increase of borrowing funds from other financial institutions		
Cash received from the original insurance contract premiums		
Cash from reinsurance premium		
Net increase in policyholders' deposits and investment funds		
Cash in received interest, service charge and commission		
Net increase in borrowing funds		

Net increase in repurchase business funds		
Net cash received from securities trading agency		
Refunded taxes and fees received	6,261,541.98	16,746,674.37
Other cash received in relation to operational activities	261,179,315.28	179,824,477.78
Subtotal cash inflow from operating activities	3,358,683,752.65	2,923,659,626.34
Cash paid for purchased products and provided services	738,441,729.02	702,145,472.53
Net increase in loans and advances to customers		
Net increase of deposits with central bank and other financial institutions		
Cash paid for claims of original insurance contract		
Net increase amount in lending funds		
Cash paid for interest, fees and commissions		
Cash paid for policy dividends		
Cash paid to and paid on behalf of employees	1,171,889,178.06	1,019,271,156.19
Other tax payments	120,673,963.67	104,113,403.78
Cash paid related to other operating activities	532,515,469.89	414,284,360.30
Subtotal cash outflow from operating activities	2,563,520,340.64	2,239,814,392.80
Net cash flow from operating activities	795,163,412.01	683,845,233.54
II. Cash flows from investing activities:		
Cash from investment recovery	285,865.13	10,957,521.30
Cash received from investment income	1,000,000.00	23,900,604.60
Net cash from disposal of fixed assets, intangible assets and other long-term assets	1,620,717.49	961,705.16
Net cash received from disposal of subsidiaries and other business entities	57,210,538.82	
Other cash received relating to investing activities	1,890,276,630.97	1,162,833,129.22
Subtotal of cash inflow from investing activities	1,950,393,752.41	1,198,652,960.28
Cash paid for purchase and construction of fixed assets intangible assets and other long-term assets	445,764,480.11	444,739,521.46
Cash paid to investment	1,165,000.00	94,020,000.00
Net increase in hypothecated loans		
Net cash from subsidiaries and other operating entities	8,048,620.73	1,000,350.47
Other cash paid related to investment activities	2,153,570,406.56	1,081,201,577.49
Subtotal of cash outflow from investing activities	2,608,548,507.40	1,620,961,449.42
Net cash flow from investing activities	-658,154,754.99	-422,308,489.14

III. Cash flows from financing activities:		
Cash received from absorption of investment	8,887,570.00	5,637,000.00
Including: Cash received from minority shareholders' capital contributions to subsidiaries		737,000.00
Cash received from loans	232,000,000.00	542,740,916.06
Cash received from other financing-related activities		200,000.00
Subtotal of cash inflow from financing activities	240,887,570.00	548,577,916.06
Cash paid for debt repayment	547,910,945.35	472,052,381.86
Cash paid for distribution of dividends, profit or interest	69,951,381.68	77,338,139.78
Including: dividends and profits paid by the subsidiaries to minority shareholders	2,696,826.04	799,920.00
Cash paid related to other financing activities	12,587,584.09	2,140,000.00
Subtotal of cash outflow from financing activities	630,449,911.12	551,530,521.64
Net cash flow from financing activities	-389,562,341.12	-2,952,605.58
IV. Impact of exchange rate changes on cash and cash equivalents	2,022,207.04	2,988,174.71
V. Net increase in cash and cash equivalents	-250,531,477.06	261,572,313.53
Plus: Cash and cash equivalents at the beginning of the period	740,371,631.78	478,799,318.25
VI. Balance of cash and cash equivalents at the end of the period	489,840,154.72	740,371,631.78

6. Parent Company Cash Flow Statement

Unit: RMB

Item	Year 2019	Year 2018
I. Cash flows from operating activities:		
Cash received for the sale of goods and rendering of services	737,539,589.24	656,425,624.88
Refunded taxes and fees received		
Other cash received in relation to operational activities	1,629,904,165.18	1,347,572,803.20
Subtotal cash inflow from operating activities	2,367,443,754.42	2,003,998,428.08
Cash paid for purchased products and provided services	256,174,679.62	264,018,565.18
Cash paid to and paid on behalf of employees	236,165,491.79	206,396,559.22
Other tax payments	35,915,767.05	19,985,785.87
Cash paid related to other operating activities	1,228,270,230.88	699,740,190.02
Subtotal cash outflow from operating activities	1,756,526,169.34	1,190,141,100.29
Net cash flow from operating activities	610,917,585.08	813,857,327.79

II. Cash flows from investing activities:		
Cash from investment recovery		260,000.00
Cash received from investment income	30,133,279.86	31,976,600.00
Net cash from disposal of fixed assets, intangible assets and other long-term assets	14,730,173.78	2,061,440.07
Net cash received from disposal of subsidiaries and other business entities	60,578,682.70	
Other cash received relating to investing activities	1,546,320,349.73	492,218,063.29
Subtotal of cash inflow from investing activities	1,651,762,486.07	526,516,103.36
Cash paid for purchase and construction of fixed assets intangible assets and other long-term assets	56,434,251.08	69,043,171.41
Cash paid to investment	190,729,156.26	569,984,385.70
Net cash from subsidiaries and other operating entities	16,785,174.43	385,000.00
Other cash paid related to investment activities	1,717,200,000.00	601,108,789.98
Subtotal of cash outflow from investing activities	1,981,148,581.77	1,240,521,347.09
Net cash flow from investing activities	-329,386,095.70	-714,005,243.73
III. Cash flows from financing activities:		
Cash received from absorption of investment		
Cash received from loans	262,000,000.00	592,310,916.06
Cash received from other financing-related activities	250,000.00	
Subtotal of cash inflow from financing activities	262,250,000.00	592,310,916.06
Cash paid for debt repayment	537,710,945.35	484,733,174.78
Cash paid for distribution of dividends, profit or interest	68,740,957.25	70,213,064.95
Cash paid related to other financing activities	42,814.09	
Subtotal of cash outflow from financing activities	606,494,716.69	554,946,239.73
Net cash flow from financing activities	-344,244,716.69	37,364,676.33
IV. Impact of exchange rate changes on cash and cash equivalents	-297,303.55	102,992.04
V. Net increase in cash and cash equivalents	-63,010,530.86	137,319,752.43
Plus: Cash and cash equivalents at the beginning of the period	197,203,669.48	59,883,917.05
VI. Balance of cash and cash equivalents at the end of the period	134,193,138.62	197,203,669.48

7. Consolidated Statement of Changes in Owner's Equity

Amount in the current period

Unit: RMB

Item	Year 2019
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	Owner's equity attributable to the Parent Company												Minority equity	Total owner's equity	
	Share capital	Other equity instruments			Capital surplus	Less: Treasury stock	Other comprehensive incomes	Special reserves	Surplus reserve	General risk reserve	Undistributed profits	Others			Sub total
		preference shares	Perpetual bond	Others											
I. Ending balance of the prior year	1,657,530,714.00				41,985,773.99		2,324,968.79		105,212,602.04		910,396,183.20		2,717,450,242.02	57,483,383.76	2,774,933,625.78
Plus: Changes in accounting policies															
Correction of previous errors															
Business merger under the same control															
Others															
II. Balance at the beginning of the period of the current year	1,657,530,714.00				41,985,773.99		2,324,968.79		105,212,602.04		910,396,183.20		2,717,450,242.02	57,483,383.76	2,774,933,625.78
III. Increases/decreases in the amount of the current period (decrease represented with "-")					9,388,875.85		1,916,956.65		33,020,874.20		385,362,056.13		429,688,762.83	3,796,322.24	433,485,085.07
(I) Total comprehensive income							1,916,956.65				476,396,504.93		478,313,461.58	7,575,775.06	485,889,236.64
(II) Ca					9,388,875.85								9,388,875.85	-750,125.5	8,638,750.32

pital contribut ed and reduced by owners					85									3	
1. Or dinary shares invested by the owner														4,051 ,270. 00	4,051, 270.00
2. Ca pital invested by holders of other instru ments															
3. A mount of share-ba sed payment s recorded in owner's equity					13,82 5,157 .99								13,825 ,157.9 9	13,825 ,157.9 9	
4. Ot hers					-4,43 6,282 .14								-4,436, 282.14	-4,80 1,395 .53	-9,237, 677.67
(III) Pro fit distributi on								33,02 0,874. 20		-91,03 4,448. 80			-58,01 3,574. 60	-3,03 7,054 .01	-61,05 0,628. 61
1. Ap propriati on of surplus reserve								33,02 0,874. 20		-33,02 0,874. 20					
2. Ap propriati on of general risk reserve															
3. Dis tribution to owners (or sharehol ders)										-58,01 3,574. 60			-58,01 3,574. 60	-3,03 7,054 .01	-61,05 0,628. 61
4. Ot hers															

mount appropriated in the current period															
2. Amount used in the current period															
(VI) Others															
IV. Balance at the end of the current period	1,657,530,714.00				51,374,649.84		4,241,925.44		138,233,476.24		1,295,758,239.33		3,147,139,004.85	61,279,706.00	3,208,418,710.85

Last term amount

Unit: RMB

Item	Year of 2018														
	Owner's equity attributable to the Parent Company												Minority equity	Total owner's equity	
	Share capital	Other equity instruments			Capital surplus	Less: Treasury stock	Other comprehensive incomes	Special reserves	Surplus reserve	General risk reserve	Undistributed profits	Others			Sub total
	preference shares	Perpetual bond	Others												
I. Ending balance of the prior year	1,657,530,714.00				44,447,175.69		494,491.18		102,654,795.98		684,408,578.28		2,489,535,755.13	48,257,969.19	2,537,793,724.32
Plus: Changes in accounting policies															
Correction of previous errors															
Business merger under the same control															
Others															
II. Balance at the	1,657,530,714.00				44,447,175.69		494,491.18		102,654,795.98		684,408,578.28		2,489,535,755.13	48,257,969.19	2,537,793,724.32

beginning of the period of the current year														
III. Increases/decreases in the amount of the current period (decrease represented with "-")					-2,461,401.70	1,830,477.61	2,557,806.06	225,987.604.92		227,914,486.89	9,225,414.57	237,139,901.46		
(I) Total comprehensive income						1,830,477.61		269,983.678.83		271,814,156.44	12,584,846.16	284,399,002.60		
(II) Capital contributed and reduced by owners					-2,461,401.70					-2,461,401.70	5,325,068.41	2,863,666.71		
1. Ordinary shares invested by the owner					67,000.00					67,000.00	5,570,000.00	5,637,000.00		
2. Capital invested by holders of other instruments														
3. Amount of share-based payments recorded in owner's equity					937,842.01					937,842.01		937,842.01		
4. Others					-3,466,243.71					-3,466,243.71	-244,931.59	-3,711,175.30		
(III) Profit							2,557,806.06	-43,996,073.30		-41,438,267.39	-8,684,500.00	-50,122,767.39		

distributi on								6		91		85	.00	85
1. Ap propriati on of surplus reserve								2,557, 806.0 6		-2,557 ,806.0 6				
2. Ap propriati on of general risk reserve														
3. Dis tribution to owners (or sharehol ders)										-41,43 8,267. 85		-41,43 8,267. 85	-8,68 4,500 .00	-50,12 2,767. 85
4. Ot hers														
(IV) Int ernal carry-for ward of owner's equity														
1. Ca pital surplus converte d to capital (or stock)														
2. Sur plus reserve converte d to capital (or stock)														
3. Sur plus reserves for making up losses														
4. A mount of variation in defined benefit														

g balance of the prior year												
Plus: Changes in accounting policies												
Correction of previous errors												
Others												
II. Balance at the beginning of the period of the current year	1,657,530,714.00			46,353,118.18				103,834,410.55	553,700,156.91			2,361,418,399.64
III. Increases/decreases in the amount of the current period (decrease represented with "-")				13,825,157.99				33,020,874.20	239,174,293.22			286,020,325.41
(I) Total comprehensive income									330,208,742.02			330,208,742.02
(II) Capital contributed and reduced by owners				13,825,157.99								13,825,157.99
1. Ordinary shares invested by the owner												
2. Capital invested by holders of other instruments												
3. Amount of share-based payments recorded in owner's equity				13,825,157.99								13,825,157.99
4. Others												
(III) Profit distribution								33,020,874.20	-91,034,448.80			-58,013,574.60
1. Appropriation of surplus reserve								33,020,874.20	-33,020,874.20			

(VI) Others												
IV. Balance at the end of the current period	1,657,530,714.00				60,178,276.17				136,855,284.75	792,874,450.13		2,647,438,725.05

Last term amount

Unit: RMB

Item	Year of 2018											
	Share capital	Other equity instruments			Capital surplus	Less : Treasury stock	Other comprehensive incomes	Special reserves	Surplus reserve	Undistributed profits	Others	Total owner's equity
		preference shares	Perpetual bond	Others								
I. Ending balance of the prior year	1,657,530,714.00				45,415,276.17				101,276,604.49	572,118,170.18		2,376,340,764.84
Plus: Changes in accounting policies												
Correction of previous errors												
Others												
II. Balance at the beginning of the period of the current year	1,657,530,714.00				45,415,276.17				101,276,604.49	572,118,170.18		2,376,340,764.84
III. Increases/decreases in the amount of the current period (decrease represented with "-")					937,842.01				2,557,806.06	-18,418,013.27		-14,922,365.20
(I) Total comprehensive income										25,578,060.64		25,578,060.64
(II) Capital contributed and reduced by owners					937,842.01							937,842.01
1. Ordinary shares invested by the owner												
2. Capital												

I invested by holders of other instruments												
3. Amount of share-based payments recorded in owner's equity					937,842.01							937,842.01
4. Others												
(III) Profit distribution								2,557,806.06	-43,996,073.91			-41,438,267.85
1. Appropriation of surplus reserve								2,557,806.06	-2,557,806.06			
2. Distribution to the owner (or shareholders)									-41,438,267.85			-41,438,267.85
3. Others												
(IV) Internal carry-forward of owner's equity												
1. Capital surplus converted to capital (or stock)												
2. Surplus reserve converted to capital (or stock)												
3. Surplus reserves for making up losses												
4. Amount of variation in defined benefit pension plans carried forward to retained earnings												
5. Other comprehensive incomes												

to carry forward retained earnings												
6. Others												
(V) Special reserves												
1. Amount appropriated in the current period												
2. Amount used in the current period												
(VI) Others												
IV. Balance at the end of the current period	1,657,530,714.00				46,353,118.18				103,834,410.55	553,700,156.91		2,361,418,399.64

III. Basic information of the Company

(I) Registration place, organization form and HQ address of the Company

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

As of December 31, 2019, the Company had cumulatively issued 1,657,530,714 share capital. The Company has a registered capital of RMB 1,657,530,714.00 and the registration address is Room 101, Building No. 1, CTI Building, Xingdong Community, Xinan Sub-district, Baoan District, Shenzhen; the HQ is located at Room 101, Building No. 1, CTI Building, Xingdong Community, Xinan Sub-district, Baoan District, Shenzhen.

(II) Business nature and major activities of the Company

The Company is operating in the technical testing industry.

Its main operational business is to carry out testing activities as an independent third party. Main services provided including testing services in such fields as trade safeguard, consumer goods, industrial products and life sciences.

(III) Approval and release of financial statements

The financial statements were released on April 17, 2020 after being approved by the Company's directors (Board of Directors).

(IV) Scope of consolidated financial statements

Totally 93 subsidiaries were included into the consolidated financial statements of this period, mainly including:

Name of subsidiary	Type of subsidiary	Level	Shareholding ratio (%)	Ratio of voting rights (%)
Shenzhen CTI Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Beijing) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Suzhou CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00

Centre Testing International (Hong Kong) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Qingdao) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Shanghai CTI Pinbiao Testing Technology Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Xiamen) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Ningbo) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Shanghai CTI-SAMT Materials Technology Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Shenzhen CTI International Certification Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Shenzhen CTI Commodity testing and Survey Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Tianjin Jinbin CTI Product Testing Center Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Suzhou) Co., Ltd.	Controlled subsidiaries	Level 1	83.34	83.34
Guangdong CTI Judicial Authentication Center	Wholly-owned subsidiary	Level 1	100.00	100.00
Shenzhen CTI Training Center	Wholly-owned subsidiary	Level 1	100.00	100.00
Shenzhen CTI Institute of Reference Materials	Wholly-owned subsidiary	Level 1	100.00	100.00
Shanghai CTI Biological Technology Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Shenzhen CTI Investment Management Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Shenzhen CTI information Technology Co., Ltd	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Anhui) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International Pinbiao (Guangzhou) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Guangzhou CTI Occupational Health Outpatient Department Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Shanghai CTI-Medlab Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Chongqing) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Suzhou CTI Safety Evaluation Technology Service Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Wuhan CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Huai'an CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Dalian Huaxin Physical and Chemical Testing Center Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Heilongjiang) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Hangzhou) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Hunan Pinbiao CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00

Hangzhou Hua'an Nondestructive Testing Technology Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International Pinzheng (Shanghai) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Guizhou) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Nanchang) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Henan) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Tianjin) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Yunnan) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Guangzhou CTI Hengjian Engineering Testing Co., Ltd.	Controlled subsidiaries	Level 1	94.00	94.00
Ningbo Quality Assurance Co., Ltd. (NQA)	Wholly-owned subsidiary	Level 1	100.00	100.00
Hebei CTI Testing Service Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Gansu) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International Pinbiao (Jiangyin) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Jiangyin CTI Occupational Health Outpatient Department Co., Ltd.	Controlled subsidiaries	Level 1	80.00	80.00
Shenzhen CTI Pest Management Co., Ltd.	Controlled subsidiaries	Level 1	67.00	67.00
Nanjing CTI Medical Technology Service Co., Ltd.	Controlled subsidiaries	Level 1	60.00	60.00
Shenzhen CTI Laboratory Technology Service Co., Ltd.	Controlled subsidiaries	Level 1	67.00	67.00
Centre Testing Electronic Certification Co., Ltd.	Controlled subsidiaries	Level 1	71.26	71.26
Fujian Science Way Testing Co., Ltd. (SW)	Controlled subsidiaries	Level 1	51.00	51.00
Centre Testing International (Guangxi) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Ningguo CTI Testing Technology Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Guangzhou) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Inner Mongolia CTI QC Technology Service Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Suzhou CTI Engineering Testing Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Shenzhen CTI Reference Materials Research Center Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International Pinbiao (Fuzhou) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International Pinbiao (Liaoning) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Zhongshan) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Dongguan) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00

Sichuan CTI Jianxin Testing Technology Co., Ltd.	Controlled subsidiaries	Level 1	68.00	68.00
Centre Testing International (Chengdu) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Shenyang) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Shanghai CTI Zhike Materials Technology Co., Ltd.	Controlled subsidiaries	Level 1	51.00	51.00
Pinbiao Environmental Technology Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International (Shanxi) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Shenzhen CTI Occupational Health Outpatient Department	Wholly-owned subsidiary	Level 1	100.00	100.00
Centre Testing International Group (Shandong) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Hebei CTI Junrui Testing Technology Co., Ltd.	Controlled subsidiaries	Level 1	68.00	68.00
Henan CTI Quantong Engineering Testing Co., Ltd.	Controlled subsidiaries	Level 1	51.00	51.00
Zhejiang CTI Yuanjian Testing Co., Ltd.	Controlled subsidiaries	Level 1	51.00	51.00
CTI Biotechnology (Suzhou) Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00
Chengdu Xijiao CTI Rail Transit Technology Co., Ltd.	Controlled subsidiaries	Level 1	60.00	60.00
Shanghai CTI Pinchuang Medical Diagnostic Testing Institute Co., Ltd.	Wholly-owned subsidiary	Level 1	100.00	100.00

In comparison with the previous period, 8 entities were included and 7 entities were excluded from the consolidated financial statements of this period, including:

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

Name	Reason for change
Hebei CTI Junrui Testing Technology Co., Ltd.	Enterprise merger not under the same control
Zhejiang CTI Yuanjian Testing Co., Ltd.	Enterprise merger not under the same control
Zhejiang Huajian Technology Development Co., Ltd.	Enterprise combination not under common control, a wholly-owned subsidiary of Zhejiang CTI Yuanjian Testing Co., Ltd. before the combination
Wuhan Huaxin Physical and Chemical Testing Technology Center Co., Ltd.	Newly established
Henan CTI Quantong Engineering Testing Co., Ltd.	Newly established
CTI Biotechnology (Suzhou) Co., Ltd.	Newly established
Chengdu Xijiao CTI Rail Transit Technology Co., Ltd.	Newly established
Shanghai CTI Pinchuang Medical Diagnostic Testing Institute Co., Ltd.	Newly established

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

Name	Reason for change
CTI Luxuries Testing (Shenzhen) Co., Ltd.	Disposal
Centre Testing International Clock and Watch Testing Technology (Shenzhen) Co., Ltd.	Disposal, Centre Testing International Clock and Watch Testing Technology (Shenzhen) Co., Ltd. was formerly CTI Luxuries Testing (Shenzhen) Co., Ltd.

CTI TESTING AND CERTIFICATION UK LTD.	Cancellation
Centre Testing International(Viet Nam)Company Limited	Cancellation
Tianjin CTI Pinzheng Petrochemical Testing Technologies Co., Ltd.	Cancellation
Shenyang CTI New Energy Testing Technology Co., Ltd.	Cancellation
Wenzhou CTI Testing Technology Co., Ltd.	Cancellation

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

IV. Preparation basis of financial statements

1. Basis of preparation

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

2. Going concern

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

V. Important accounting policies and accounting estimates

Hints for specific accounting policies and accounting estimates:

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

III. Statement of compliance with the Accounting Standards for Business Enterprises

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

2. Accounting period

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

3. Operating cycle

The Company's business cycle is 12 months.

4. Recording currency

Recording currency is RMB.

5. Accounting methods for combination of businesses under or not under the same control

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

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

2. Enterprise combination under common control

Assets and liabilities acquired in the enterprise merger are measured by the book value of the merged party's assets and liabilities (including goodwill arising out of the acquisition by the ultimate controller to the merged party)reflected in final controlling party's consolidated financial statements at the merger date; The difference between the book value of net assets acquired through

combination and that of the combination consideration paid (or the total nominal value of shares issued) is adjusted to share premium in capital surplus; if the amount can't be sufficiently offset, it is adjusted to retained earnings.

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

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

3. Enterprise combination not under common control

Acquisition date refers to the date when the Company actually obtains the control over the acquired party, i.e. the date when the control over the combined or acquired party's net assets or the production and operation decision-making is transferred to the Company. When the following conditions are all met, the Company is generally believed to have realized the transfer of control:

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

Assets paid, and liabilities incurred and borne for the merger of enterprises by the Company on the acquisition date shall be measured at fair value, with difference between fair value and its book value being recorded into the current profits and losses.

The Company recognizes as goodwill the difference between the combination cost and the fair value share of the identifiable net assets of the acquiree in the combination if the combination cost is higher. The Company records into current profits and losses after review the difference between the combination cost and the fair value share of the identifiable net assets of the acquiree in the combination if the combination cost is lower.

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

4. Expenses incurred related to combination

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

6. The preparation method of consolidated financial statements

1. Scope of consolidation

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

2. Consolidation procedure

Consolidated financial statements are prepared based on the financial statements of the Company and the subsidiaries as well as other relevant materials. In accordance with the recognition, measurement and reporting requirements of relevant corporate accounting principles and unified accounting policies, the Company takes the whole corporate group as an accounting subject to prepare financial statements reflecting the overall financial condition, operating results and cash flows of the corporate group.

The accounting policies and accounting period adopted by subsidiaries within the consolidation scope of the consolidated financial statements are consistent with those of the Company. In case of any inconsistency, necessary adjustments shall be made in accordance with accounting policies and accounting period of the Company during the preparation of the consolidated financial statements.

When consolidating the financial statements, the effects on the Consolidated Balance sheet, Consolidated Income Statement, Consolidated Cash Flow Statements and consolidated statements of changes in shareholders' equity due to internal transactions between the Company and its subsidiaries and among the subsidiaries shall be offset. In case of different judgment on one transaction upon different accounting entities (the Company or its subsidiaries) from the perspective of the consolidated financial statements of the group, the transaction will be adjusted from the perspective of the group.

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

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

For any subsidiaries acquired through the business combination not under the common control, their financial statements are adjusted based on the fair value of identifiable net assets on the acquisition date.

(1) Addition of subsidiary or business

During the reporting period, the beginning balance in the consolidated balance sheet shall be adjusted for the addition of new subsidiaries and businesses due to combination of businesses under the same control. The income, expenses and profits of the subsidiaries from the beginning of the combination to the end of the reporting period shall be included in the consolidated income statements; The cash flows of subsidiaries or businesses from the beginning of the current period to the end of the reporting period shall be included in the consolidated cash flow statement, and the related items in the comparative report shall be adjusted accordingly. It is deemed that the consolidated reporting entity has existed since the time when the final controlling party starts controlling.

If the investee under common control can be controlled due to additional investment or other reasons, the parties participating in the merger will be adjusted in the current state when the ultimate controller begins to control. The equity investment held prior to the acquisition of the control of combined party, relevant profits and losses, other comprehensive income and other changes in net assets that all are recognized between the date (late one of acquiring the original stock equity and the date when combining party and combined party are under common control) and the combining date are offset by retained earnings at the beginning of the year or current profits and losses during comparative statement period.

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

If the investee not under common control can be controlled due to additional investment or other reasons, the stock equity of purchased party held before purchasing date shall be re-measured by the Company at its fair value on the purchasing date, and the difference between its fair value and book value is recognized into the investment income for the current period. If the stock equity of purchased party held before purchasing date involves other comprehensive income under equity method and other changes to owner's equity (other than net profits and losses, other comprehensive income and profits distribution), other comprehensive income and other changes to owner's equity that are relevant shall be transferred to current investment income of purchasing date, but excluding other comprehensive income arising from the re-measurement of defined benefit plans by investee or changes to the net liabilities or net assets.

(2) Disposal of subsidiary or business

1) General disposal method

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

In case of losing control over the investee due to disposal of part of equity investment or other reasons, the remaining equity investment shall be re-measured at its fair value on the date of losing control by the Company. The difference between the sum of the consideration received through disposal of equity and the fair value of the remaining equity, deducting the sum of entitled share of net assets continuously calculated at original shareholding ratio from the purchasing date or combining date in the subsidiary and goodwill, is recognized into investment income for the period during which the control is lost. Other comprehensive income (excluding those from investee's re-measurement of changes in net liabilities or assets of defined benefit plans) or other changes in owner's equity (excluding net profits and losses, other comprehensive income and profit distribution) related to equity investment of the subsidiary are converted to current investment income when the control is lost.

2) Disposal of subsidiary step by step

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

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

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

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

(3) Acquisition of minority interest of a subsidiary

The difference between the newly added long-term equity investment acquired through purchasing minority interest and the share in net assets of the subsidiary attributable to the Company continuously calculated from the purchasing day (or combining date) based on newly added shareholding ratio shall be adjusted to the capital stock premium of capital reserve in consolidated balance sheet; if such capital stock premium is insufficient to be offset, it shall be adjusted to the retained income.

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

The difference between the disposal prices acquired due to partial disposal of long-term equity investments in the subsidiary without losing control and the share in net assets of the subsidiary as a result of disposal of long-term equity investment continuously calculated since the purchasing day or combining date shall be adjusted against the capital stock premium of capital reserve in consolidated balance sheet, which if not sufficient, then against the retained income.

7. Classification of joint venture arrangements and accounting methods for joint operations

1. Classification of joint venture arrangements

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

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

- (1) The legal form of joint venture arrangement shows the joint venturers enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.
- (2) Contract terms of the joint venture arrangement stipulate that the joint venturers enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.
- (3) Other relevant facts and circumstances indicate that a party to a joint venture of the related assets and liabilities are entitled to the rights and obligations, such as the joint venture shall enjoy and joint venture arrangements related to almost all the output and liquidation of the debt to the continued reliance on a party to a joint venture to.

2. Accounting method for joint operation

The Company recognizes the following items related to its share of benefits in the joint operation and conducts accounting treatment in accordance with relevant accounting standards for business enterprises:

- (1) its assets, including its share of any assets held jointly;
- (2) its liabilities, including its share of any liabilities incurred jointly;
- (3) its revenue from the sale of its share of the output arising from the joint operation;
- (4) its share of the revenue from the sale of the output by the joint operation;
- (5) its expenses, including its share of any expenses incurred jointly.

When the Company invests or sells assets and others in or to the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold by the joint operation to a third party. If the invested or sold assets are of impairment loss subject to the

Accounting Standards for Business Enterprises No. 8--Assets Impairment and other provisions, the Company shall recognize such loss in full.

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

If the Company has no joint control over a joint operation enjoys and assumes relevant assets and liabilities of the joint operation, it shall conduct accounting treatment in accordance with aforesaid principle; or it shall do the same in accordance with relevant accounting standards for business enterprises.

8. Standards for recognition of cash and cash equivalents

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

9. Foreign currency business and translation of foreign currency statements

1. Foreign currency business

Foreign currency business transaction are recognized at the beginning and translated into Renminbi using the spot exchange rate prevailing on the date when transaction occurred.

The balance of foreign currency monetary items on the balance sheet date is converted at the spot exchange rate on the balance sheet date, and the resulting exchange differences are included in the current profits and losses, except for the exchange differences arising from special foreign currency loans related to the acquisition and construction of assets eligible for capitalization, which are treated in accordance with the principle of capitalization of borrowing cost. Non-monetary items denominated in foreign currencies measured at historical cost are still translated at the spot exchange rate on the date of transaction, and their amounts in recording currency are not changed.

Non-monetary items denominated in foreign currency and measured at fair value are translated at the spot exchange rate prevailing on the date of recognition of fair value. Differences in currency translation arising herefrom are directly included in current profits and losses as changes in fair value. Exchange difference formed by foreign currency non-monetary items available for sale is recognized as other comprehensive income.

2. Translation of foreign currency financial statements

Assets and liabilities in the balance sheet are converted at the spot exchange rate on the balance sheet date. Except for "undistributed profit" items, other items of owner's equity are converted at the spot exchange rate at the time of occurrence. Income and expenses items in the Income Statement are translated into RMB at the spot exchange rate on date of transaction. The foreign currency translation difference arisen as a result of the above currency translation is included in the other comprehensive income.

When disposing of an overseas operation, the foreign currency translation difference for items under the other comprehensive income in the balance sheet that are related to such overseas operation are transferred from the other comprehensive income to profit or loss for the period; When part of equity investment is disposed or share of overseas operation interest is reduced for other reasons without any losing of control over overseas operation, translated difference related to part of overseas operation disposed shall be attributable to minority equity and shall not be transferred into current profits or losses. Upon disposal of the partial equity for joint venture or cooperative enterprise in overseas operation, the incurred converted difference of foreign currency statement related to the overseas operation shall be transferred into the current profits and losses as per the proportion of such operation.

10. Financial instruments

One financial asset or financial liability is recognized upon the Company becoming a party of a financial instrument contract. Financial assets or financial liabilities are measured at fair value upon initial recognition.

The effective interest rate method is a method of calculating financial assets or liabilities at the amortized cost and allocating their interest revenue or interest expenses to relevant accounting periods.

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

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

1. Classification and measurement of financial assets

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

- (1) financial assets measured at the amortized cost
- (2) financial assets measured at fair value with changes included in other comprehensive income;
- (3) financial assets measured at fair value with changes included in the current profits and losses.

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

For financial assets measured at fair value with changes recorded in current profits & losses, relevant transaction costs are directly recognized in the current profits & losses; and for other categories of financial assets, relevant transaction costs are recognized in their initially recognized amounts.

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

- (1) Financial assets measured at the amortized cost after classification

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

The Company adopts the effective interest rate method for such financial assets at the amortized cost which are subsequently measured at the amortized cost, with gains or losses from impairment, derecognition or modification recorded in the current profits and losses. The Company calculates and confirm its interest income based on the book balance of financial assets multiplied by the effective rate of interest:

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

- (2) financial assets measured at fair value with changes included in other comprehensive income;

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

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

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

- (3) Financial assets designated to be measured at fair value through other consolidated income

At the initial recognition, the Company irrevocably designates non-trading equity instrument investment as financial assets measured at the fair value with the changes recorded in other consolidated income on an individual basis.

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

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

- (4) Financial assets classified as the item measured at the fair value and its change recorded in the current profits and losses

For the financial assets unable to be classified as the item measured at the amortized cost or measured at the fair value with the changes recorded in other consolidated income, or unable to be designated as the item to be measured at the fair value with the changes recorded in other consolidated income, they should be regarded as the financial assets measured at the fair value with the changes recorded in the current profits and losses.

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

The Company reports these financial assets, based on their liquidity, under items of trading financial assets or other non-current financial assets.

(5) Financial assets designated to be measured at fair value with changes included in current profits and losses

At the initial recognition, the Company, to eliminate or significantly reduce accounting mismatch, irrevocably designates financial assets as financial assets measured at the fair value with the changes included into current profits and losses.

Where a mixed contract contains one or several embedded derivatives and the main contract does not belong to aforesaid financial assets, the Company may generally designate it as a financial instrument measured as per fair value with the changes included into current profits and losses. The following circumstances are exceptional, however:

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

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

The Company reports these financial assets, based on their liquidity, under items of trading financial assets or other non-current financial assets.

2. Classification and measurement of financial liabilities

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

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

Subsequent measurement of financial liabilities depends on their classification:

(1) financial liabilities at fair value through profit or loss;

These financial liabilities include financial liabilities held for trading (including derivatives classified as financial liabilities) and financial liabilities that are designated to be measured at fair value with changes recorded in current profits & losses when they are initially recognized.

Trading financial liabilities are defined based on any of the following conditions: the purpose of undertaking relevant financial liabilities is to sell or buy back the assets in the near term; those are part of the portfolio of identifiable financial instruments that are put into centralized management and for which there is objective evidence of a recent pattern of short-term profit-making; it is a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee). Trading financial liabilities (including derivatives classified as financial liabilities) are subject to follow-up measurement as per fair value, and all changes in fair value are included into current profits and losses except for those related to hedging accounting.

In order to provide more related accounting information at initial recognition, the Company irrevocably designates the financial liabilities, which satisfy any of the following conditions, as the financial liabilities to be measured by fair value and with the changes in them credited to the current profits and losses:

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

The Company conducts follow-up measurement for these financial liabilities as per fair value. Except for changes in fair value due to changes in credit risks of the Company, which are included into other comprehensive incomes, other changes in fair value are included into current profits and losses. Unless the inclusion of the changes in fair value caused by changes in credit risks of the Company into other comprehensive incomes can cause or increase accounting mismatch in profits and losses, the Company will include all changes in fair value (including the amount influenced by changes in credit risks) into current profits and losses.

(2) Other financial liabilities

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at the amortized cost, which are subject to the effective rate of interest and subsequently measured as per the amortized cost, and the profits or losses

generated from the derecognition or amortization are recorded in the current profits and losses.

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

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

3. Derecognition of financial assets and financial liabilities

- (1) Derecognition of financial assets refers to write-off of financial assets from the account and balance sheet when any of the following conditions is satisfied by the financial assets:
 - 1) The contractual rights for collecting the cash flow of the said financial asset are terminated;
 - 2) Such financial assets have been transferred, and such transfer meets the provision for derecognition of financial assets.
- (2) Condition for derecognition of financial liabilities

If all or part of the current obligations of the financial liabilities have been discharged, the financial liabilities or part thereof shall be derecognized.

The Company signs agreements with lenders to replace the original financial liability by way of undertaking a new financial liability, and the new financial liability is in nature different from the original financial liability in contractual terms, or, where substantial modification are made to the contractual terms of the original financial liability (or part thereof), the original financial liability will be derecognized and one new financial liability is recognized. The differences in the considerations between the book value and the payment (including non-cash assets transferred out or liability undertaken) are included into current profits and losses.

Where the Company buys back part of its financial liability, the overall book value of the financial liability shall be allocated based on the proportions of fair values of the continuously recognized part and the derecognized part in total fair value on the date of buy-back. The difference between the book value allocated to the derecognized part and the consideration paid (including the non-cash assets transferred out or liabilities undertaken) is recorded in the current profits and losses.

4. Recognition basis and measurement method for transfer of financial assets

When the Company transfers its financial assets, it evaluates the risks and returns related to ownership of retained financial assets and the situation is specifically dealt with as follows:

- (1) Where the Company transfers almost all risks and returns related to the ownership of the financial assets transferred, these financial assets will be derecognized, and the rights and obligations occurred or retained during the transfer are separately recognized as assets or liabilities.
- (2) Where almost all risks and returns related to the ownership of the financial assets are retained, the financial assets will be continuously recognized.
- (3) If there is neither transfer nor retention of almost all risks and returns related to the ownership of financial assets (i.e. any other circumstance except for (1) and (2) of this Article, the situation shall be dealt with as follows depending on whether the control over these financial assets is retained:
 - 1) If control is not retained over the financial assets, the financial assets will be derecognized, and the rights and obligations occurred or retained during the transfer are separately recognized as assets or liabilities.
 - 2) If the control over the financial assets is retained, the related financial assets shall be recognized according to the extent of the transferred financial assets continually involved, and the related liabilities shall be determined accordingly. The extent to which the Company continues to be involved in the transferred financial assets refers to the level of risks faced against the Company due to changes in the value of the financial assets.

The principle of substance over form is adopted to determine whether the transfer of financial assets meets the above derecognition conditions for financial assets. The Company divides the transfer of financial assets into whole transfer and partial transfer.

- (1) When whole transfer of financial assets meets the termination condition, differences between the following two amounts shall be recorded in current profits and losses:
 - 1) Book value of transferred financial assets on the date of derecognition.
 - 2) The sum of the consideration received for transferring financial assets and the amount of the derecognized part in cumulatively changed fair value which is originally included into other comprehensive incomes (the financial assets involved in the transfer are measured as per fair value with changes included into other comprehensive incomes).
- (2) In case of partial transfer and when partial transfer of the financial assets meet the termination condition, the whole book value

of the transferred financial assets are amortized at their corresponding fair value between the terminated recognition and untermiated recognition (under such condition, retained service assets shall be considered as a part of financial assets with untermiated recognition), and differences between the following two amounts shall be recorded in current losses and profits:

- 1) Book value of the derecognized part on the date of derecognition.
- 2) The sum of the consideration received for derecognized financial assets and the amount of the derecognized part in cumulatively changed fair value which is originally included into other comprehensive incomes (the financial assets involved in the transfer are measured as per fair value with changes included into other comprehensive incomes).

Where transfer of financial assets does not meet the derecognition conditions, such financial assets are recognized continuously and consideration received is recognized as a financial liability.

5. Method for determining the fair values of financial assets and financial liabilities

For the financial assets or financial liabilities with an active market, the fair value shall be determined with quotation in the active market, unless the financial assets have their own restricted periods. Financial assets subject to restriction are determined based on the quotation in an active market deducting the compensation claimed by the market player for undertaking the risk of not able to sell the financial assets in an open market during a specific period of time. The quoted price in an active market refers to prices that are easily obtained from exchange, broker, industry association, pricing service agency, etc., which shall represent the market transaction actually and frequently happening on the basis of fairness.

The fair value of financial assets acquired or derived or financial liabilities assumed is determined based on their market transaction price.

For financial assets or financial liabilities where there is no active market, fair value is determined using valuation techniques. In valuation, the Company adopted valuation techniques that are applicable under current circumstances and are supported by sufficient available data and other information, selected input values consistent with the characteristics of assets or liabilities considered by market participants in the transactions related to assets or liabilities, and used relevant observable input values as preferentially as possible. When relevant observable input values cannot be obtained or is not feasible, the unobservable input values shall be used.

6. Impairment of financial instrument

The Company, based on expected credit losses, performed impairment accounting and recognized provision for losses on financial assets measured at amortized cost and investment in debt instruments measured at the fair value with their changes included into other comprehensive incomes as well as financial guarantee contracts.

Expected credit loss refers to the weighted average of credit loss of financial instruments with the risk of default as the weight. Credit loss refers to the difference between all contractual cash flows discounted as per the original effective interest rate and receivable from the contract and all cash flows expected to be received by the Company, namely, the present value of a shortage of cash. Wherein, the purchased or underlying financial assets with impairment on credit of the Company shall be discounted as per effective interest rate based on credit adjustment.

For trade receivables arising from transactions scoped in ASBE on Revenue, the Company adopts the simplified measurement method and measures loss allowances for trade receivables and contract assets based on lifetime expected credit losses.

For purchased or underlying financial assets with credit impairment, the cumulative change in expected credit loss during the entire duration since the date of balance sheet date after initial recognition will be recognized as provision for loss. On each date of balance sheet, the amount of change in expected credit loss during the entire duration is included into current profits and losses as impairment losses or gains. Even if the expected credit loss within the entire duration determined on the date of balance sheet is less than the amount of expected credit loss reflected by estimated cash flow upon initial recognition, any favorable change in expected credit loss will be recognized as impairment gains.

In addition to other financial assets adopting the aforesaid simplified measurement method or financial assets purchased or underlying with credit impairment, the Company shall assess whether the credit risk of relevant financial instruments has increased significantly since the initial recognition on each balance sheet date, and shall respectively accrue their provision for loss and recognize the expected credit loss and its change:

- (1) In the event that the credit risk has not increased significantly since the initial recognition and it is in Stage I, the Company shall measure its loss provisions based on the amount of expected credit losses for the coming 12 months of such financial instrument and calculate the interest on the basis of book balance and effective interest rate.
- (2) In the event that the credit risk of the financial instrument has increased significantly since the initial recognition but with no credit impairment and it is in Stage II, the Company shall measure its loss provisions based on the amount of the expected credit loss of the financial instrument during the entire duration and calculate the interest on the basis of book balance and effective interest rate.
- (3) In case that credit impairment of the financial instrument has incurred since the initial recognition and it is in Stage III, the Company shall measure the loss provisions of the financial instrument based on the amount of expected credit losses during the entire duration, and calculate the interest at amortized cost and effective interest rate.

Increases or carry-backs of the provisions for credit losses of the financial instrument are recorded in the current profits and losses as impairment losses or gains. Except for financial assets measured at fair value and recorded in other comprehensive incomes, the book balance of financial assets are credited with provision for credit losses. For financial assets classified to be measured at fair value, with change included in other comprehensive incomes, the Company shall recognize the provision for loss in other comprehensive incomes, and shall not decrease the book value of such financial assets listed in the balance sheet.

Where the Company has measured the provisions for losses based on the amount of the expected credit loss over the entire duration

of such financial instruments in the prior accounting period, but on the current balance sheet date, such financial instruments no longer fall into the scope of significantly increased credit risk since initial recognition, the Company measures the provisions for the losses of such financial instruments based on the amount equivalent to the expected credit losses over the upcoming 12 months on the current balance sheet date, with resulting carrybacks of provisions for losses recorded in the current profits and losses as impairment gains.

(1) Significant increase of credit risk

The Company determines if there is a significant increase in credit risk of financial instruments since initial recognition by comparing the risks of default of financial instruments on the balance sheet date and the date of initial recognition based on reasonable and well-grounded forward-looking information available. For the financial guarantee contract, when the Company applies the regulations on impairment of financial instruments, the date when the Company becomes the party which makes the irrevocable undertaking is regarded as the date of initial recognition.

The Company will consider the following factors when evaluating whether credit risks will increase significantly:

- 1) whether the debtor's operational achievement has significantly changed or not indeed or by expectation;
- 2) whether the regulatory, economic or technical environment where the debtor is located has significantly and adversely changed or not;
- 3) whether the value of the collateral as the debt pledge or the guarantee provided by the third party or credit enhancement quality has significantly changed or not, as these changes are expected to reduce the debtor's economic motives to make repayments as required by the contract or to impact the default probability;
- 4) whether the debtor's expected performance or repayment behavior has significantly changed or not;
- 5) whether the Company has changed its management method for financial instrument credit or not, etc.

On the balance sheet date, if the Company determines that financial instruments are subject to a low credit risk, then the Company assumes that the credit risk of such financial instruments has not increased significantly since the initial recognition. If the risk of default on financial instruments is low, the borrower is highly able to perform its contractual cash flow obligations in the short term, and even if the economic situation and operating environment are adversely changed over a long period of time but not necessarily reducing the borrower's capability of fulfilling its contractual cash flow obligations, then the financial instrument is considered as having a lower credit risk.

(2) Credit-impaired financial assets

When one or more events has or have occurred that would adversely affect future cash flows of financial assets, such financial assets become credit-impaired. Evidences of credit impairment of financial assets include the following observable facts:

- 1) The issuer or the debtor is in severe financial difficulties;
- 2) The debtor violates the contract (such as a default or delinquency in interest or principal payments);
- 3) The creditor, out of financial or contractual considerations regarding the debtor's financial distress, has made a concession that would otherwise be impossible;
- 4) The debtor is quite likely to go bankrupt or conduct other financial restructuring;
- 5) The issuer or the debtor's financial distress causes disappearance of an active market for financial assets;
- 6) Financial assets are purchased or derived at a substantial discount, which reflects the occurrence of credit loss.

The credit of financial assets might arise from several events, so it is not necessarily caused by an independently identifiable event.

(3) Determination of expected credit loss

In assessing the expected credit loss, the Company takes reasonable and well-founded information about past event, current condition and future economic status predictions into consideration based on the expected credit loss of single and combined financial evaluation instruments.

The Company divides the financial instruments into different portfolios based on the common credit risk characteristics, which, adopted by the Company, include the type of financial instruments, rating of credit risks, and aging portfolio. See accounting policies of relevant financial instruments for single evaluation standards and combined credit risk characteristics.

The Company determines the expected credit losses of financial instruments under the following methods:

- 1) For financial assets, the credit loss is calculated as the present value of the difference between the contractual cash flows to be collected by the Company and cash flows expected to be collected.
- 2) For the financial guarantee contract, the credit loss is the expected payment made to the contract holder by the Company for reimbursing against the credit losses incurred to the contract holder, deducted by the present value of the differences between the amounts expected to be received by the Company from the contract holder, debtor or any other party.
- 3) For financial assets which have been credit-impaired on the balance sheet date but are not credit-impaired at purchase or derivation, the credit loss is calculated as the difference between the book balance of such financial assets and present value of anticipated future cash flows discounted at the original effective interest rate.

The Company's methods for measuring the expected credit losses of financial assets reflect the following factors: unbiased probability-weighted average amount determined upon assessing a range of possible results; the time value of money (TVM); and

reasonable and well-founded information on past events, current condition and future economic condition predictions available on the balance sheet date without paying unnecessary additional costs or efforts.

(4) Write-down of financial assets

When all or part of contractual cash flows of financial assets is no longer expected to be recovered, the Company directly writes down the book balance of such financial assets. Such write-downs constitute the derecognition of relevant financial assets.

7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, the net value after offset is presented in the balance sheet when the following conditions are satisfied:

- (1) The Company has the legal right to offset the recognized amount and such right is enforceable at current;
- (2) The Company intends either to settle on a net basis, or to realize the financial assets and pay off the financial liabilities simultaneously.

11. Notes receivable

See Note IV/(XI) 6. "Impairment of financial instruments" for the Company's determination methods and accounting treatment methods for the expected credit losses of notes receivable.

Where the sufficient evidence of the expected credit loss can't be evaluated at a reasonable cost at the single instrument level, the Company will divide the notes receivable into several portfolios on the basis of credit risk characteristics and calculate the expected credit loss based on the portfolio, by reference to the historical credit loss experience and in combination with the current situation and the assessment of the future economic position. The basis to determine the portfolio is as below:

Portfolio name	Basis to determine the portfolio	Provision method
Portfolio of bank acceptance bill	1. The drawer has a high credit rating. There is no historical bill default, and the credit loss risk is extremely low; the ability to perform the obligation of paying contract cash flow in a short term is strong; 2. Banks apart from those with a higher credit rating.	The Company will calculate the expected credit loss by the default risk exposure and the expected credit loss rate of the entire duration, by reference to the historical credit loss experience and in combination with the current situation and the anticipation of the future economic position.
Commercial acceptance bill	It is mainly issued by large state-owned enterprises and listed companies with a good reputation without material breach according to the historical experience.	The Company will calculate the expected credit loss by the default risk exposure and the expected credit loss rate of the entire duration, by reference to the historical credit loss experience and in combination with the current situation and the anticipation of the future economic position.

12. Accounts receivable

See Note IV/(XI) 6. "Impairment of financial instruments" for the Company's determination methods and accounting treatment methods for the expected credit losses of accounts receivable.

The Company will separately determine the credit loss for the accounts receivable with sufficient evidence of expected credit loss that can be evaluated at a reasonable cost at the single instrument level.

Where the sufficient evidence of the expected credit loss can't be evaluated at a reasonable cost at the single instrument level, the Company will divide the accounts receivable into several portfolios on the basis of credit risk characteristics and calculate the expected credit loss based on the portfolio, by reference to the historical credit loss experience and in combination with the current situation and the assessment of the future economic position. The basis to determine the portfolio is as below:

Portfolio name	Basis to determine the portfolio	Provision method
Associated current portfolios within the scope of consolidation	The receivables of the affiliated parties within the scope of consolidation have similarly slow credit risk characteristics.	The Company will prepare the comparison table of the accounts receivable aging and the expected credit loss rate of the entire duration, and calculate the expected credit loss, by reference to the historical credit loss experience and in combination with the current conditions and the forecasts of the future economic position.
Aging portfolio	The Company makes the best estimates for the proportion of provision for the receivables according to the past experience, and classifies the credit risk portfolio by reference to the aging of the receivables.	The Company will prepare the comparison table of the accounts receivable aging and the expected credit loss rate of the entire duration, and calculate the expected credit loss, by reference to the historical credit loss experience and in combination with the current conditions and the forecasts of the future economic position.

For the receivables divided into aging portfolios, the Company will prepare the comparison table of the receivables aging and the

expected credit loss rate of the entire duration, and calculate the expected credit loss, by reference to the historical credit loss experience and in combination with the current condition and the anticipation of the future economic position.

13. Financing of receivables

See Note IV/(XI) 6. "Impairment of financial instruments" for the Company's determination methods and accounting treatment methods for the expected credit losses of receivables financing.

14. Other receivables

Determination methods and accounting treatment methods for the expected credit losses of other receivables

See Note IV/(XI) 6. "Impairment of financial instruments" for the Company's determination methods and accounting treatment methods for the expected credit losses of other receivables.

The Company will separately determine the credit loss for other receivables with sufficient evidence of expected credit loss that can be evaluated at a reasonable cost at the single instrument level.

Where the sufficient evidence of the expected credit loss can't be evaluated at a reasonable cost at the single instrument level, the Company will divide other receivables into several portfolios on the basis of credit risk characteristics and calculate the expected credit loss based on the portfolio, by reference to the historical credit loss experience and in combination with the current situation and the assessment of the future economic position. The basis to determine the portfolio is as below:

Portfolio name	Basis to determine the portfolio	Provision method
Associated transactions and security deposits within the scope of consolidation	Other receivables of the affiliated parties within the scope of consolidation have similarly slow credit risk characteristics. Other receivables of security deposits have similarly slow credit risk characteristics.	The Company will calculate the expected credit loss by the default risk exposure and the expected credit loss rate in 12 months or during the entire duration, by reference to the historical credit loss experience and in combination with the current situation and the anticipation of the future economic position.
Aging portfolio	Same payments classified by nature have similar credit risk characteristics.	The Company will calculate the expected credit loss by the default risk exposure and the expected credit loss rate in 12 months or during the entire duration, by reference to the historical credit loss experience and in combination with the current situation and the anticipation of the future economic position.

For other receivables divided into aging portfolios, the Company will prepare the comparison table of other receivables aging and the expected credit loss rate of the entire duration, and calculate the expected credit loss, by reference to the historical credit loss experience and in combination with the current condition and the anticipation of the future economic position.

15. Inventory

1. Classification of inventories:

Inventories refer to finished products or goods held by the Company in daily activities for sale, unfinished products under production, materials and supplies consumed in the process of production or offering labor service, mainly including raw materials, revolving materials, commissioned processing materials, unfinished products, self-made semi-finished, finished products (goods in stock) and goods shipped in transit.

2. Valuation of inventories

Inventories are initially measured at cost upon acquisition, which includes procurement costs, processing costs and other costs. The method of FIFO (first-in, first-out) is adopted for the valuation of inventories shipped in transit.

3. Basis for determining the net realizable value and provision method for inventory revaluation reserves

The Company accrues or adjusts inventory revaluation reserves at cost or net realizable value of the inventories, whichever is lower, upon overall stock taking at the end of the period. The net realizable value of merchandise inventories (including finished products, merchandise inventories and materials for sale) that can be sold directly is determined by the estimated selling price of such inventories deducted by the estimated selling expenses and relevant taxes over the course of ordinary production and operation. The net realizable value of the material inventories that need to be processed is determined by subtracting the estimated cost to be incurred when the finished products are completed, the estimated selling expenses and relevant taxes from the estimated selling price of the finished products produced over the course of ordinary production and operation; the net realizable value of inventories held for the execution of sales contracts or labor contracts is calculated on the basis of the contract prices. If the quantity of inventories held is more than the quantity ordered in the sales contract, the net realizable value of the excess inventories is calculated on the basis of the general selling price.

Provision for inventory revaluation reserves is made according to single inventory item at the end of the period; however, for inventories with large quantity and low unit price, the provision for inventory revaluation reserves is made by categories; for

inventories related to product series produced and sold in the same area, with the same or similar end use or purpose, and difficult to be measured separately with other projects, provision for inventory revaluation reserves is consolidated.

Where the previous influencing factors of writing down have disappeared, the write-down shall be recovered and reversed from the inventory revaluation reserves accrued before. The reversed amount is recorded in current profits and losses.

4. Inventory system

Perpetual inventory system is adopted.

5. Amortization method for low-value consumables and packaging materials

- (1) Low-value consumables are amortized by the immediate write-off method.
- (2) Packaging materials are amortized by the immediate write-off method.
- (3) Other revolving materials are amortized by the immediate write-off method.

16. Contract assets

N/A

17. Contract costs

N/A

18. Assets held for sale

1. Recognition standards for classification as assets held for sale

The Company will classify the non-current assets or disposal groups satisfying all the following conditions simultaneously as those held for sales:

- (1) According to the practices for selling such asset or disposal group in similar transactions, it may be promptly sold under the current conditions;
- (2) The sale is very likely to happen, that is, the Company has already made a resolution on a sale plan and has obtained a confirmed purchase commitment, and it is expected to complete the sale within one year.

The confirmed purchase commitment refers to a legally binding purchase agreement signed by and between the Company and other parties, which includes the material terms, such as transaction price, time and enough strict penalties for breaches, and it is very unlikely to make material adjustment or cancellation on the agreement.

2. Accounting method for assets held for sale

When the Company doesn't accrue or amortize the non-current assets or disposal groups held for sale, if the book value thereof is higher than the net amount of the fair value deducting the selling expenses, the book value shall be reduced to the net amount of the fair value deducting the selling expenses, the write-down amount shall be confirmed as the asset impairment loss and included into the current profits and losses, and the provision for impairment of the held-for-sale assets shall be calculated and withdrawn.

For non-current assets or disposal groups classified as held for sale on the acquisition date, at the initial measurement, the initial measuring amount of those assumed not to be classified as held for sale is compared with the net amount of the fair value deducting the selling expenses, and the measurement shall be subject to the lower one.

The principles are applicable to all non-current assets, excluding investment real estate with the fair value for subsequent measurement, biological assets measured with the net amount of the fair value deducting the selling expenses, assets formed by employee compensation, deferred income tax assets, financial assets regulated by accounting standards related to financial instruments, and the rights generated by the insurance contract regulated by accounting standards thereof.

19. Debt investment

N/A

20. Other debt investments

See Note IV/(XI) 6. "Impairment of financial instruments" for the Company's determination methods and accounting treatment methods for the expected credit losses of other creditors' investment.

21. Long-term receivables

N/A

22. Long-term equity investment

1. Determination of initial investment cost

- (1) For long-term equity investment formed by business combination, please see Note IV/(IV) "Accounting treatment methods for business combinations under joint control and not under joint control" for details of accounting policies.
- (2) Long-term equity investments obtained by other means

As for the long-term equity investment acquired by cash payment, the purchase price actually paid is identified as the initial investment cost. The initial investment cost includes expenses, taxes and other necessary expenses, which are directly related to the long-term equity investment.

As for the long equity investment obtained by issuing equity securities, the fair value of the issued equity securities is identified as the initial investment cost; Trading expenses incurred during issuance or acquisition of equity instrument that may be directly attributable to equity trade can be deducted from the equity.

Under the precondition that the exchange of non-monetary assets has commercial essence and the fair value of the assets received or the assets surrendered can be reliably measured, the initial investment cost of the long-term equity investment exchanged from non-monetary assets is determined by the fair value of the assets surrendered, unless there is conclusive evidence that the fair value of the assets received is more reliable; The initial investment costs of a long-term equity investment in a non-monetary assets exchange that cannot satisfy the above conditions is determined by the book value of the assets surrendered and relevant taxes payable.

As for the long-term equity investment arising from debt restructuring, its initial investment cost is determined on the basis of its fair value.

2. Subsequent measurement and recognition of profits and losses

(1) Cost method

The Company may adopt the cost method for accounting of the long-term equity investment controlled by the investee, and measure the investment at the initial investment cost. The long-term equity investment cost can be adjusted by addition or recovery of investment.

Except for the price actually paid for obtaining the investment or the cash dividends or profits declared but not yet distributed which are included in the consideration, the Company recognizes cash dividends or profits declared and distributed by the investee as current investment gains.

(2) Equity method

The Company adopts the equity method for accounting of long-term equity investment in joint ventures and associates; where part of the equity investment in joint ventures is indirectly held by venture capital institutions, mutual funds, trust companies or similar subjects including unit-linked insurance fund, the investment is measured at fair value and the changes are included in the profits and losses.

Where the initial investment cost of long-term equity investment is greater than the difference of the fair value of the investee's identifiable net assets, no adjustment on the initial investment cost shall be made; when the initial investment cost is lower than the difference of the fair value of the investee's identifiable net assets, it shall be recorded in current profits or losses.

After the Company acquires the long-term equity investment, it shall, in accordance with its attributable share of the net profit or loss and other comprehensive incomes realized by the investee, recognize the investment income and other comprehensive incomes respectively and simultaneously adjust the book value of the long-term equity investment; in addition, in accordance with the profits or cash dividends declared to be distributed by the investee, its share should be calculated and the book value of the long-term equity investment will be reduced accordingly; the book value of long-term equity investment shall be adjusted against other changes in owners' equity of the investee other than net profit or loss, other comprehensive incomes and profit distribution, and recorded in owners' equity.

Attributable shares of net profit or loss of the investee are recognized by the Company on the basis of fair value of all the identifiable assets of the investee upon acquisition of the investment after adjusting the net profit of the investee. The profits and losses of the unrealized internal transactions between the Company and the joint ventures, associates shall be offset against the part attributable to the Company according to the proportion the Company is entitled to, and the profits and losses on investment shall be recognized on such basis.

Loss incurred by the investee and borne by the Company is determined by the following steps: at first, the Company writes down the book value of the long-term equity investment. Second, where the book value is insufficient to be written down, the Company continues to recognize investment loss up to the book value of other long-term equities which substantially constitute the net investment made in the investee and writes down the book value of long-term receivables. At last, where the Company is required to undertake additional obligations by the investment contract or agreement, estimated liabilities are recognized at estimated obligations to be undertaken, and recorded in current investment loss.

Provided that profit making is achieved later on by the investee, after the undetermined part of loss to share is deducted by the Company, disposal is done according to a sequence opposite to the sequence above, the book balance of determined estimated liabilities is written down, the book value of the long-term equity interests and long-term equity investment that substantially constitute the net investment to the investee is restored, also, the investment income is restored and recognized.

3. Conversion of accounting methods for long-term equity investment

(1) Change of measurement at fair value to equity method

For the equity investment, originally held by the Company without the control, joint control or significant impact on the investee, recognized by financial instruments, accounted for according to measurement standards, and through which the investor can exert significant impact or have joint control over the investee but not constitute control due to additional investment or other reasons, the sum of the fair value of equity investment originally held and determined by *Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments* and cost of newly increased investment shall be used as the initial

investment cost when equity method is applied instead.

Where the equity investment originally held is classified into available-for-sale financial assets, the difference between the fair value and the book value, and the accumulative changes in fair value that are originally included in other comprehensive incomes are included in current profits and losses under equity method.

The book value of the long-term equity investment is adjusted by the difference between the initial investment cost under equity method and the fair value of the identifiable net assets of the investee on the date of additional investment determined by calculation of the new shareholding proportion after such additional investment, and is included in current non-operating income.

(2) Change of measurement at fair value or equity method to cost method

For the equity investment, originally held by the Company without the control, joint control or significant impact on the investee, recognized by financial instruments and accounted for according to measurement standards, or long-term equity investment, originally held in joint ventures and associates and through which the investor has control over the investee not under the same control due to additional investment or other reasons, when separate financial statements are prepared, the sum of book value of equity investment originally held and cost of newly increased investment shall be used as the initial investment cost when equity method is applied instead.

Due to the other comprehensive income accounted and recognized under equity method, the equity investment held before the date of acquisition is accounted on the same basis as used for disposal of relevant assets or liabilities of the investee when disposal of such investment.

Relevant provisions of *Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments* shall be adopted for accounting treatment on the equity investment held prior to the purchase date, and the accumulative changes in fair value that are originally included in other comprehensive incomes are included in current profits and losses under equity method.

(3) Change of equity accounting to measurement at fair value

In case of losing the joint control over the investee due to the Company's disposal of partial equity investment or significant impact, the remaining equities after the disposal shall be calculated according to *Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, while the difference between the fair value and book value on the date losing the joint control or significant impact shall be recorded in the current profits and losses.

For original equity investments recognized in other comprehensive income where equity method is adopted, accounting treatment should be applied on the same basis as those adopted by the investee for direct disposal of related assets or liabilities where the equity method is no longer adopted.

(4) Change of cost method to equity method

Where the Company loses the control over the investee due to disposal of partial equity investment, and the remaining equities after disposal can implement joint control or exert significant impact over the investee when preparing the separate financial statements, it should be changed to the equity method and the remaining equities shall be adjusted as if the equity method is adopted at the acquisition.

(5) Change of cost method to measurement at fair value

Where the Company loses the control over the investee due to disposal of partial equity investment, and the remaining equities after disposal cannot implement joint control or exert significant impact over the investee when preparing the separate financial statements, relevant provisions of *Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments* shall be adopted for accounting treatment, and the difference between the fair value and the book value on the date when the control is lost is included in current profits and losses.

4. Disposal of long-term equity investment

At the disposal of long-term equity investment, the difference between its book value and the payment actually acquired shall be included in the current profits and losses. For the long-term equity investment accounted by equity method, the investment is disposed on the same basis as those adopted by the investee for direct disposal of related assets or liabilities, and accounting treatment is applied based on corresponding proportion to the part initially included in other comprehensive incomes.

If the terms, conditions and economic effects of transactions in relation to the disposal of equity investments in subsidiaries, fall in the following one or more situations, regard multiple transactions as a package transaction for accounting treatment:

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

When an entity loses control on its original subsidiaries due to partial disposal of equity investment or otherwise, it does not belong to a package transaction, and the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

- (1) In separate financial statements, for equity disposed, the difference between the book value and the actual payment is included in current profits or losses. Where the remaining equities after disposal can implement joint control or exert significant impact over the investee, the equity method is adopted for accounting treatment, and the remaining equity is adjusted as if the equity is adopted at the time of acquisition; where the remaining equities after disposal cannot implement joint control or exert significant impact over

the investee, relevant provisions of *Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments* shall be adopted for accounting treatment, and the difference between the fair value on the date when the control is lost and the book value is included in current profits and losses.

(2) In consolidated financial statements, for the transactions before the loss of control over subsidiaries, the capital reserve (share premium) is adjusted by the difference between the price of disposal and the net asset shares of subsidiaries continuously calculated since the date of acquisition or combination corresponding to the long-term equity investment; if the capital reserve is insufficient to offset, retained income is adjusted; At the time of loss of control over subsidiaries, the remaining equities are re-measured according to the fair value on the date of loss of control. The difference between the sum of the consideration received through the disposal of equity & the fair value of the remaining equities and the entitled share of net assets continuously calculated at original shareholding ratio from the purchase date in the subsidiaries, is recorded in the current investment income for the period during which the control is lost, and meanwhile is written off against goodwill. Other comprehensive incomes related to original equity investment in the subsidiaries are transferred to current investment income at the time of loss of control.

Each transaction involved in the disposal of equity investments of subsidiaries until loss of control falls into a package deal, with accounting treatment for each transaction as one transaction disposing equity investment of subsidiaries and losing the right of control; the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

(1) In separate financial statements, the difference between the price of disposal and the book value of the long-term equity investment corresponding to the equity disposed before the loss of control is recognized as other comprehensive incomes, and transferred to current profits and losses at the time of loss of control.

(2) In consolidated financial statements, the difference between the price of disposal and net asset share in subsidiaries corresponding to the disposal of investment is recognized as other comprehensive incomes, and transferred to current profits and losses at the time of loss of control.

5. Criteria for joint control and significant impact

If the Company collectively controls certain arrangement with other participants as agreed, and the decisions on the activities that may have significant impact on the return of arrangement exit with consistent agreement from participants sharing the control power, then the Company and the other participants are deemed to have joint control over certain arrangement, which is joint venture arrangement.

In case of a joint venture arrangement concluded through separate entity, when the Company is judged to be entitled to the net assets of the separate entity under relevant agreements, the entity shall be viewed as a joint venture under equity method. However, when the Company is judged to be not entitled to the net assets of the separate entity under relevant agreements, the entity shall be viewed as a joint operation, in which case, the Company recognizes items relating to its share of interests from the joint operation and accounts for according to relevant business accounting rules.

Significant impact refers to that investor has the right to participate in the decision-making of financial and operation policies of the investee but cannot control or jointly control with other parties the formulation of such policies. The Company determines the significant impact on the investee through one or more situations as bellow and taking into account all facts and situations: (1) dispatching representatives to the Board of Directors of the investee or similar organ of authority; (2) participating in the formulation of the financial and operation policies of the investee; (3) important transactions with the investee; (4) dispatching management staff to the investee; (5) providing key technology information to the investee.

23. Investment real estate

Measurement model for investment real estate

Cost method measurement

Depreciation or amortization method

Investment real estate is defined as the real estate with the purpose to earn rent or capital appreciation or both, including the rented land use rights, the land use rights which are held and prepared for transfer after appreciation, and the rented buildings. In addition, for the vacant buildings held by the Company for lease, if the Board of Directors makes a resolution in writing, explicitly indicating that they are used for lease and there will be no change within the short period of holding, such buildings shall be reported as investment real estate.

The entry value of the Company's investment real estate is recorded at its cost. The cost of purchased investment real estate includes the purchase price, relevant taxes and other expenses directly attributable to the assets. Costs of the self-constructed investment real estate are composed of the necessary expenses incurred before bringing the assets to the expected conditions for use.

The Company adopts cost model for subsequent measurement of investment real estate and treats depreciation or amortization of the buildings and land use rights according to the estimated service life and net residual value rate.

When investment real estate turns to be used by holders, the Company will switch it to the fixed assets or intangible assets from the date of such turning. And when self-used real estate turns to be leased out for rent or capital appreciation, the fixed assets or intangible assets shall be switched by the Company to investment real estate from the date of such turning. When such shift occurs, the entry value of the assets after the shift is recorded at the book value before the shift.

If the investment real estate is disposed, or if it is withdrawn permanently from use and no economic benefit is expected to be obtained from the disposal, the investment real estate is derecognized. The amount of the disposal income from sale, transfer, retirement or damage of investment real estate less the book value of the investment real estate and relevant taxes is included in current profits and losses.

24. Fixed assets

(1) Conditions for recognition

Fixed assets refer to tangible assets with service life over one accounting year, and held for production, service, lease or operation. Fixed assets shall be recognized when the following conditions are met at the same time: (1) Economic benefits related to the fixed assets are likely to flow into the enterprise; (2) The cost of the fixed assets can be reliably measured.

(2) Depreciation method

Category	Depreciation method	Depreciable life	Residual value rate	Annual depreciation rate
Houses and buildings	Straight-line depreciation	43-50 years	5.00	2.21-1.90
Decoration of fixed assets	Straight-line depreciation	10 - service life of property ownership certificate	5.00	
Detection equipment	Straight-line depreciation	5-10 years	5.00	19.00-9.50
Transportation equipment	Straight-line depreciation	5 years	5.00	19.00
Office equipment	Straight-line depreciation	5 years	5.00	19.00

1. Initial measurement of fixed assets

The fixed assets of the Company are initially measured at cost.

(1) The cost of the externally purchased fixed assets includes the purchase price, the import duties and other expenditures directly attributable to fixed assets prior to such assets to be available for their intended use.

(2) The cost of the self-constructed fixed assets consists of the necessary expenditure incurred before the constructed assets get ready for their intended use.

(3) For the investment to fixed assets by the investor, the value agreed upon in the investment contract or agreement shall be the entry value. Where the valued agreed upon in the said investment contract or agreement is unfair, the fair value shall be recorded.

(4) If the payment of price to buy fixed assets is delayed beyond the normal credit conditions, it is of financing nature in effect. The cost of fixed assets shall be determined according to the present value of the purchase price. The difference between the payment actually made and the present value of the purchase price, except for those to be capitalized, shall be included in the current profits or losses.

2. Subsequent measurement and disposal of fixed assets

(1). Depreciation of fixed assets

The depreciation of fixed assets is accrued within the estimated service life based on the entry value less the estimated net residual value. For the fixed assets that have been accrued for impairment provision, the related depreciation charge is prospectively determined based upon the adjusted book value after less the impairment provision over the remaining service life; the fixed assets fully depreciated but still in use are not accrued and depreciated.

The Company determines the service life and estimated net residual value of fixed assets based on their nature and use condition. The service life, estimated net residual value and depreciation method of fixed assets are re-assessed at the end of the period. Corresponding adjustment shall be made in case of any difference from the originally estimated amount.

Depreciation method, depreciation life and annual depreciation rate for various fixed assets are shown in the table above.

(2) Subsequent expenses of fixed assets

For subsequent expenses in relation to fixed assets, those that comply with the recognition criteria for fixed assets are included in the costs of fixed assets; while those that do not are included in current profits or losses at the time of occurrence.

(3) Disposal of fixed assets

The fixed assets are derecognized when they are disposed or no future economic benefits are expected from their use or disposal. The amount of disposal income from sale, transfer, retirement or damage of fixed assets less its book value and related taxes, is recorded in current profits and losses.

(3) Identification basis, valuation and depreciation method of the fixed assets leased through financing

Fixed assets leased by the Company are recognized as the fixed assets held under finance lease if one or more of the following criteria are met: (1) Upon the expiry of the lease term, the ownership is transferred to the Company. (2) The lessee has the right to choose to purchase the leased assets; the established purchase price is expected to be much lower than the fair value of the leased assets when exercising the right of choice, and hence it can be reasonably determined that the Company will exercise such right of choice on the lease commencement date. (3) Even if the ownership of the assets is not transferred, the lease term covers the major part of the service life of the leased assets. (4) The present value of the minimum lease payment made by the Company on the lease

commencement date almost equals to the fair value of the leased assets on the lease commencement date. (5) The leased assets are of a specialized nature so that only the Company can use it without making major modifications. The entry value of fixed assets rented via finance lease shall be subject to the fair value of the leased assets on the lease commencement date or the present value of the minimum lease payment, whichever is lower. The minimum lease payment is recognized as the entry value of long-term payable, and the difference between them is recognized as unrecognized finance charge. The initial direct costs such as commissions, counsel fees, travelling expenses, and stamp duties attributable to the leased items incurred during the lease negotiation and lease contract signing shall be recorded in the leased assets value. Unrecognized finance charge is amortized by effective interest method over the lease term. In calculating the depreciation of the fixed assets under the finance lease, the Company adopts a depreciation policy consistent with that for self-owned fixed assets. Where it is reasonably certain that the ownership of the leased assets can be obtained at the expiry of the lease term, the leased assets shall be accrued and depreciated over its service life. Where it is not reasonably certain that the ownership of the leased assets can be obtained at the expiry of the lease term, the leased assets shall be accrued and depreciated over the lease term or the service life of the leased assets, whichever is shorter.

25. Construction in process

1. Initial measurement of construction in process

The self-constructed constructions in progress of the Company are measured at actual cost, which consists of the necessary expenses required for bringing such constructions to the intended use, including the costs of construction materials, labor costs, relevant taxes paid, borrowing costs capitalized and indirect costs apportioned.

2. Standard and time to transfer the construction in process into fixed assets

As for engineering projects in progress, all expenses incurred before achieving the intended use of the assets shall be recognized as entry value of the fixed assets. If the construction in progress has reached the expected serviceable state but the final accounts for completion have not yet been handled, from the date of being available for intended use, they shall be transferred to the fixed assets at an estimated value according to the budget, cost or actual cost of the project, and the depreciation of the fixed assets shall be accrued according to the Company's fixed assets depreciation policy. After the final accounts for completion are processed, the original provisional valuation shall be adjusted according to the actual cost, but the originally accrued depreciation amount shall not be adjusted.

26. Borrowing costs

1. Recognition principle of capitalized borrowing costs

The borrowing costs which are incurred to the Company and directly attributable to the acquisition & construction or production of assets eligible for capitalization shall be capitalized and recorded in the costs of relevant assets; other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded in the current profits and losses.

Qualifying assets refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition & construction or production takes a substantial period of time to get ready for its intended use or for sale.

The borrowing costs shall not be capitalized unless they simultaneously satisfy the following requirements:

- (1) Asset expenses have incurred, including expenses incurred in forms of cash payment, non-cash assets transfer or interest-bearing debt for acquisition or production of assets eligible for capitalization;
- (2) Borrowing costs have incurred;
- (3) The acquisition & construction or production activities necessary for making assets available for intended use or sale have already initiated.

2. Capitalization period of borrowing costs

The capitalization period refers to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the capitalization suspension period of the borrowing costs.

When assets with acquisition & construction or production eligible for capitalization are available for intended use or sale, the capitalization of the borrowing costs shall be ceased.

As for assets with acquisition & construction or production eligible for capitalization, if certain projects of such assets are completed separately and available for individual service, capitalization of the borrowing costs for such assets shall be ceased.

As for assets under acquisition & construction or production with different part completed separately, which are only serviceable or marketable upon overall completion, capitalization of borrowing costs shall be ceased upon overall completion of such assets.

3. Capitalization suspension period

Capitalization of borrowing costs is suspended when any abnormal interruption continues for over three months during the acquisition & construction or production of assets eligible for capitalization; If the interruption is a necessary procedure for the purchased, constructed or produced assets that meet the capitalization conditions to reach the preset serviceable state or marketable state, the borrowing costs shall continue to be capitalized. The borrowing costs incurred during such period shall be recognized as profit or loss for current period. Capitalization of borrowing costs shall continue upon restart of acquisition & construction or production activities of the assets.

4. Calculation method for capitalized amount of borrowing costs

Interest expenses of special loans (net of interest income from unutilized loans deposited in bank or investment gain earned from temporary investment) and supplementary expenses shall be capitalized before the assets under acquisition & construction or production eligible for capitalization are available for intended use or sale.

The interest amount that should be capitalized on normal borrowings is calculated based on the weighted average of expenses of the aggregate asset exceeding the expenses of the portion of special loan multiplied by the capitalization ratio of the normal borrowings utilized. The capitalization rate shall be calculated and determined in line with the weighted average interest rate of the general borrowing.

As for borrowings with discounts or premiums, the amortization amount of such discounts or premiums on borrowings of each accounting period as well as adjustment of interest amount of each period shall be determined in accordance with the effective interest method.

27. Biological assets

N/A

28. Oil and gas assets

N/A

29. Right-of-use assets

N/A

30. Intangible assets

(1) Pricing method, service life and impairment test

An intangible asset refers to an identifiable non-monetary asset without physical substance owned or controlled by the Company, including land use right, software, trademark right, patented technology and talent housing sublease right etc.

1. Initial measurement of intangible assets

Costs of purchased intangible assets include purchasing prices, relevant taxes and other expenditures directly attributable to such assets for intended purposes. Where the payment of purchasing prices of intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the costs of intangible assets are determined on the basis of the present value of the purchasing prices.

As for the intangible assets acquired from the debtor in debt restructuring for the purpose of settlement of debt, the fair value of the intangible assets shall be based to determine the entry value. The difference between the book value of restructured debt and the fair value of the intangible assets use for settlement of debt shall be included in current gains and losses.

The entry value of intangible asset received in an exchange for non-monetary asset is based on the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; For exchange of non-monetary asset that cannot satisfy the above conditions, the cost of the intangible asset received is based on the book value of the asset surrendered and the amount of relevant taxation payable, and no profit or loss is recognized.

For the intangible asset acquired through business consolidation by merger under common control, the entry value is determined by the book value of the combined party; for the intangible asset acquired through business consolidation by merger not under common control, the entry value is determined by the fair value of the intangible asset.

Costs of internally developed intangible assets include materials used for development of these intangible assets, labor costs, registration fees, amortization of other patent rights or chartered rights used in the course of development, interest expenses eligible for capitalization and other direct expenses incurred before such intangible assets ready for intended purposes.

2. Subsequent measurement of intangible assets

The Company determines the service life of intangible assets on acquisition, which are classified as intangible assets with limited service life and uncertain service life.

(1) Intangible assets with limited service life

Intangible assets with limited service life shall be amortized on a straight-line basis within the period of bringing economic benefits to the enterprise. For use of the intangible assets with limited service life, the estimated life and basis are as follows:

Item	Estimated service life	Basis
Land use right	Service life of land use certificate	Principle of the lower of contract provisions and legal provisions
Software	5 years	Period of the intangible asset bringing economic benefits to the Company
Trademark right	5 years	Period of the intangible asset bringing economic benefits to the Company

Patented technology	5 years	Period of the intangible asset bringing economic benefits to the Company
Talent housing sublease right	Note	Period of the intangible asset bringing economic benefits to the Company

Note: According to Article 10 of *Sales Contract of Public Rental Housing for Enterprise Talents in Bao'an District, Shenzhen*: In case of one of the following circumstances, the Buyer shall apply for repurchase to the Seller after purchasing the Property: (1) the enterprise domicile has been removed from Bao'an; (2) the enterprise is bankrupt; (3) the Property purchased needs to be transferred; (4) the bank is disposed the Property purchased over the mortgage; (5) the property is enforced by the court due to economic disputes; (6) it needs to be repurchased in case of violating relevant regulations and laws, rules and normative documents.

Article 11: After purchasing the Property, the Buyer only enjoys the limited property right and management is accordance with Detailed Rules on Distribution Management of Talent Housing in Bao'an. In case of one of the following circumstances: (1) purchasing the Property by fraud, intentional concealment and other acts; (2) undertaking illegal activities by using the Property; (3) unauthorized reconstruction or change of the purpose and function of the Property; (4) unauthorized transfer and mortgage of the Property; (5) unauthorized exchange and gifting of the Property; (6) severe damage to the Property due to intentional or serious mistakes; (7) lease to the unsuitable personnel; (8) failure to investigate and treat the employees for subleasing and lending the Property against the regulations; (9) failure to apply for repurchase which should be applied for according to Article 10 of the Measures; (10) failure to live in the property for more than 6 consecutive months without proper reasons; (11) others against relevant provisions on housing security, the Seller shall force to repurchase the Property purchased by the Buyer.

Article 12: In case of repurchase, both parties shall sign a repurchase agreement, and the Seller shall repurchase at the following prices:

(1) The housing repurchase price is the original purchase price of the Contract within 10 years (inclusive) upon the effective date of the Contract; for more than 10 years, repurchase price = original purchase price * [1-depreciation factor*(years of purchase-10)]. The depreciation factor is calculated by the annual depreciation rate 1.4%, and the length of purchase is calculated from the effective date of the Contract to the repurchase date, 1 month for more than 15 days (inclusive), and 0.5 month for less than 15 days.

(2) The Seller shall not compensate the Buyer for all expenses for fit-up, decoration and the non-removable part adhered to the housing main body after purchasing the house.

According to relevant provisions of *Sales Contract of Public Rental Housing for Enterprise Talents in Bao'an District, Shenzhen*, the Company has no right to dispose the purchased talent housing, and cannot obtain the earnings from the housing, but only enjoys the distribution right and the right to collect the rent; What the Company purchases is a housing sublease right, therefore, the paid house payment is recognized as an intangible asset which are not to be amortized within 10 years, and to be amortized at the annual amortization rate of 1.4% in case of more than 10 years.

The service life and depreciation method of the intangible asset with limited service life are re-assessed at the end of each period. If the original estimate varies, corresponding adjustments are made.

After re-assessment, there were no differences found between the service life and amortization method of the intangible asset at the end of the current period and those estimated in the previous period.

(2) Intangible assets with uncertain service life

Intangible assets without foreseeable period of bringing economic benefits to the Company are regarded as intangible assets with uncertain service life.

There are no intangible assets with uncertain service life in the Company at the end of the reporting period.

(2) Accounting policy on internal R&D expenditure

1. Specific standards for distinguishing research stage from development stage of the Company's internal research & development project

Research period: period during which planned investigation and research activities with originality are conducted by the Company in order to obtain and understand innovative scientific or technical knowledge.

Development period: period during which the Company applies the research results or other knowledge in a plan or design before commercial manufacturing or service in order to produce new materials, equipment and products or those with substantial improvement.

Expenditure in research stage was included in the profit and loss of the current period at occurrence.

2. Specific standards for expenditures eligible for capitalization during development stage

Development expenditures of the internal research and development project can be recognized as intangible assets only when all of the following conditions are satisfied:

- (1) It is technically feasible to finish intangible assets for use or sale;
- (2) It is intended to finish and use or sell the intangible assets;
- (3) The marketability of means for generating economic benefits, either the products produced applying this intangible asset or the intangible asset itself or the usefulness of intangible assets intended for in-house use can be proved;

(4) It is achievable to secure sufficient technologies, financial resources and other support to complete the development of the intangible asset, and able to use or sell such intangible asset;

(5) The expenses incurred from developing the intangible asset can be reliably measured.

Specific standards for distinguishing research stage from development stage of the Company's internal research & development project:

Internal research and development expenditures can be divided into the expenditures at research stage and expenditures at development stage in line with its nature and the existence of great uncertainty in the intangible assets finally formed by R&D activities.

Expenditures incurred at the development stage not meeting the above-mentioned conditions are included in profits & losses of the current period upon occurrence. Development expenditures included in profits and losses of the previous periods will not be re-recognized as assets in the future periods. Expenditures incurred and capitalized at the development stage are recorded as development expenditures on the balance sheet and will be carried over as intangible assets on the date when the project is ready for the intended use.

31. Impairment of long-term assets

The Company makes a judgment on whether there is any sign of possible impairment of long-term assets on the balance sheet date. Where there is any sign of impairment of long-term assets, the recoverable amount is estimated based on individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the asset group to which the asset belongs.

The recoverable amount is determined according to the higher between the net amount after the fair value minus the disposal cost and the present value of the expected future cash flow of the asset.

If measurement of recoverable amount shows that the recoverable amount of long term asset is lower than book value, then the book value shall be deducted to recoverable amount, with the deducted amount recognized as impairment loss which is included in current profits and losses, meanwhile, asset impairment provision shall be made accordingly. Once any asset impairment loss is recognized, it will not be reversed in the future accounting periods.

Upon the recognition of asset impairment loss, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment book value of the asset systematically (deducting the expected net residual value) within the remaining service life of the asset.

For goodwill formed by business merger and intangible assets with uncertain service life, impairment test should be carried out every year regardless of whether there is a sign of impairment.

During the impairment test on the goodwill, the book value of goodwill is amortized to the asset group or asset group portfolio which is expected to benefit from the synergy of the business merger. When making an impairment test on the corresponding asset groups or asset group portfolios involving goodwill, if any evidence shows there is potential impairment of asset groups or asset group portfolios, the Company shall first make an impairment test on the asset groups or asset group portfolios not involving goodwill, calculate the recoverable amount, compare it with relevant book value and then recognize the corresponding impairment loss. Then the Company shall make an impairment test on the asset groups or asset group portfolios involving goodwill, and compare the book value (including book value of the amortized goodwill) of such asset groups or asset group portfolios as well as the recoverable amount. Where the recoverable amount of the relevant assets or asset group portfolios is lower than the book value, the loss of goodwill impairment shall be recognized.

32. Long-term deferred expenses

1. Amortization method

Long-term deferred expenses refer to the expenses which the Company has occurred and shall be amortized in the current and later periods with amortization period exceeding one year. Long-term deferred expenses are amortized by stages over the benefit period using the straight-line method.

33. Contract liabilities

N/A

34. Employee remuneration

(1) Accounting method for short-term remuneration

Employee remuneration refers to the remuneration or remuneration in various forms given by the Company in order to obtain the services provided by the employees or break labor relationship. Employee remuneration includes short-term remuneration, post-employment benefits, dismissal benefits and other long-term employee benefits.

1. Short-term remuneration

The short term remuneration refers to all the employee remuneration payable by the Company to its employee within 12 months after the end of annual reporting period in which the employee provides relevant services, other than post-employment benefits and dismissal benefits. The Company recognizes short-term remuneration payables as liabilities during the accounting period during which the employee provides services, and includes them in costs and expenses of relevant assets according to the beneficial parties of such services.

(2) Accounting treatment method for post-employment benefits

The post-employment benefits refer to kinds of remuneration and benefits granted by the Company to the employees for their provision of services upon retirement or release of employment, other than short-term remuneration and dismissal benefits.

The Company's post-employment benefit plan includes defined contribution plan and defined benefit plan.

The defined contribution plan under the post-employment benefits is mainly to participate in the social basic endowment insurance and unemployment insurance organized and carried out by local labor and social guarantee authorities. During the accounting period of the employee providing service for the Company, the deposit amount payable calculated by the defined contribution plan is recognized as the liability and included in the current profits and losses or related capital cost.

The Company has no other payment obligations after making the above-mentioned payment periodically according to the standards specified by the state.

(3) Accounting treatment method for dismissal benefits

The dismissal benefits refer to the compensation given by the Company to the employee for severing the labor relations with employee before expiration of the labor contract, or encouraging the employee to voluntarily accept cutdown, when the Company fails to unilaterally withdraw the plan for severing labor relations or cutdown suggestions, and recognizes the cost and expense related to reorganization involving payment for dismissal benefits, whichever is earlier, the Company recognizes the liabilities arising from the compensation given for severing the labor relations with the employee, and meanwhile includes them in the current profits and losses.

The Company provides early retirement benefits to employees who accept internal retirement arrangements. Early retirement benefits refer to wages and social insurance premiums, etc. paid to employees who have not reached the compulsory retirement age stipulated by the state, and voluntarily quit their jobs with the approval of the Company's management. The early retirement benefits are made by the Company to the early retirement employees from the date of early retirement arrangement to the normal retirement age. For the early retirement benefits, the Company performs accounting treatment according to the dismissal benefits, and when the relevant recognition conditions for dismissal benefits are met, recognizes the wages and social insurance premiums to be paid to the retired employees from the date when they stop providing services to the normal retirement date as liabilities and include them into the current profits and losses all at once. Changes in actuarial assumptions of retirement benefits and differences caused by adjustment of benefits standards are included in the current profits and losses when incurred.

(4) Accounting treatment method for other long-term employee benefits

Other long-term employee benefits refer to all the employee benefits other than short-term remuneration, post-employment benefits and dismissal benefits.

For other long-term employee benefits qualified for the defined contribution plan, during the accounting period of the employee providing services for the Company, the deposit amount payable is recognized as liabilities and included in the current profits and losses or relevant asset costs; In any other circumstance, the other long-term employee benefits are calculated by independent actuary with the expected accumulative benefit unit method on the balance sheet date, and the benefit obligations arising from the defined benefit plan are attributable to the period when the employee provides services, and included in the current profits and losses or relevant asset costs.

35. Lease liabilities

N/A

36. Estimated liabilities

1. Recognition criteria for estimated liabilities

The Company recognizes the accrued liabilities when obligations related to contingencies satisfy all the following conditions:

The obligation is the current obligation assumed by the Company;

It is likely to cause any economy benefit to flow out of the Company as a result of performance of the obligation;

The amount of the obligation can be measured in a reliable way.

2. Measurement method of estimated liabilities

Estimated liabilities of the Company are initially measured in accordance with the best estimate of the necessary expenses for performance of the current obligation.

When determining the best estimate number, the Company will comprehensively consider the factors that are related to the contingencies such as risks, uncertainties and the time value of money. If there is a significant impact on the time value of money, the best estimate shall be determined after discounting the relevant future cash outflow.

The best estimate shall be handled as follows:

If there is a successive range (or interval) for the necessary expenses and if all the outcomes within the range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate within the range, which is the average of upper and lower limits.

The expenses required do not have a successive range (or band), or although there is a successive range (or band), the possibilities of

occurrence of different result are not the same, if the contingency is related to individual item, the best estimate should be determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

If all or part of the expenditure required for settling the estimated liabilities of the Company is expected to be compensated by a third party, the remuneration amount may be separately recognized as an asset only when it is virtually certain that the remuneration can be received and the remuneration amount recognized shall not exceed book value of the estimated liabilities.

37. Share-based payment

1. Category of share-based payment

Share-based payment of the Company is divided into share-based payment settled by equity and by cash.

2 Method for determining the fair value of equity instrument

For such equity instrument as the granted option with active market, its fair value shall be determined according to the quoted price in the active market. For such equity instruments as the granted option without active market, its fair value shall be determined by using the option pricing model, and the selected option pricing model shall take the following factors into consideration: (1) the exercise price of the option; (2) the validity of the option; (3) the current price of the subject share; (4) the expected rate of share price fluctuation; (5) the expected dividend of the share; (6) the risk-free interest rate of the option within the validity.

When determining the fair value of the equity instrument on the grant date, the impacts of market conditions in vesting conditions and the non-vesting condition specified in share-based payment agreement shall be taken into consideration. If there is a non-vesting condition in share-based payment, cost expenses attributable to services received can be recognized provided that employees or other parties satisfy all the non-market conditions in vesting conditions (such as service term).

3. Basis for determining the best estimate for vesting equity instruments

On each balance sheet date in the waiting period, the best estimate is made according to the latest changes in the number of vesting employees and other follow-up information, and the estimated number of equity instruments is corrected. On the vesting date, the number of the vested equity instruments that is of ultimate estimation is the same as the actual number of the vested equity instruments.

4. Accounting treatment method

Equity-settled share-based payment shall be measured based on fair value of equity instrument granted to employee. After the grant, the equity-settled share-based payment where the right can be immediately exercised shall be included in the relevant costs or expenses in accordance with the fair value of the equity instrument at the grant date, and the capital surplus shall be increased accordingly. For instruments for which exercise is conditional upon completion of service in vesting period or satisfaction of required results, services received in current period are included in relevant costs or expenses and capital reserve at the fair value of the equity instrument as of the date of grant based on the best estimate of the numbers of vesting equity instruments on each balance sheet date during the vesting period. The recognized costs and total owner's equity are not subject to any adjustments after the vesting date by the Company.

The cash-settled share payment is measured at the fair value of the liability calculated based on shares or other equity instrument of the Company. After the grant, the cash-settled share-based payment where the right can be immediately exercised shall be included in the relevant costs or expenses in accordance with the fair value of the liabilities assumed by the Company at the grant date, and the liabilities shall be increased accordingly. For the cash-settled share-based payment where the right may not be exercised until completing the service within the waiting period or meeting the specified performance conditions, the services obtained in the current period shall be included in the relevant costs or expenses and corresponding liabilities on each balance sheet date within the waiting period based on the best estimate of the vesting conditions and the fair value of liabilities assumed by the Company. The fair value of liabilities shall be re-measured at each balance sheet date and settlement date before the settlement of related liabilities, with changes recognized in the current profit and loss.

If the granted equity instrument is canceled during the waiting period, the Company will treat the cancellation of the granted equity instrument as accelerated exercise, and will immediately include the remaining amount which shall be recognized in the waiting period into the current loss and profit, with the capital reserve recognized. Where the employees or other parties have rights to choose to meet non-vesting conditions but fails within the waiting period, the Company may treat it as the cancellation of the equity instrument granted.

38. Other financial instruments such as preferred shares and perpetual bonds

N/A

39. Income

Whether the new income standard has been implemented

Yes No

1. Specific judgment criteria on recognition timing of income from sales of commodities

The major risks and rewards attached to the ownership of the goods have been transferred to the Buyer by the Company; the Company retains neither continuous management right that usually keeps relation with the ownership nor the effective control over sold goods; the amount of the revenue can be measured in a reliable way; the relevant economic benefits are likely to flow into the

enterprise; when the relevant costs incurred or to be incurred can be measured reliably, the income from sales of goods shall be recognized.

The Company is mainly engaged in sample tests and item-oriented tests in such fields as trade safeguard, consumer goods, industrial products, life sciences. Recognition of income from sample tests needs to meet the following conditions: After the provided test service is completed, and the test report is delivered to the customer, the realization of the operating revenues is recognized upon receipt of the money or obtaining the certificate of the money. Recognition of income from item-oriented tests needs to meet the following conditions: the realization of operating revenues is recognized by the work quantities accepted by both parties.

2. Basis for recognition of income from transfer of asset use right

When the economic benefit related to the transaction will be very likely flow to the enterprise and the income amount can be reliably measured, the income amount from transfer of asset use right is recognized according to the following conditions:

- (1) The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the Company's monetary fund is used by others and the actual interest rate.
- (2) The amount of charge of use is calculated and determined as per the charging time and method under the relevant contract or agreement. The amount of royalty revenue should be measured and confirmed in accordance with the charging period and method as stipulated in the relevant contract or agreement.

3. Basis and method for recognizing revenues from provision of labor services

If the outcome of transaction concerning provision of labor services can be reliably estimated on the balance sheet date, the revenue from providing labor services shall be recognized in accordance with the percentage-of-completion method. The completion progress of providing labor services shall be measured according to the work completed.

In case the outcome of the transaction concerning provision of labor services can be estimated reliably, all of the following conditions are satisfied simultaneously:

- (1) The income amount can be reliably calculated;
- (2) The relevant economic benefits are very likely to flow to the enterprise;
- (3) The completion progress under the transaction can be confirmed reliably;
- (4) The costs incurred and to be incurred in the transaction can be measured reliably.

The total amount of labor service revenue is recognized according to the contract or agreement price received or receivable, except for those of unfair value in the contract or agreement received or to be paid. On the balance sheet date, the amount obtained by multiplying the total revenue of providing labor service by the completion progress and then deducting the cumulative recognized revenue from providing labor services during previous accounting periods shall be recognized as the revenue from providing labor services in the current period; similarly, the amount obtained by multiplying the estimated total cost of providing labor service by the completion progress and then deducting the cumulative recognized cost of labor service during previous accounting periods shall be carried forward as the cost of labor service in the current period.

If the labor service transaction supplied cannot be reliably estimated on the balance sheet date, it shall be disposed under the following conditions.

- (1) If the labor cost occurred can be predictably compensated, the labor revenue shall be confirmed in accordance with the labor cost occurred, and the labor cost shall be carried forward at the same amount.
- (2) If it is estimated that the occurred labor cost cannot be compensated, the occurred labor cost will be included in the current profits and losses, and the revenue from provision of labor services will not be determined.

When a contract or agreement signed between the Company and another enterprise contains both sales of goods and provision of labor services, and the sales of goods and the provision of labor services can be distinguished from each other and measured separately, the former shall be treated as sales of goods and the latter shall be treated as provision of labor services. If the part of selling goods and the part of providing labor services cannot be distinguished, or can be distinguished, but cannot be measured separately, both parts shall be treated as sales of goods.

4. Assets transfer with repurchase conditions attached

Upon selling products or transferring other assets, the Company signs the repurchase agreement of the product to be sold or the asset to be transferred with the Buyer, and judges if the product to be sold meets the revenue recognition conditions according to the terms of that agreement. If the after-sales repurchase belongs to the financing transactions, the Company will not recognize the sales revenue upon delivery of the products or assets. If the repurchase price is greater than the sales price, the interest from the difference shall be accrued on schedule during the repurchase period and included in the financial expenses.

40. Government subsidies

1. Type

Government subsidy refers to the monetary and non-monetary assets obtained by the Company from the government free of charge. According to the subsidy object stipulated in the relevant government documents, government subsidies are divided into government subsidies related to assets and government subsidies related to revenue.

For the government subsidy without subsidy object stipulated in the government documents, the government subsidies are divided

into government subsidies related to assets and government subsidies related to revenue by the Company, and relevant judgment basis is as shown in Note VI "Notes to Deferred Income/Non-business Income" to these financial statements.

Assets-based government subsidy means that acquired by the Company to purchase or construct long-term assets or develop such assets in other ways. Profit-based government subsidy refers to that rather than asset-related government subsidy.

2. Recognition of government subsidies

Where evidence shows that the Company complies with relevant conditions of policies for financial supports and is expected to receive funds rapidly at the end of the period, the amount receivable is recognized as the government subsidies. Otherwise, the government subsidy is recognized upon receipt.

Government subsidies, if monetary assets, shall be measured at the amount received or receivable; If a government subsidy is in the form of non-monetary asset, it is measured at fair value. If the fair value cannot be obtained reliably, the government subsidy shall be measured at nominal amount (RMB 1). Government subsidies measured at notional amount shall be directly included in profit and loss in the current period.

3. Accounting treatment method

Government subsidies relating to assets are either written off against the book value of the related assets or recognized as deferred income. Government subsidies relating to assets are recognized as deferred income, and included by stages into the profits and losses within the service life of the built or purchased asset in a reasonable and systematic way.

Income-related government subsidies of the enterprise for compensation for relevant expenses or losses in subsequent periods are recognized as deferred income, and included in the current profits and losses or offset against relevant costs in the period of recognition of relevant expenses or losses; Government subsidies for compensation for incurred relevant expenses or losses are directly included in the current profits and losses or offset against relevant costs.

Government subsidies related to the daily activities of the enterprise are included in other income or offset against relevant costs. Government subsidies unrelated to daily activities of the enterprise will be included in non-operating revenue.

Government subsidies related to concessional policy loan with discounted interest are used for offset against relevant costs; For the loans with preferential policy interest rate provided by the lending bank, the actual amount of loans received shall be taken as the entry value of loans, and the relevant borrowing costs are calculated based on the principal of the loans and the preferential policy interest rate.

If the recognized government subsidies need to be returned, and the book value of relevant asset is offset in initial recognition, the book value of the asset shall be adjusted; if there is balance in the relevant deferred income, the book balance of the deferred income shall be offset, but the excessive part shall be included in the current profits and losses; The subsidiaries without relevant deferred income shall be directly included in the current profits and losses.

41. Deferred income tax assets/deferred income tax liabilities

Deferred income tax assets and deferred tax liabilities are calculated and recognized based on the differences (temporary differences) arising between the tax bases of assets and liabilities and their book value. On the balance sheet date, deferred income tax assets and liabilities are measured at the tax rates applicable to the period when the asset is recovered or the liability is settled according to estimation.

1. Basis for the recognition of the deferred income tax assets

The Company recognizes deferred income tax assets arising from deductible temporary difference to the extent it is probably to obtain the taxable income that is used for deducting the deductible temporary difference and can carry over the deduction of deductible losses and taxes in the future years. However, the deferred income tax assets arising from the initial recognition of assets or liabilities in transactions with the following features are not recognized: (1) this transaction is not business merger; (2) The transaction neither affects the accounting profit nor the taxable income when it happens (or deductible loss) at the time of transaction.

For the deductible temporary differences arising from the investments in joint venture, the corresponding deferred income tax assets may be recognized only when the following conditions are satisfied simultaneously: the temporary differences are likely to be reversed in the foreseeable future and it is obtain the taxable income in the future for deducting the deductible temporary differences.

2. Basis for recognition of deferred income tax liabilities

The Company shall recognize the taxable temporary differences which are payable but not paid in the current period and previous periods as deferred income tax liabilities. But exclude:

- (1) Temporary difference arising from the initial recognition of goodwill;
- (2) Transactions or events arising from non-business merger, and neither the accounting profit or the taxable income (or deductible loss) is affected when the transaction or event occurs;
- (3) For the taxable temporary differences arising from the investments in subsidiaries and joint venture, the timing of the reversal of the temporary differences can be controlled, and the temporary differences are unlikely to be reversed in the foreseeable future.

3. Deferred income tax assets and deferred income tax liabilities are presented by the net amount after offset if all the following conditions are met

- (1) An enterprise has the legal rights to settle the income tax assets and income tax liabilities in the current period by net amount;

(2) The deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle the current income tax assets and the current income tax liabilities by net amount or to obtain the assets and liabilities simultaneously, in each future period of reversing significant deferred income tax assets or liabilities.

42. Lease

(1) Accounting treatment method for operating lease

(1) Assets under operating lease

In terms of the lease fee paid by the Company for renting assets, it shall be amortized by the straight-line method during the whole lease period without deducting the rent-free period, and then included into the current expenses. The initial direct expenses paid by the Company related to lease transactions shall be included in current expenses.

When the asset lessor undertakes the expenses related to lease that should have undertaken by the Company, the Company will deduct the expenses from the total rent, and the expenses will be amortized within the lease period according to the deducted lease expenses and included in the current expenses.

(2) Assets leased to others in operation

In terms of the lease fee received by the Company for leasing assets, it shall be amortized by the straight-line method during the whole lease period without deducting the rent-free period, and then recognized as the lease revenue. The initial direct expenses paid by the Company relative to the lease transaction shall be directly included in the current expenses; it shall be capitalized if the amount is large, and according to the same base as that of recognizing the lease revenue, the initial direct expenses shall be included in the current losses and profits by stages in the whole lease period. The initial direct expenses paid by the Company in connection with the lease transaction shall be included in the current expenses; If the amount is large, it shall be capitalized and included by stages in the current profits throughout the lease term on the same base as the lease-related income.

When the Company undertakes the expenses related to lease that should have undertaken by the asset lessor, the Company will deduct the expenses from the total revenue of rent, and the expenses will be allocated within the lease period according to the deducted lease expenses.

(2) Accounting treatment method for financial lease

(1) Assets under financial lease: on the lease start date, the Company takes the lower of the fair value of the leased assets and the present value of the minimum lease payment as the entry value of the leased assets, and the minimum lease payment amount as the entry value of the long-term accounts payable, with the difference as the unrecognized financing expense. The recognition basis, pricing and depreciation method of the assets under financial lease are shown in this Note IV/(XVII) Fixed Assets.

The Company adopts the actual interest rate method to amortize the unrecognized financing expenses within the asset lease period, and includes them in the financial expenses .

(2) Assets leased to others in finance: On the lease commencement date, the Company recognizes the financial leases receivable and the difference between the sum of un-guaranteed residual values and its present value as unrealized financing income, and will further recognize them as rental income within each lease term. The initial direct cost related to lease transaction spent by the Company shall be included into initial measurement of financial leases receivable for reducing the amount of income recognized within the lease term.

43. Other important accounting policies and accounting estimates

1. Discontinued operation

The Company recognizes the component which meets one of the following conditions and has disposed or is classified as the category held to be sold, can be distinguished separately, as the one of discontinued operation:

- (1) The component represents a separate major business or a single major operating area.
- (2) The component is one part of an associated plan proposed to dispose one separate major business or a single major operating area.
- (3) The component is a subsidiary obtained specially for resale.

The impairment losses and reversing amounts of discontinued operation and other operating losses and profits and disposal losses and profits are presented in the income statement.

2. Notes to changes in presentation items of financial statements

The Ministry of Finance issued *Notice on Revising and Printing the Format of General Financial Statements of Business Enterprises in 2019* (CK[2019] No. 6) on April 30, 2019, to revise the format of general financial statements of business enterprises, split some items of the balance sheet and adjust the items of the income statement, etc. The Company has prepared financial statements according to the requirements of the new format of the financial statements of business enterprises, and for the changes in the presentation items of the financial statements arising from this, adjustment has been made for the comparative data during comparable periods according to the relevant provisions of the *Accounting Standards for Business Enterprises No.30--Presentation of Financial Statements*.

The impacts on the presentation items and amounts of the financial statements during comparable periods are as follows:

Presentation items	Amount prior to presentation changes	Amount affected	Amount after presentation changes	Remarks
Notes receivable		5,035,771.73	5,035,771.73	
Accounts receivable		503,895,516.73	503,895,516.73	
Notes receivable and accounts receivable	508,931,288.46	-508,931,288.46		
Notes payable		1,974,960.49	1,974,960.49	
Accounts payable		324,483,914.25	324,483,914.25	
Notes payable and accounts payable	326,458,874.74	-326,458,874.74		

44. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

√ Applicable Not Applicable

Content of and reasons for changes in accounting policies	Approval procedure	Remarks
The Ministry of Finance issued <i>Revised Accounting Standards for Business Enterprises No. 22--Recognition and Measurement of Financial Instruments</i> , <i>Revised Accounting Standards for Business Enterprises No. 23--Transfer of Financial Assets</i> , <i>Revised Accounting Standards for Business Enterprises No. 24--Hedge Accounting and the Revised Accounting Standard for Business Enterprises No. 37 - Presentation of Financial Instruments</i> (collectively referred to as "New Standards for Financial Instruments") in 2017, and the Company started to implement the New Standards for Financial Instruments from January 1, 2019.	The 14 th Meeting of the 4 th Board of Directors held on April 26, 2018 approved the <i>Bill on Accounting Policy Change</i> through deliberation	(1)
The Company implemented <i>Accounting Standard for Business Enterprises No. 7--Exchange of Non-monetary Assets</i> revised in 2019 by the Ministry of Finance from June 10, 2019, and <i>Accounting Standard for Business Enterprises No. 12 -- Debt Restructurings</i> revised in 2019 by the Ministry of Finance from June 17, 2019	The 29 th Meeting of the 4 th Board of Directors and the 25 th Meeting of the 4 th Board of Supervisors held on August 15, 2019 approved the <i>Bill on Accounting Policy Change</i> through deliberation	(2)

(1) Impact of implementing the New Standards for Financial Instruments on the Company

The Company implemented *Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, *Accounting Standard for Business Enterprises No. 23 - Transfer of Financial Assets* and *Accounting Standard for Business Enterprises No. 24 - Hedge Accounting*, *Accounting Standard for Business Enterprises No. 37 - Presentation of Financial Instruments* (collectively referred to as "New Standards for Financial Instruments") revised in 2017 by the Ministry of Finance from January 1, 2019. The accounting policies after change are shown in Note IV.

The Company makes adjustment as required by the New Standards for Financial Instruments for the recognition and measurement of financial instruments prior to January 1 2019 if there is any inconsistency. The Company makes no adjustment to the information during comparable periods if the comparative financial statements of the previous period are inconsistent with the New Standards for Financial Instruments. The difference between the original book value of the financial instruments and the new book value on the date of implementing the New Standards for Financial Instruments will be included in the retained earnings or other comprehensive income as of January 1, 2019. The impacts of implementing the New Standards for Financial Instruments on relevant items of the balance sheet at the beginning of the current period are presented as follows:

Item	December 31, 2018	Affected amount in aggregate			January 1, 2019
		Classification and	Financial assets	Sub total	

		measurement impact	Impairment impact		
Available-for-sale financial assets	31,000,000.00	-31,000,000.00		-31,000,000.00	
Other non-current financial assets		31,000,000.00		31,000,000.00	31,000,000.00
Other current assets	540,916,381.58	-150,000,000.00		-150,000,000.00	390,916,381.58
Financial assets held for trading		150,000,000.00		150,000,000.00	150,000,000.00

(2) Impact of implementing the new standards for debt restructurings and exchange of non-monetary assets on the Company

The Company implemented *Accounting Standard for Business Enterprises No. 7--Exchange of Non-monetary Assets* revised in 2019 by the Ministry of Finance from June 10, 2019, and *Accounting Standard for Business Enterprises No. 12 -- Debt Restructurings* revised in 2019 by the Ministry of Finance from June 17, 2019. This accounting policy change is treated by prospective application, and the exchange of non-monetary assets and debt restructurings occurred between January 1, 2019 and the implementation date are adjusted according to the standards.

There is no significant impact of the Company implementing the above standards on the financial statements within the reporting period.

(2) Changes in significant accounting estimates

√ Applicable □ Not Applicable

Contents of and reasons for changes in accounting estimates	Approval procedure	Date when changes become applicable	Remarks
As of March 1, 2019, no provision for bad debts should be made for the portfolio of the Company's security deposit and guarantee deposit	The 23 rd Meeting of the 4 th Board of Directors held by the Company on March 1, 2019 approved the <i>Bill on Accounting Estimate Change</i> through deliberation	March 1, 2019	The accounting estimate change is applied to the prospective application, and no provision for bad debts should be made by the Company for the portfolio of security deposit and guarantee deposit occurred after March 1, 2019; based on the prudence, the previously accrued bad debts will not be reversed

N/A.

(3) Implementation of new standards for financial instruments, revenue or lease from 2019, and adjustment of the implementation of financial statements related items at the beginning of the year

√ Applicable □ Not Applicable

Consolidated Balance Sheet

Unit: RMB

Item	December 31, 2018	January 1, 2019	Adjusted figures
Current assets:			
Monetary capital	807,978,236.57	807,978,236.57	
Settlement provisions			
Lending funds			
Tradable financial assets		150,000,000.00	150,000,000.00
Financial assets measured at fair value with its changes included in the current profits and losses			
Derivative financial assets			

Notes receivable	5,035,771.73	5,035,771.73	
Accounts receivable	503,895,516.73	503,895,516.73	
Financing of receivables			
Advance payments	38,605,612.57	38,605,612.57	
Premium receivable			
Reinsurance accounts receivables			
Provision of cession receivable			
Other receivables	36,171,503.60	36,171,503.60	
Including: interest receivable	925,692.20	925,692.20	
Dividends receivable			
Recoursable financial assets acquired			
Inventory	14,760,152.01	14,760,152.01	
Contract assets			
Holding assets for sale			
Non-current assets due within one year	486,416.22	486,416.22	
Other current assets	540,916,381.58	390,916,381.58	-150,000,000.00
Total current assets	1,947,849,591.01	1,947,849,591.01	
Non-current assets:			
Loans and advances			
Debt investment			
Available-for-sale financial assets	31,000,000.00	0.00	-31,000,000.00
Other debt investments			
Hold-to-maturity investments			
Long-term receivables	1,281,179.71	1,281,179.71	
Long-term equity investments	98,698,088.28	98,698,088.28	
Other equity instrument investments			
Other non-current financial assets		31,000,000.00	31,000,000.00
Investment real estate	36,252,165.58	36,252,165.58	
Fixed assets	1,152,792,587.53	1,152,792,587.53	
Construction in progress	220,913,833.90	220,913,833.90	
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	143,634,737.27	143,634,737.27	
Development expenditure			
Goodwill	171,427,946.15	171,427,946.15	
Long-term deferred and prepaid expenses	184,664,312.27	184,664,312.27	
Deferred tax assets	26,856,434.75	26,856,434.75	
Other non-current assets	44,071,913.31	44,071,913.31	

Total non-current assets	2,111,593,198.75	2,111,593,198.75	
Total assets	4,059,442,789.76	4,059,442,789.76	
Current liabilities:			
Short-term borrowings	507,710,916.06	507,710,916.06	
△Borrowings from the central bank			
Received funds from other banks			
Financial liabilities held for trading			
Financial liabilities measured at fair value with its changes included in the current profits and losses			
Derivative financial liabilities			
Notes payable	1,974,960.49	1,974,960.49	
Accounts payable	324,483,914.25	324,483,914.25	
Down payment	76,840,206.41	76,840,206.41	
Contract Liabilities			
Receivings from selling the repurchased assets			
Deposit taking and inter-bank deposits			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Employee compensation payable	207,988,471.13	207,988,471.13	
Tax payable	26,068,197.01	26,068,197.01	
Other payables	42,318,200.45	42,318,200.45	
Including: interest payable	1,360,511.63	1,360,511.63	
Dividends payable .	1,225,164.01	1,225,164.01	
Fees and commissions payable			
Reinsurance accounts payable			
Holding liabilities for sale			
Non-current liabilities mature within one year		0.00	
Other current liabilities .			
Total current liabilities	1,187,384,865.80	1,187,384,865.80	
Non-current liabilities:			
Reserve fund for insurance contracts			
Long-term borrowings			
Debenture payable			
Including: preferred stocks			
Perpetual capital securities			
Lease liabilities			

Long-term payables	454,450.33	454,450.33	
Long-term employee compensation payables			
Estimated liabilities	1,885,898.74	1,885,898.74	
Deferred income	73,411,156.27	73,411,156.27	
Deferred income tax liabilities	21,372,792.84	21,372,792.84	
Other non-current liabilities			
Total non-current liabilities	97,124,298.18	97,124,298.18	
Total liabilities	1,284,509,163.98	1,284,509,163.98	
Owner's equity:			
Share capital	1,657,530,714.00	1,657,530,714.00	
Other equity instruments			
Including: preferred stocks			
Perpetual capital securities			
Capital reserve	41,985,773.99	41,985,773.99	
Minus: Treasury shares			
Other comprehensive income	2,324,968.79	2,324,968.79	
Special reserve			
Surplus reserves	105,212,602.04	105,212,602.04	
Generic risk reserve			
Undistributed profits	910,396,183.20	910,396,183.20	
Total owner's equity attributable to the Parent Company	2,717,450,242.02	2,717,450,242.02	
Minority shareholders' equity	57,483,383.76	57,483,383.76	
Total owner's equity	2,774,933,625.78	2,774,933,625.78	
Total liabilities and owner's equity	4,059,442,789.76	4,059,442,789.76	

Adjustment notes

N/A.

Balance Sheet of the Parent Company

Unit: RMB

Item	December 31, 2018	January 1, 2019	Adjusted figures
Current assets:			
Monetary capital	257,960,840.31	257,960,840.31	
Tradable financial assets			
Financial assets measured at fair value with its changes included in the current profits and losses			
Derivative financial assets			
Notes receivable	3,426,241.59	3,426,241.59	
Accounts receivable	124,231,426.31	124,231,426.31	
Financing of receivables			
Advance payments	3,850,509.47	3,850,509.47	
Other receivables	734,152,956.48	734,152,956.48	

Including: interest receivable	5,379,954.43	5,379,954.43	
Dividends receivable	31,406,679.86	31,406,679.86	
Inventory	2,493,194.06	2,493,194.06	
Contract assets			
Holding assets for sale			
Non-current assets due within one year			
Other current assets	317,797,031.31	317,797,031.31	
Total current assets	1,443,912,199.53	1,443,912,199.53	
Non-current assets:			
Debt investment			
Available-for-sale financial assets			
Other debt investments			
Hold-to-maturity investments			
Long-term receivables			
Long-term equity investments	1,545,299,877.49	1,545,299,877.49	
Other equity instrument investments			
Other non-current financial assets			
Investment real estate	55,123,726.97	55,123,726.97	
Fixed assets	252,865,286.57	252,865,286.57	
Construction in progress	29,001,727.69	29,001,727.69	
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	27,922,316.56	27,922,316.56	
Development expenditure			
Goodwill			
Long-term deferred and prepaid expenses	14,960,928.98	14,960,928.98	
Deferred tax assets	7,450,883.26	7,450,883.26	
Other non-current assets	4,143,465.00	4,143,465.00	
Total non-current assets	1,936,768,212.52	1,936,768,212.52	
Total assets	3,380,680,412.05	3,380,680,412.05	
Current liabilities:			
Short-term borrowings	495,710,916.06	495,710,916.06	
Financial liabilities held for trading			
Financial liabilities measured at fair value with its changes included in the current profits and losses			
Derivative financial liabilities			
Notes payable			

Accounts payable	91,071,882.05	91,071,882.05	
Down payment	18,644,643.29	18,644,643.29	
Contract Liabilities			
Employee compensation payable	50,059,638.97	50,059,638.97	
Tax payable	1,285,490.19	1,285,490.19	
Other payables	317,274,096.65	317,274,096.65	
Including: interest payable	1,342,700.81	1,342,700.81	
Dividends payable .	88,564.01	88,564.01	
Holding liabilities for sale			
Non-current liabilities mature within one year			
Other current liabilities .			
Total current liabilities	974,046,667.21	974,046,667.21	
Non-current liabilities:			
Long-term borrowings			
Debenture payable			
Including: preferred stocks			
Perpetual capital securities			
Lease liabilities			
Long-term payables			
Long-term employee compensation payables			
Estimated liabilities			
Deferred income	39,478,051.82	39,478,051.82	
Deferred income tax liabilities	5,737,293.38	5,737,293.38	
Other non-current liabilities			
Total non-current liabilities	45,215,345.20	45,215,345.20	
Total liabilities	1,019,262,012.41	1,019,262,012.41	
Owner's equity:			
Share capital	1,657,530,714.00	1,657,530,714.00	
Other equity instruments			
Including: preferred stocks			
Perpetual capital securities			
Capital reserve	46,353,118.18	46,353,118.18	
Minus: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserves	103,834,410.55	103,834,410.55	
Undistributed profits	553,700,156.91	553,700,156.91	
Total owner's equity	2,361,418,399.64	2,361,418,399.64	
Total liabilities and owner's equity	3,380,680,412.05	3,380,680,412.05	

Adjustment notes

N/A.

(4) Implementation of new standards for financial instruments or lease from 2019, and notes

to comparative data at the early stage of retroactive adjustment

□ Applicable √ Not Applicable

45. Others

N/A

VI. Taxes**1. Major taxes and tax rates**

Tax category	Tax basis	Tax rate
Added-value tax	The VAT received is calculated on the basis of sales goods and taxable service income calculated according to the tax law. After deducting the VAT paid allowed for the current period, the difference is VAT payable	13%、9%、6%、3%
City maintenance and construction tax	Based on actually-paid VAT and consumption tax	7%、5%、1%
Enterprise income tax	Calculated and paid based on taxable income	Refer to the notes
House property tax	If collected on the basis of ad valorem, tax should be 1.2% of 70% of the original value of the house property	1.2%
Education surcharges	Based on actually-paid VAT and consumption tax	3%
Local education surcharges	Based on actually-paid VAT and consumption tax	1%、2%

If there are taxpayers at different enterprise income tax rates, make disclosure to explain.

Name of taxpayer	Income tax rate
Centre Testing International Group Co., Ltd.	15%
Centre Testing International (Beijing) Co., Ltd.	15%
Suzhou CTI Testing Technology Co., Ltd.	15%
Centre Testing International (Qingdao) Co., Ltd.	15%
Centre Testing International (Ningbo) Co., Ltd.	15%
Shanghai CTI Pinbiao Testing Technology Co., Ltd.	15%
Shanghai CTI-SAMT Materials Technology Co., Ltd.	15%
Centre Testing International (Heilongjiang) Co., Ltd.	15%
Centre Testing International Pinzheng (Shanghai) Co., Ltd.	15%
Centre Testing Electronic Certification Co., Ltd.	15%
Centre Testing International (Anhui) Co., Ltd.	15%
Tianjin Jinbin CTI Product Testing Center Co., Ltd.	15%
Dalian Huaxin Physical and Chemical Testing Center Co., Ltd.	15%
Centre Testing International (Chengdu) Co., Ltd.	15%
Wuhan CTI Testing Technology Co., Ltd.	15%
Shenzhen CTI Metrology Technology Co., Ltd.	20%
Centre Testing International (Chongqing) Co., Ltd.	15%
Centre Testing International Pte. Ltd.	17%
CTI U.S. INC.	Federal 21% + state tax 6%
CEM International Limited	20%
CTI Testing & Certification UK Limited	20%
Poly NDT (Private) Limited	17%

Centre Testing International (Taiwan) Co., Ltd.	20%
Centre Testing International (Hong Kong) Co., Ltd.	16.5%
Shenzhen CTI International Certification Co., Ltd.	15%
Centre Testing International (Tianjin) Co., Ltd.	15%
Hunan Pinbiao CTI Testing Technology Co., Ltd.	15%
Shenzhen CTI Laboratory Technology Service Co., Ltd.	15%
Centre Testing International (Henan) Co., Ltd.	15%
Guangdong CTI Judicial Authentication Center	20%
Shenzhen CTI Training Center	20%
Shenzhen CTI Institute of Reference Materials	20%
Ningguo CTI Testing Technology Co., Ltd.	20%
Zhejiang Hua'an Energy Saving Engineering Co., Ltd.	20%
Shanghai CTI Zhike Materials Technology Co., Ltd.	20%
Zhoushan Jingwei Shipping Service Co., Ltd.	20%
Beijing CTI Agro-food Certification Co., Ltd.	20%
Ningbo Quality Assurance Co., Ltd. (NQA)	20%
Hangzhou Huacheng Equipment Engineering Supervision Co., Ltd.	20%
Inner Mongolia CTI QC Technology Service Co., Ltd.	20%
Pinbiao Environmental Technology Co., Ltd. (original Shanxi CTI)	20%
Centre Testing International (Shanxi) Co., Ltd.	20%
Centre Testing International Pinbiao (Liaoning) Co., Ltd.	20%
Centre Testing International (Shenyang) Co., Ltd.	20%
Guangzhou CTI Hengjian Engineering Testing Co., Ltd.	15%
Chengdu Xijiao CTI Rail Transit Technology Co., Ltd.	20%
Centre Testing International (Zhongshan) Co., Ltd.	20%
Sichuan CTI Jianxin Testing Technology Co., Ltd.	20%
Hebei CTI Testing Service Co., Ltd.	20%
Centre Testing International (Guangxi) Co., Ltd.	20%
Shenzhen Taikenilin Technology Development Co., Ltd.	20%
Shenzhen CTI Commodity testing and Survey Co., Ltd.	20%
Taxpayers other than the above-mentioned	25%

2. Tax preference

1. The Company

The Company is recognized by Shenzhen Municipal Science and Technology Innovation Committee, Finance Commission of Shenzhen Municipality, Shenzhen Municipal State Taxation Bureau and Shenzhen Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201444201711, dated on September 30, 2014 and valid for three years. According to the *Notice of Tax Matters of Shenzhen Municipal State Taxation Bureau* (SGSBXJ MBA [2015] No. 54) by Xixiang Taxation Branch of Bao'an State Taxation Bureau of Shenzhen, the Company paid for the enterprise income tax at the tax rate of 15% from January 1, 2014 to December 31, 2016.

The Company passed the review in 2017, with the certificate numbered GR201744202310. Issue date: October 31, 2017. The Company paid for the enterprise income tax at 15% from January 1, 2017 to December 31, 2019.

2. Centre Testing International (Beijing) Co., Ltd.

Centre Testing International (Beijing) Co., Ltd. is recognized by Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of SAT and Beijing Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GF201411000358, dated on July 30, 2014 and valid for three years. Centre Testing International (Beijing) Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

The Company passed the review in 2017, with the certificate numbered GF201711000166. Issue date: August 10, 2017. The certificate is valid for 3 years.

3. Centre Testing International (Suzhou) Co., Ltd.

The Company is jointly recognized by Science and Technology Department of Jiangsu Province, Department of Finance of Jiangsu Province and Jiangsu Provincial Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR201732002945, dated on December 7, 2017 and valid for three years. The Company will pay for the enterprise income tax at the tax rate of 15% in this year.

4. Centre Testing International (Qingdao) Co., Ltd.

Centre Testing International (Qingdao) Co., Ltd. is jointly recognized by Qingdao Municipal Science and Technology Bureau, Qingdao Municipal Bureau of Finance, Qingdao Tax Service, State Taxation Administration, Qingdao Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GF201537100078, dated on October 8, 2015 and valid for three years. Centre Testing International (Qingdao) Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

The Company passed the review in 2018, with the certificate numbered GR201837101447. Issue date: November 30, 2018. The Company shall pay for the enterprise income tax at the tax rate of 15% from January 1, 2018 to December 31, 2020.

5. Centre Testing International (Ningbo) Co., Ltd.

The Company is jointly recognized by Ningbo Municipal Science and Technology Bureau, Ningbo Municipal Bureau of Finance, Ningbo Tax Service, State Taxation Administration and Ningbo Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GF201533100074, dated on October 29, 2015 and valid for three years.

The Company is jointly recognized by Ningbo Municipal Science and Technology Bureau, Ningbo Municipal Bureau of Finance and Ningbo Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR201833100221, dated on November 27, 2018 and valid for three years.

The Company will pay for the enterprise income tax at the tax rate of 15% in this year.

6. Centre Testing International Pinbiao (Shanghai) Co., Ltd.

Centre Testing International Pinbiao (Shanghai) Co., Ltd. is jointly recognized by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Bureau of Finance, Shanghai Municipal Office of SAT and Shanghai Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201931005268, dated on December 6, 2019 and valid for three years. Centre Testing International Pinbiao (Shanghai) Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

7. Shanghai CTI-SAMT Materials Technology Co., Ltd.

Shanghai CTI-SAMT Materials Technology Co., Ltd. is jointly recognized by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Bureau of Finance, Shanghai Municipal Office of SAT and Shanghai Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201731002570, dated on November 23, 2017 and valid for three years. Shanghai CTI-SAMT Materials Technology Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

8. Centre Testing International (Heilongjiang) Co., Ltd.

Centre Testing International (Heilongjiang) Co., Ltd. is jointly recognized by Science and Technology Department of Heilongjiang Province, The Finance Department of Heilongjiang Province, Heilongjiang Provincial Tax Service, State Taxation Administration, Heilongjiang Provincial Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201523000102, dated on October 13, 2015 and valid for three years. Centre Testing International (Heilongjiang) Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

The Company passed the review in 2018, with the certificate numbered GR201823000075. Issue date: November 27, 2018. The Company shall pay for the enterprise income tax at the tax rate of 15% from January 1, 2018 to December 31, 2020.

9. Centre Testing International Pinzheng (Shanghai) Co., Ltd.

Centre Testing International Pinzheng (Shanghai) Co., Ltd. is jointly recognized by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Bureau of Finance, Shanghai Municipal Office of SAT and Shanghai Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201731002121, dated on November 23, 2017 and valid for three years. Centre Testing International Pinzheng (Shanghai) Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

10. Centre Testing Electronic Certification Co., Ltd.

Centre Testing Electronic Certification Co., Ltd. is jointly recognized by Science and Technology Department of Henan Province, Department of Finance of Henan Province and Henan Provincial Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR201941001420, dated on December 3, 2019 and valid for three years. Centre Testing Electronic Certification Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

11. Centre Testing International (Anhui) Co., Ltd.

Centre Testing International (Anhui) Co., Ltd. is jointly recognized by Science and Technology Department of Anhui Province, Department of Finance of Anhui Province, Anhui Provincial Tax Service, State Taxation Administration and Anhui Provincial Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201934001289, dated on September 9, 2019 and valid for three years. Centre Testing International (Anhui) Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

12. Tianjin Jinbin CTI Product Testing Center Co., Ltd.

Tianjin Jinbin CTI Product Testing Center Co., Ltd. is jointly recognized by Science and Technology Commission of Tianjin

Municipality, Tianjin Municipal Bureau of Finance, Tianjin Municipal Office of SAT and Tianjin Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201612001212, dated on December 9, 2016 and valid for three years. Tianjin Jinbin CTI Product Testing Center Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

The Company passed the review in 2019, with the certificate numbered GR201912000082. Issue date: October 28, 2019. The certificate is valid for 3 years.

13. Dalian Huaxin Physical and Chemical Testing Center Limited Company

The Company is jointly recognized by Dalian Municipal Science and Technology Bureau, Dalian Municipal Bureau of Finance, Dalian Tax Service, State Taxation Administration and Dalian Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201921200267, dated on September 2, 2019 and valid for three years. Dalian Huaxin Physical and Chemical Testing Center Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

14. Centre Testing International (Chengdu) Co., Ltd.

Centre Testing International (Chengdu) Co., Ltd. is jointly recognized by Science and Technology Department of Sichuan Province, Department of Finance of Sichuan Province, Sichuan Provincial Tax Service, State Taxation Administration and Sichuan Provincial Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201951001162, dated on November 28, 2019 and valid for three years. Centre Testing International (Chengdu) Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

15. Centre Testing International (Wuhan) Co., Ltd.

The Company is jointly recognized by Science and Technology Department of Hubei Province, Department of Finance of Hubei Province, Hubei Provincial Tax Service, State Taxation Administration and Hubei Provincial Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201942002961, dated on November 28, 2019 and valid for three years. The Company shall pay for the enterprise income tax at the tax rate of 15% during the reporting period.

16. Shenzhen CTI Metrology Technology Co., Ltd.

Shenzhen CTI Measurement Technology Co., Ltd. is recognized by Shenzhen Municipal Science and Technology Innovation Committee, Finance Commission of Shenzhen Municipality and Shenzhen Municipal State Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201944203871, dated on December 9, 2019 and valid for three years. For Shenzhen CTI Metrology Technology Co., Ltd., the rate of the enterprise income tax is 15% under normal conditions.

At the end of 2019, Shenzhen CTI Metrology Technology Co., Ltd. conformed to the regulations of small and micro enterprises:

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, enterprises with the annual taxable income of not exceeding RMB 3,000,000, number of employees of not exceeding 300 and total assets of not exceeding RMB 50,000,000, where 50% of the income is included in the taxable income, and the enterprise income tax is paid at the tax rate of 20%..

17. Centre Testing International (Chongqing) Co., Ltd.

Centre Testing International (Chongqing) Co., Ltd. is jointly recognized by Science and Technology Commission of Chongqing Municipality, Chongqing Municipal Bureau of Finance, Chongqing Municipal Office of SAT and Chongqing Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201951100639, dated on November 21, 2019 and valid for three years. Centre Testing International (Chongqing) Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

18. Shenzhen CTI International Certification Co., Ltd.

Shenzhen CTI International Certification Co., Ltd. is recognized by Shenzhen Municipal Science and Technology Innovation Committee, Finance Commission of Shenzhen Municipality, Shenzhen Municipal State Taxation Bureau and Shenzhen Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201744204908, dated on October 31, 2017 and valid for three years. Shenzhen CTI International Certification Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

19. Centre Testing International (Tianjin) Co., Ltd.

Centre Testing International (Tianjin) Co., Ltd. is jointly recognized by Science and Technology Commission of Tianjin Municipality, Tianjin Municipal Bureau of Finance and Tianjin Municipal Office of SAT as a new and high-tech enterprise under the certificate numbered GR201812001087, dated on November 30, 2018 and valid for three years. Centre Testing International (Tianjin) Co., Ltd. shall pay for the enterprise income tax at the tax rate of 15% from January 1, 2018 to December 31, 2021.

20. Hunan Pinbiao CTI Testing Technology Co., Ltd.

Hunan Pinbiao CTI Testing Technology Co., Ltd. is jointly recognized by Science and Technology Department of Hunan Province, Department of Finance of Hunan Province and Hunan Provincial Tax Service, State Taxation Administration as a new and high-tech enterprise under the certificate numbered GR201843001186, dated on December 3, 2018 and valid for three years. Hunan Pinbiao CTI Testing Technology Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

21. Shenzhen CTI Laboratory Technology Service Co., Ltd.

Shenzhen CTI Laboratory Technology Service Co., Ltd. is recognized by Shenzhen Municipal Science and Technology Innovation Committee, Finance Commission of Shenzhen Municipality, Shenzhen Municipal State Taxation Bureau and Shenzhen Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201844202719, dated on November 9, 2018 and valid for three years. Shenzhen CTI Laboratory Technology Service Co., Ltd. will pay for the enterprise income tax at the tax

rate of 15% in this year.

22. Centre Testing International (Henan) Co., Ltd.

Centre Testing International (Henan) Co., Ltd. is jointly recognized by Science and Technology Department of Henan Province, Department of Finance of Henan Province, Henan Provincial Tax Service, State Taxation Administration and Henan Provincial Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201741000724, dated on December 1, 2017 and valid for three years. Centre Testing International (Henan) Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

23. Guangdong CTI Judicial Authentication Center

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

24. Shenzhen CTI Training Center

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

25. Shenzhen CTI Institute of Reference Materials

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

26. Centre Testing International (Ningguo) Co., Ltd.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

27. Zhejiang Hua'an Energy Saving Engineering Co., Ltd.

According to the *Circular of the Ministry of Finance, the State Administration of Taxation of the People's Republic of China, on Further Expanding the Scope of Preferential Policies for the Income Tax of Small Low-Profit Enterprises* (CS[2018] No. 77), from January 1, 2018 to December 31, 2020, the upper limit of the taxable income of the small low-profit enterprise is improved from RMB 500,000 to RMB 1,000,000, and 50% of the income of the small low-profit enterprise with the taxable income of lower than RMB 1,000,000 (inclusive) is included in the taxable income, and the enterprise income tax is paid at the tax rate of 20%.

28. Shanghai CTI Zhike Materials Technology Co., Ltd.

According to the *Circular of the Ministry of Finance, the State Administration of Taxation of the People's Republic of China, on Further Expanding the Scope of Preferential Policies for the Income Tax of Small Low-Profit Enterprises* (CS[2018] No. 77), from January 1, 2018 to December 31, 2020, the upper limit of the taxable income of the small low-profit enterprise is improved from RMB 500,000 to RMB 1,000,000, and 50% of the income of the small low-profit enterprise with the taxable income of lower than RMB 1,000,000 (inclusive) is included in the taxable income, and the enterprise income tax is paid at the tax rate of 20%.

29. Zhoushan Jingwei Shipping Service Co., Ltd.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

30. Beijing CTI Agro-food Certification Co., Ltd.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding

RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

31. Ningbo Quality Assurance Co., Ltd. (NQA)

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

32. Hangzhou Huacheng Equipment Engineering Supervision Co., Ltd.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

33. Inner Mongolia CTI QC Technology Service Co., Ltd.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

34. Pinbiao Environmental Technology Co., Ltd.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

35. Centre Testing International (Shanxi) Co., Ltd.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

36. Centre Testing International Pinbiao (Liaoning) Co., Ltd.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

37. Centre Testing International (Shenyang) Co., Ltd.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

38. Guangzhou CTI Hengjian Engineering Testing Co., Ltd.

Guangzhou CTI Hengjian Engineering Testing Co., Ltd. is jointly recognized by Science and Technology Department of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Tax Service, State Taxation Administration and Guangdong Provincial Local Taxation Bureau as a new and high-tech enterprise under the certificate numbered GR201944006182, dated on December 2, 2019 and valid for three years. Guangzhou CTI Hengjian Engineering Testing Co., Ltd. will pay for the enterprise income tax at the tax rate of 15% in this year.

39. Centre Testing International (Zhongshan) Co., Ltd.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021,

for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

40. Sichuan CTI Jianxin Testing Technology Co., Ltd.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

41. Hebei CTI Testing Service Co., Ltd.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

42. Centre Testing International (Guangxi) Co., Ltd.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

43. Shenzhen Taikenilin Technology Development Co., Ltd.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

44. Chengdu Xijiao CTI Rail Transit Technology Co., Ltd.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

45. Shenzhen CTI Commodity Inspection and Survey Co., Ltd.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (CS [2019] No. 13), from January 1, 2019 to December 31, 2021, for the part of the small low-profit enterprise with the annual taxable income of not exceeding RMB 1,000,000, 25% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%; For the part with the annual taxable income of exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, 50% thereof is included in the payable income, and the enterprise income tax is paid at the tax rate of 20%.

3. Others

According to the *Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform* (Announcement No. 39 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs in 2019), in case of VAT taxable sales behavior or import of goods from April 1, 2019, the tax rates of the Company are adjusted from 16% and 10% to 13% and 9%, respectively.

VII. Notes to Items of Consolidated Financial Statements

1. Monetary fund

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	301,448.26	442,855.42
Bank deposits	489,935,345.78	794,212,133.56

Other monetary funds	16,831,714.07	13,323,247.59
Total	507,068,508.11	807,978,236.57
Including: Total amount of overseas deposits	86,714,142.97	71,318,201.79
Total amount of the funds in use limitation due to mortgage, pledge or freeze, etc.	17,169,443.45	67,606,604.79

Other notes

The monetary funds in use imitation, deposited overseas or having repatriation limitation due to mortgage, pledge or freezing are shown as follows:

Item	Ending balance	Beginning balance
Bank acceptance guarantee deposit and guarantee deposit	1,517,170.75	3,958,367.98
L/C guarantee deposit	286,734.00	
Performance bond	14,331,461.13	9,227,372.27
Fixed-term deposit/call deposit	98,253.19	50,487,500.00
Others	935,824.38	3,933,364.54
Total	17,169,443.45	67,606,604.79

2. Trading financial assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets measured at fair value and with changes included in the current losses and gains	555,903,309.16	150,000,000.00
Including:		
Bank financial products	555,903,309.16	150,000,000.00
Including:		
Total	555,903,309.16	150,000,000.00

Other notes:

Classification is measured at the fair value and the change in included in the financial assets of the current profits and losses; the item "bank financial products" refers to the non-break-even financial products with non-fixed income held by CTI as of December 31, 2019.

3. Derivative financial assets

Unit: RMB

Item	Ending balance	Beginning balance

Other notes:

N/A.

4. Notes receivable**(1) Classification presentation of notes receivable**

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	6,886,588.77	4,985,771.73
Trade acceptance bill	6,177,839.18	50,000.00
Total	13,064,427.95	5,035,771.73

Unit: RMB

Categor	Ending balance	Beginning balance

y	Book balance		Provision for bad and doubtful debts		Book value	Book balance		Provision for bad and doubtful debts		Book value
	Amount	Proportion	Amount	Proportion of provision		Amount	Proportion	Amount	Proportion of provision	
Including:										
Notes receivable with provision for bad debt reserves by portfolio	15,743,627.01	100.00%	2,679,199.06	17.02%	13,064,427.95	5,035,771.73	100.00%			5,035,771.73
Including:										
Including: Portfolio of bank acceptance bill	7,838,192.45	49.79%	951,603.68	12.14%	6,886,588.77	4,985,771.73	99.01%			4,985,771.73
Trade acceptance bill	7,905,434.56	50.21%	1,727,595.38	21.85%	6,177,839.18	50,000.00	0.99%			50,000.00
Total	15,743,627.01	100.00%	2,679,199.06	17.02%	13,064,427.95	5,035,771.73	100.00%	0.00	0.00%	5,035,771.73

Individual provision for bad debt reserves:

Unit: RMB

Name	Ending balance			
	Book balance	Provision for bad and doubtful debts	Proportion of provision	Reasons for provision

Provision for bad debt reserves by portfolio: RMB 2,679,199.06

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad and doubtful debts	Proportion of provision
Bank acceptance bill	7,838,192.45	951,603.68	12.14%
Commercial acceptance bill	7,905,434.56	1,727,595.38	21.85%
Total	15,743,627.01	2,679,199.06	--

Explanation of basis for determining such portfolio:

N/A.

Provision for bad debt reserves by portfolio:

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad and doubtful debts	Proportion of provision

Explanation of basis for determining such portfolio:

For provision for bad debt reserves of the note receivable by the general model of the expected credit loss, relevant information of bad debt reserves is disclosed by referring to the disclosure method of other account receivable:

Applicable Not Applicable

(2) Provision for bad debt accrued, recovered or reversed in the current period

Provision for bad debt accrued in the current period:

Unit: RMB

Category	Beginning balance	Amount changed in current period				Ending balance
		Accrual	Recovery or reverse	Write-off	Others	
Notes receivable with provisions for credit losses as per the portfolio						
Including: Bank acceptance bill		951,603.68				951,603.68
Trade acceptance bill		1,727,595.38				1,727,595.38
Total		2,679,199.06				2,679,199.06

Among those, reversed or recalled bad debt reserves at current period with significant amount:

Applicable Not Applicable

(3) Notes receivable pledged by the Company at the end of the period

Unit: RMB

Item	Pledged amount at the end of the period
Total	0.00

(4) Notes receivable endorsed or discounted by the Company at end of the period and yet undue by the balance sheet date

Unit: RMB

Item	Ending amount derecognized	Ending amount not derecognized
Bank acceptance bill	6,166,369.29	
Total	6,166,369.29	0.00

(5) Notes transferred to accounts receivable by the Company due to drawer's non-performance at the end of the period

Unit: RMB

Item	Amount of accounts receivable transferred at the end of the period
Total	0.00

Other notes

N/A.

(6) Notes receivable actually written off in the current period

N/A.

5. Accounts receivable

(1) Accounts receivable disclosed by category

Unit: RMB

Category	Ending balance					Beginning balance				
	Book balance		Provision for bad and doubtful debts		Book value	Book balance		Provision for bad and doubtful debts		Book value
	Amount	Propor	Amount	Propor		Amount	Propor	Amount	Propor	

		tion		tion of provisi on			tion		tion of provisi on	
Accounts receivable with individual provision for bad debt reserves	28,656,145.35	3.33%	28,571,663.06	99.71%	84,482.29	46,618,780.97	7.59%	46,618,780.97	100.00%	0.00
Including:										
Receivables with provision for bad debt reserves by portfolio	831,125,614.06	96.67%	86,580,026.77	10.42%	744,545,587.29	567,856,310.29	92.41%	63,960,793.56	11.26%	503,895,516.73
Including:										
Including: Aging portfolio	831,125,614.06	96.67%	86,580,026.77	10.42%	744,545,587.29	567,856,310.29	92.41%	63,960,793.56	11.26%	503,895,516.73
Total	859,781,759.41	100.00%	115,151,689.83	13.39%	744,630,069.58	614,475,091.26	100.00%	110,579,574.53	18.00%	503,895,516.73

Individual provision for bad debt reserves: RMB 28,571,663.06

Unit: RMB

Name	Ending balance			
	Book balance	Provision for bad and doubtful debts	Proportion of provision	Reasons for provision
Xinjiang Oil Field Development Co., Ltd.	6,011,087.44	6,011,087.44	100.00%	Predicted to be unrecoverable
Xinjiang Petroleum Administration (Hutubi Gas Storage Project)	4,359,596.62	4,359,596.62	100.00%	Predicted to be unrecoverable
Jinhai Intelligent Manufacturing Co., Ltd.	1,050,000.00	1,050,000.00	100.00%	Predicted to be unrecoverable
Urban Gas Project Department of Xinjiang Oilfield Company	1,028,088.00	1,028,088.00	100.00%	Predicted to be unrecoverable
Xi'an Future Testing Technology Co., Ltd.	869,232.80	869,232.80	100.00%	Predicted to be unrecoverable
Guangzhou Sulian Ocean Marine Services Co., Ltd.	861,000.00	861,000.00	100.00%	Predicted to be unrecoverable
Zhejiang Yingda Vessel Engineering Co., Ltd.	835,339.10	835,339.10	100.00%	Predicted to be unrecoverable
Shaanxi Weilai Energy	770,881.81	770,881.81	100.00%	Predicted to be

Chemical Co., Ltd.				unrecoverable
CNPC Northeast Refining & Chemical Engineering Co., Ltd. Jilin Design Institute	751,999.00	751,999.00	100.00%	Predicted to be unrecoverable
CNOOC Ningbo Daxie Petrochemical Co., Ltd.	703,230.88	703,230.88	100.00%	Predicted to be unrecoverable
Hangzhou Tiangong Testing Technology Co., Ltd.	644,344.00	644,344.00	100.00%	Predicted to be unrecoverable
Dongguan Liangjing Electronics Co., Ltd.	621,396.00	621,396.00	100.00%	Predicted to be unrecoverable
Individual provision for accounts receivable with the book balance of not exceeding RMB 500,000	10,149,949.70	10,065,467.41	99.17%	Predicted to be unrecoverable
Total	28,656,145.35	28,571,663.06	--	--

Individual provision for bad debt reserves:

Unit: RMB

Name	Ending balance			
	Book balance	Provision for bad and doubtful debts	Proportion of provision	Reasons for provision

Provision for bad debt reserves by portfolio: RMB 86,580,026.77

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad and doubtful debts	Proportion of provision
Within one year	733,034,528.45	36,651,769.61	5.00%
1-2 years	53,807,079.72	14,827,567.08	27.56%
2-3 years	17,067,708.22	7,884,392.41	46.19%
More than three years	27,216,297.67	27,216,297.67	100.00%
Total	831,125,614.06	86,580,026.77	--

Explanation of basis for determining such portfolio:

N/A.

Provision for bad debt reserves by portfolio:

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad and doubtful debts	Proportion of provision

Explanation of basis for determining such portfolio:

For provision for bad debt reserves of the accounts receivable by the general model of the expected credit loss, relevant information of bad debt reserves is disclosed by referring to the disclosure method of other account receivable:

Applicable Not Applicable

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	733,236,831.75
1-2 years	54,105,345.42

2-3 years	18,586,706.11
More than three years	53,852,876.13
3-4 years	32,532,591.23
4-5 years	18,997,073.41
More than 5 years	2,323,211.49
Total	859,781,759.41

(2) Provision for bad debt accrued, recovered or reversed in the current period

Provision for bad debt accrued in the current period:

Unit: RMB

Category	Beginning balance	Amount changed in current period				Ending balance
		Accrual	Recovery or reverse	Write-off	Others	
Accounts receivable with individual provision for bad debt reserves	46,618,780.97	6,402,475.15	487,143.12	24,936,736.18		28,571,663.06
Receivables with provision for bad debt reserves by portfolio	63,960,793.56	22,616,723.71			2,509.50	86,580,026.77
Total	110,579,574.53	29,019,198.86	487,143.12	24,936,736.18	2,509.50	115,151,689.83

Among those, reversed or recalled bad debt reserves at current period with significant amount:

Unit: RMB

Name of the company	Reversed or recovered amount	Recovery method
Total	0.00	--

N/A.

(3) Accounts receivable actually written off in the current period

Unit: RMB

Item	Amount written off
Accounts receivable written off	24,936,736.18

Write-off for the major accounts receivable:

Unit: RMB

Name of the company	Nature of accounts receivable	Amount written off	Reasons for write-off	Write-off procedures performed	Amounts generated due to related transaction or not
Total	--	0.00	--	--	--

Explanation of write-off of accounts receivable

N/A.

(4) Information of top five accounts receivable in terms of the ending balance collected by the debtor

Unit: RMB

Name of the company	Ending balance of accounts receivable	Proportion in total ending balance of accounts receivable	Ending balance of bad debt reserve
Qingyang Changqing Engineering Testing Co.,	15,291,686.98	1.78%	764,584.35

Ltd.			
Beijing Missfresh Ecommerce Co.,Ltd.	12,298,185.00	1.43%	614,909.25
Zhejiang Petroleum & Chemical Co., Ltd.	11,172,680.32	1.30%	558,634.02
Guangzhou Era Supply Chain Management Co., Ltd.	10,087,288.82	1.17%	648,891.04
Jiangsu Academy of Environmental Industry and Technology Corp. Ltd.	9,019,775.00	1.05%	665,426.25
Total	57,869,616.12	6.73%	

(5) Accounts receivable derecognized due to transfer of financial assets

N/A.

(6) Assets and liabilities resulted by transfer of accounts receivable and continuous involvement

N/A.

Other notes:

N/A.

6. Financing of accounts receivable

Unit: RMB

Item	Ending balance	Beginning balance
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Changes in increase or decrease of financing of accounts receivable and changes in the fair value in the current period

Applicable Not Applicable

For impairment provision for financing of the amounts receivable by the general model of the expected credit loss, relevant information of impairment provision is disclosed by referring to the disclosure method of other account receivable:

Applicable Not Applicable

Other notes:

N/A.

7. Advance payments

(1) Presentation of advance payments by aging

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within one year	34,948,970.24	97.60%	37,144,758.89	96.22%
1-2 years	671,967.57	1.88%	1,342,125.13	3.48%
2-3 years	156,689.41	0.44%	117,728.55	0.30%
More than three years	30,054.55	0.08%	1,000.00	0.00%
Total	35,807,681.77	--	38,605,612.57	--

Explanation of reasons for failure to settle advance payments with aging more than 1 year and significant amount in time:

N/A.

(2) Information of top five prepayments in terms of the ending balance collected by the suppliers receiving advance payments

Suppliers receiving advance payments	Ending balance	Proportion in total ending balance of advance payments (%)
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Shenzhen Damei Building Engineering Labor Co., Ltd.	2,155,000.00	6.02
Guangzhou Xiangguan Biotechnology Co., Ltd.	1,500,000.00	4.19
Beijing Qihuan Engineering Technology Consulting Co., Ltd.	1,457,291.58	4.07
Waters Technologies (Shanghai) Limited	889,438.12	2.48
Huilongsen Europe Technology (Beijing) Co., Ltd.	883,380.26	2.47
Total	6,885,109.96	19.23

Other notes:

N/A.

8. Other accounts receivable

Unit: RMB

Item	Ending balance	Beginning balance
Interests receivable		925,692.20
Dividends receivable	480,000.00	
Other receivables	42,827,743.83	35,245,811.40
Total	43,307,743.83	36,171,503.60

(1) Interests receivable

1) Classification of interests receivable

Unit: RMB

Item	Ending balance	Beginning balance
Fixed-term deposits	0.00	891,714.97
General deposits	0.00	33,977.23
Total		925,692.20

2) Significant overdue interests

Unit: RMB

Borrower	Ending balance	Overdue date	Overdue reason	Impaired or not and its judgment basis
Total	0.00	--	--	--

Other notes:

N/A.

3) Provision for bad debt reserves

 Applicable Not Applicable

(2) Dividends receivable

1) Classification of dividends receivable

Unit: RMB

Project (or investee)	Ending balance	Beginning balance
Zhejiang Fangyuan Electrical Equipment Inspection Co., Ltd.	480,000.00	
Total	480,000.00	

2) Significant dividends receivable with aging above 1 year

Unit: RMB

Project (or investee)	Ending balance	Aging	Reasons for outstanding	Impaired or not and its
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			dividends	judgment basis
Total	0.00	--	--	--

3) Provision for bad debt reserves

Applicable Not Applicable

Other notes:

N/A.

(3) Other accounts receivable

1). Classification of other accounts receivable by nature

Unit: RMB

Nature of amount	Ending book balance	Beginning book balance
Security deposit	45,610,181.53	40,789,458.46
Suspense payment receivable	12,081,988.04	8,799,372.49
Others	3,722,532.89	4,417,282.20
Total	61,414,702.46	54,006,113.15

2) Provision for bad debt reserves

Unit: RMB

Provision for bad and doubtful debts	Stage I	Stage II	Stage III	Total
	Expected credit losses in the next 12 months	Expected credit loss throughout the entire duration (depreciation of credit that has not occurred)	Expected credit loss throughout the entire duration (depreciation of credit that has occurred)	
Balance on January 1, 2019	13,339,326.79		5,420,974.96	18,760,301.75
Balance of the current period on January 1, 2019	—	—	—	—
Provision of the current period	-851,042.83		1,853,927.27	1,002,884.44
Reversal of the current period	3,835.12			3,835.12
Write-off of the current period	1,283,418.56		1,507.27	1,284,925.83
Other changes	104,863.15			104,863.15
Balance on December 31, 2019	11,313,563.67		7,273,394.96	18,586,958.63

Changes in the book balance with significant change amount of the loss provision in the current period

Applicable Not Applicable

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	28,484,563.20
1-2 years	14,090,693.23
2-3 years	8,792,945.87
More than three years	10,046,500.16
3-4 years	4,770,448.72
4-5 years	3,085,799.87

More than 5 years	2,190,251.57
Total	61,414,702.46

3) Bad debt reserves accrued, recovered or reversed in the current period

Provision for bad debt accrued in the current period:

Unit: RMB

Category	Beginning balance	Amount changed in current period				Ending balance
		Accrual	Recovery or reverse	Write-off	Others	
Accounts receivable with individual provision for bad debt reserves	5,420,974.96	1,853,927.27		1,507.27		7,273,394.96
Receivables with provision for bad debt reserves by portfolio	13,339,326.79	-851,042.83	3,835.12	1,283,418.56	104,863.15	11,313,563.67
Total	18,760,301.75	1,002,884.44	3,835.12	1,284,925.83	104,863.15	18,586,958.63

N/A.

Among those, reversed or recovered bad debt reserves with significant amounts in the current period:

N/A.

4) Other accounts receivable actually written off in the current period

Unit: RMB

Item	Amount written off
Other accounts receivable actually written off	1,284,925.83

Among those, other important accounts receivable actually written off:

Unit: RMB

Name of the company	Nature of other accounts receivable	Amount written off	Reasons for write-off	Write-off procedures performed	Amounts generated due to related transaction or not
Total	--	0.00	--	--	--

Explanation of write-off of other receivables:

N/A.

5) Other information of top five accounts receivable in terms of the ending balance collected by the debtor

Unit: RMB

Name of the company	Nature of payment	Ending balance	Aging	Proportion in ending balance of other accounts receivable	Ending balance of bad debt reserve
Vietnam Hoa An Technology Service Company Limited	Suspense payment receivable	4,434,446.59	1-2 years	7.22%	4,434,446.59
Beijing Municipal Environmental Monitoring Center	Security deposit	2,116,927.30	Within 1 year, 1-2 years, 2-3 years and more than 3 years	3.45%	600,912.45

Wanlide (Shenzhen) Biotechnology Co., Ltd.	Others		1,884,000.00	Within one year	3.07%	1,884,000.00
Tianjin Property Rights Trading Market	Guarantee deposit and security deposit		1,700,000.00	Within one year	2.77%	
Shanghai Hi-Tech Control System Co., Ltd.	Security deposit		1,189,187.98	1-2 years, more than 3 years	1.94%	873,124.26
Total	--		11,324,561.87	--	18.45%	7,792,483.30

6) Amounts receivable involving government subsidies

N/A.

7) Other accounts receivable derecognized due to the transfer of financial assets

N/A.

8) Assets and liabilities resulting from transfer of other accounts receivable and continuous involvement:

N/A.

Other notes:

N/A.

9). Inventory

Whether the new income standard has been implemented

 Yes No**(1) Classification of inventories**

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Raw materials	16,895,587.93		16,895,587.93	11,676,500.14		11,676,500.14
Finished goods	894,012.26		894,012.26	1,642,760.38		1,642,760.38
Goods delivered	79,158.86		79,158.86	469,922.82		469,922.82
Engineering construction	2,012,161.61		2,012,161.61	970,968.67		970,968.67
Total	19,880,920.66	0.00	19,880,920.66	14,760,152.01	0.00	14,760,152.01

(2) Inventory depreciation reserves

N/A.

(3) Explanation on capitalized borrowing costs included in the ending balance of the inventory

N/A.

(4) Assets completed but not settled in construction contract at the end of period

N/A.

10. Contract assets

N/A.

11. Assets held for sale

N/A.

12. Non-current assets due within one year

Unit: RMB

Item	Ending balance	Beginning balance
Long-term amounts receivable due within one year		486,416.22
Total		486,416.22

Significant debt investment/other debt investments

N/A.

13. Other current assets

Whether the new income standard has been implemented

 Yes No

Unit: RMB

Item	Ending balance	Beginning balance
Advance enterprise income tax	11,128,303.14	10,322,053.88
Deductible VAT	50,447,183.28	49,601,717.59
Break-even finance products with fixed income	260,357,315.07	330,442,181.44
Overpaid educational surcharges	385.76	1,079.09
Overpaid local education surcharges	620.89	1,118.93
Others	27,484.01	548,230.65
Total	321,961,292.15	390,916,381.58

Other notes:

N/A.

14. Debt investment

N/A.

15. Other debt investments

N/A.

16. Long-term accounts receivable**(1) Conditions of long-term accounts receivable**

Unit: RMB

Item	Ending balance			Beginning balance			Range of discount rate
	Book balance	Provision for bad and doubtful debts	Book value	Book balance	Provision for bad and doubtful debts	Book value	
Financial leases				1,281,179.71		1,281,179.71	
Including: Unrealized finance income				101,564.72		101,564.72	
Total	0.00	0.00		1,281,179.71	0.00	1,281,179.71	--

Impairment of bad debt reserves

N/A.

(2) Long-term accounts receivable derecognized due to transfer of financial assets

N/A.

(3) Assets and liabilities resulting from transfer of long-term accounts receivable and

continuous involvement

N/A.

Other notes

N/A.

17. Long-term equity investment

Unit: RMB

Investee	Beginning balance (book value)	Current increase and decrease								Ending balance (book value)	Ending balance of impairment provision
		Additional investment	Decreased investment	Profit & loss on investment recognized by equity method	Adjustment of other comprehensive income	Other equity changes	Dividends or profits at cash declared and paid	Accrued impairment provision	Others		
I. Joint venture											
II. Associates											
Hangzhou Huatai Zhice Equity Investment Partnership (Limited Partnership)	-249,638.35			2,967,077.33			2,714,285.71			3,153.27	
Xi'an Dongyi Integrated Technology Laboratory Co., Ltd.	10,626,335.92			850,171.09			440,000.00			11,036,507.01	
Shenzhen Huacheng Zhihong Specialized Technology Partnership (Limited Partnership)	9,329.67			10,380.84						19,710.51	
Liangduan (Shanghai) Testing Technology Co., Ltd.	299,041.05			-58,474.38						240,566.67	
Haotu Business Management	2,368,237.57			343,067.16						2,711,304.73	

Consulting (Shanghai) Co., Ltd.											
Shenzhen Huacheng Kangda Investment Partnership (Limited Partnership)	6,267.82			-1,289.03						4,978.79	
Suzhou Huahong Ruida Biotechnology Center (Limited Partnership)	39,749.84	1,155,000.00		-4,857.81						1,189,892.03	
Huacheng Baorui (Shenzhen) Technology Service Enterprise (Limited Partnership)	9,985.22			-6.95						9,978.27	
Shenzhen Huacheng Junda Technology Service Enterprise (Limited Partnership)	9,992.53			-573.39						9,419.14	
Zhengjiang Fangyuan Electrical Equipment Testing Co., Ltd.	81,600.787.01			9,958.622.07			1,040,000.00			90,519,409.08	
Shenzhen Dace Junrui Technology Service Enterprise (Limited Partnership)		10,000.00		-2,117.19						7,882.81	

ip)											
Hangzhou CTI REACH24H Co., Ltd.	3,978,000.00		3,978,000.00								
Sub total	98,698,088.28	1,165,000.00	3,978,000.00	14,061,999.74	0.00	0.00	4,194,285.71	0.00	0.00	105,752,802.31	0.00
Total	98,698,088.28	1,165,000.00	3,978,000.00	14,061,999.74	0.00	0.00	4,194,285.71	0.00	0.00	105,752,802.31	0.00

Other notes

N/A.

18. Other equity instrument investments

N/A.

19. Other non-current financial assets

Unit: RMB

Item	Ending balance	Beginning balance
Equity instrument investment	30,212,344.64	31,000,000.00
Total	30,212,344.64	31,000,000.00

Other notes:

Details of other non-current financial assets at the end of period

Investee	Book balance				Impairment provision				Book value	Shareholding ratio in the investee (%)	Cash dividends in the current period
	At the beginning of the year	Increase in the current period	Decrease in the current period	At the end of period	At the beginning of the year	Increase in the current period	Decrease in the current period	At the end of period			
CTI Luxuries Testing (Shenzhen) Co., Ltd.		126,000.00		126,000.00					126,000.00	10.00	
Shenyang Bojian Testing Co., Ltd.	1,000,000.00			1,000,000.00		913,655.36		913,655.36	86,344.64	10.00	
Nanjing Yuangu Equity Investment Partnership (Limited Partnership)	30,000,000.00			30,000,000.00					30,000,000.00	10.00	
Total	31,000,000.00	126,000.00		31,126,000.00		913,655.36		913,655.36	30,212,344.64		

20. Investment real estate

(1) Investment real estate in cost measurement mode√ Applicable Not Applicable

Unit: RMB

Item	Houses and buildings	Land use right	Construction in progress	Total
I. Original book value				
1. Beginning balance	37,620,158.38			37,620,158.38
2. Increased amount in the current period	2,712,841.18			2,712,841.18
(1) Outsourcing				
(2) Transfers from inventories\fixed assets\construction in progress	2,712,841.18			2,712,841.18
(3) Increase from business merger				
3. Decreased amount in the current period	3,027,058.45			3,027,058.45
(1) Disposal				
(2) Other outward transfer				
(3) Transfers to fixed assets	3,027,058.45			3,027,058.45
4. Ending balance	37,305,941.11			37,305,941.11
II. Accumulated depreciation and accumulated amortization				
1. Beginning balance	1,367,992.80			1,367,992.80
2. Increased amount in the current period	1,076,201.98			1,076,201.98
(1) Accrual or amortization	1,061,612.94			1,061,612.94
(2) Transfers from inventories\fixed assets\construction in progress	14,589.04			14,589.04
3. Decreased amount in the current period	155,695.70			155,695.70
(1) Disposal				
(2) Other outward transfer				
(3) Transfers to fixed assets	155,695.70			155,695.70
4. Ending balance	2,288,499.08			2,288,499.08
III. Impairment provision				
1. Beginning balance				
2. Increased amount in the current period				

(1) Accrual				
3. Decreased amount in the current period				
(1) Disposal				
(2) Other outward transfer				
4. Ending balance				
IV. Book value				
1. Ending book value	35,017,442.03			35,017,442.03
2. Beginning book value	36,252,165.58			36,252,165.58

(2) Investment real estate in fair value measurement mode

Applicable Not Applicable

(3) Investment real estate with incomplete certificates of title

Unit: RMB

Item	Book value	Reasons for incomplete certificates of title
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Other notes

N/A.

21. Fixed assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	1,276,280,965.46	1,152,792,587.53
Total	1,276,280,965.46	1,152,792,587.53

(1) Status of fixed assets

Unit: RMB

Item	Houses and buildings	Decoration of fixed assets	Detection equipment	Office equipment	Transportation equipment	Total
I. Original book value:						
1. Beginning balance	361,136,376.30	20,450,315.03	1,502,874,530.96	54,514,047.25	30,490,988.60	1,969,466,258.14
2. Increased amount in the current period	174,978,045.93	26,978,764.81	163,770,428.55	4,801,753.61	3,289,906.81	373,818,899.71
(1) Acquisition		377,678.93	144,586,151.53	4,738,065.36	2,804,607.66	152,506,503.48
(2) Transfers from construction in progress	171,750,588.91	26,601,085.88	18,861,343.92	12,776.06		217,225,794.77
(3) Increase from business merger			306,008.94	36,382.27		342,391.21
(4) Others	3,227,457.02		16,924.16	14,529.92	485,299.15	3,744,210.25

3. Decreased amount in the current period	1,264,185.60	4,174.00	18,583,910.44	3,883,225.86	3,492,796.46	27,228,292.36
(1) Disposal or scrapping			14,632,127.04	3,483,869.00	3,492,796.46	21,608,792.50
(2) Transfers to investment real estate						
(3) Others	1,264,185.60	4,174.00	3,951,783.40	399,356.86		5,619,499.86
4. Ending balance	534,850,236.63	47,424,905.84	1,648,061,049.07	55,432,575.00	30,288,098.95	2,316,056,865.49
II. Accumulated depreciation						
1. Beginning balance	26,306,228.86	5,698,718.50	733,553,251.30	32,119,075.61	18,996,396.34	816,673,670.61
2. Increased amount in the current period	10,460,012.30	2,539,050.92	214,674,350.92	6,904,968.00	3,429,871.37	238,008,253.51
(1) Accrual	10,460,012.30	2,539,050.92	214,500,021.59	6,888,190.83	3,429,871.37	237,817,147.01
(2) Increase from business merger			174,329.33	16,777.17		191,106.50
3. Decreased amount in the current period	14,589.04	155,965.93	9,088,393.88	2,997,395.92	2,649,679.32	14,906,024.09
(1) Disposal or scrapping			8,422,093.39	2,957,095.63	2,649,679.32	14,028,868.34
(2) Transfers to investment real estate	14,589.04					14,589.04
(3) Others		155,965.93	666,300.49	40,300.29		862,566.71
4. Ending balance	36,751,652.12	8,081,803.49	939,139,208.34	36,026,647.69	19,776,588.39	1,039,775,900.03
III. Impairment provision						
1. Beginning balance						
2. Increased amount in the current period						
(1) Accrual						
3. Decreased amount in the current period						
(1) Disposal or scrapping						
4. Ending balance						
IV. Book value						
1. Ending book value	498,098,584.51	39,343,102.35	708,921,840.73	19,405,927.31	10,511,510.56	1,276,280,965.46

2. Beginning book value	334,830,147.44	14,751,596.53	769,321,279.66	22,394,971.64	11,494,592.26	1,152,792,587.53
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(2) Fixed assets in temporary idle:

N/A.

(3) Fixed assets leased by financial leases

N/A.

(4) Fixed assets leased out by operating lease**(5) Fixed assets with incomplete certificates of title**

Unit: RMB

Item	Book value	Reasons for incomplete certificates of title
No. 21 Building, Huilongsen Science and Technology Park, Beijing Economic Development Area	26,960,406.28	Impacts of Beijing Economic Development Area on property certificate handling method of the industrial land
Phase I of CTI East China Comprehensive Testing Base (Shanghai)	167,609,566.68	An actual test report cannot be issued due to the epidemic situation

Other notes

N/A.

(6) Liquidation of fixed assets

N/A.

22. Construction in progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	116,978,198.50	220,913,833.90
Total	116,978,198.50	220,913,833.90

(1) Details of construction in progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Setting up China Headquarters and Southern China Testing Base	660,952.58		660,952.58	15,869,143.60		15,869,143.60
Equipment installation	39,744,895.76		39,744,895.76	18,982,057.66		18,982,057.66
Software installation	370,041.97		370,041.97	1,479,176.60		1,479,176.60
Phase II of CTI East China Testing Base (Suzhou)	38,511,148.16		38,511,148.16	16,827,351.58		16,827,351.58
Construction of information-based system (Phase II)	4,464,034.87		4,464,034.87	3,031,241.15		3,031,241.15
Decoration of offices and laboratories	9,036,383.63		9,036,383.63	22,337,859.11		22,337,859.11
Eastern China Integrated Testing				141,239,403.83		141,239,403.83

Base (Shanghai) Phase I						
Northern Testing Base	5,140,884.52			5,140,884.52	441,932.85	441,932.85
Southern Testing Base	11,584,832.75			11,584,832.75	705,667.52	705,667.52
Central China Testing Base	7,465,024.26			7,465,024.26		
Total	116,978,198.50			116,978,198.50	220,913,833.90	220,913,833.90

(2) Changes in major projects in progress in the current period

Unit: RMB

Name of project	Budget	Beginning balance	Increase in the current period	Amount of fixed assets transferred in the current period	Others decreased in the current period	Ending balance	Proportion of accumulated project investment in the budget	Project progress	Accumulated amount of interest capitalization	Including: capitalized amount of interest in the current period	Interest capitalization rate in the current period	Sources of funding
Setting up China Headquarters and Southern China Testing Base	164,850,000.00	15,869,143.60	3,954,605.23	15,099,422.76	4,063,373.49	660,952.58	119.92%	100.00				Offering funds
Phase II of CTI East China Testing Base (Suzhou)	119,090,000.00	16,827,351.58	21,683,796.58			38,511,148.16	32.34%	32.34				Offering funds
Construction of information-based system (Phase II)	30,000,000.00	3,031,241.15	2,097,029.60		664,235.88	4,464,034.87	18.30%	14.05				Others
Eastern China Integrated Testing Base (Shanghai) Phase I	258,569,800.00	141,239,403.83	27,753,537.70	168,992,941.53			65.35%	80.00				Offering funds
Northern Testing Base	196,680,000.00	441,932.85	4,698,951.67			5,140,884.52	2.61%	4.00				Offering funds
Southern Testing Base	119,900,000.00	705,667.52	10,879,165.23			11,584,832.75	9.66%	10.00				Offering funds
Central China	153,060,		7,465,0			7,465,0	4.88%	5.00				Offering

Testing Base	000.00		24.26			24.26						fund s
Total	1,042,149,800.00	178,114,740.53	78,532,110.27	184,092,364.29	4,727,609.37	67,826,877.14	--	--	0.00	0.00	0.00%	--

(3) Impairment provision of construction in progress accrued in the current period

Unit: RMB

Item	Provision for the current period	Reasons for accrual
Total	0.00	--

Other notes

N/A.

(4) Engineering materials

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Total	0.00	0.00		0.00	0.00	

Other notes:

N/A.

23. Productive biological assets**(1) Productive biological assets in cost measurement mode**
 Applicable Not Applicable
(2) Productive biological assets in fair value measurement mode
 Applicable Not Applicable
24. Oil and gas assets
 Applicable Not Applicable
25. Right-of-use assets

N/A.

26. Intangible assets**(1) Status of intangible assets**

Unit: RMB

Item	Land use right	Patent right	Non-patented technology	Software	Trademark right	Talent housing sublease right	Total
I. Original book value							
1. Beginning balance	126,816,012.91	103,875.00		49,806,065.90	189,711.15	11,769,793.00	188,685,457.96
2. Increased amount in the current period	11,151,564.91	162,878.69		3,686,791.25	18,009.49		15,019,244.34
(1) Acquisition	11,151,564.91	162,878.69		3,022,555.37	18,009.49		14,355,008.46
(2) Internal R&D				664,235.88			664,235.88

(3) Increase from business merger							
3. Decreased amount in the current period				79,007.14			79,007.14
(1) Disposal				79,007.14			79,007.14
4. Ending balance	137,967,577.82	266,753.69		53,413,850.01	207,720.64	11,769,793.00	203,625,695.16
II. Accumulated amortization							
1. Beginning balance	10,509,462.96	100,695.28		34,250,851.30	189,711.15		45,050,720.69
2. Increased amount in the current period	2,559,911.96	75,538.58		4,972,441.38	7,252.80		7,615,144.72
(1) Accrual	2,559,911.96	75,538.58		4,972,441.38	7,252.80		7,615,144.72
3. Decreased amount in the current period				38,198.40			38,198.40
(1) Disposal				38,198.40			38,198.40
4. Ending balance	13,069,374.92	176,233.86		39,185,094.28	196,963.95		52,627,667.01
III. Impairment provision							
1. Beginning balance							
2. Increased amount in the current period							
(1) Accrual							
3. Decreased amount in the current period							
(1) Disposal							
4. Ending balance							
IV. Book value							
1. Ending book value	124,898,202.90	90,519.83		14,228,755.73	10,756.69	11,769,793.00	150,998,028.15
2.	116,306,549.95	3,179.72		15,555,214.60	0.00	11,769,793.00	143,634,737.27

Beginning book value							
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Intangible assets generated via internal R&D of the Company account for 0.00% of intangible assets balance at the end of the current period.

(2) Land use right with incomplete certificate of title

Unit: RMB

Item	Book value	Reasons for incomplete certificates of title
Qingdao Testing Base	9,547,380.00	See other notes.

Other notes:

According to QZ(G)DZ [2018] No. 58, the People's Government of Qingdao (High-Tech Development Zone) made an official reply on December 7, 2018 to agree transfer of the use right of state-owned land located in the south of Zhengyang Road, High-Tech Development Zone, north of the planned belt road, and east of Baoyuan Road by on-line auction.

Centre Testing International Group (Shandong) Co., Ltd. signed a contract for transfer of state-owned construction land right with Qingdao Municipal Administration of Land, Resources & Housing on October 11, 2019. Contract No.: Qingdao-01-2019-4058, land parcel transfer contract No.: 370214005029GB00260; total area of land parcel: 15,912.30m²; the transferred land is located in the south of Zhengyang Road, High-Tech Development Zone, north of the planned belt road and east of Baoyuan Road. The land use is industrial land, and the land transfer year limit is 50 years; the transfer price of the land use right is RMB 9,547,380.00, and it has been paid off by December 31, 2019, and the land use right certificate is in progress.

27. Development expenditure

Unit: RMB

Item	Beginning balance	Increase in the current period			Decrease in the current period			Ending balance
		Internal development expenditure	Others		Recognized as intangible assets	Transferred into the current profits and losses		
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Other notes

N/A.

28. Goodwill

(1) Original book value of goodwill

Unit: RMB

Name of the investee or items which form goodwill	Beginning balance	Increase in the current period		Decrease in the current period		Ending balance
		Formed by business merger	Others	Disposal	Others	
Shenzhen CTI Commodity testing and Survey Co., Ltd.	1,350,689.56					1,350,689.56
Shenzhen CTI International Certification Co., Ltd.	14,439,605.45					14,439,605.45
Suzhou CTI Safety Evaluation Technology Service Co., Ltd.	1,438,062.22					1,438,062.22
CEM INTERNATIONAL LTD	5,650,226.78					5,650,226.78

Hangzhou Hua'an Nondestructive Testing Technology Co., Ltd.	76,020,012.18					76,020,012.18
Centre Testing International (Heilongjiang) Co., Ltd.	9,904,997.25					9,904,997.25
Dalian Huaxin Physical and Chemical Testing Center Co., Ltd.	4,441,430.10					4,441,430.10
POLY NDT (PRIVATE) LIMITED	12,571,370.70					12,571,370.70
Shenzhen Taikenilin Technology Development Co., Ltd.	2,546,474.84					2,546,474.84
Xinjiang Kerui Testing Technology Co., Ltd.	315,716.63					315,716.63
Centre Testing International (Henan) Co., Ltd.	2,677,919.58					2,677,919.58
Guangzhou CTI Hengjian Engineering Testing Co., Ltd.	6,000,837.21					6,000,837.21
Zhoushan Jingwei Shipping Service Co., Ltd.	8,266,652.33					8,266,652.33
Jiangyin CTI Occupational Health Outpatient Department Co., Ltd.	7,325,389.95					7,325,389.95
Ningbo Quality Assurance Co., Ltd. (NQA)	27,892,342.26					27,892,342.26
Beijing CTI Agro-food Certification Co., Ltd.	2,517,865.38					2,517,865.38
Centre Testing Electronic Certification Co., Ltd.	39,885,576.12					39,885,576.12
Fujian Science Way Testing Co., Ltd. (SW)	9,267,740.57					9,267,740.57
Zhejiang Chengnuo Testing Technology Co., Ltd.	2,389,438.16					2,389,438.16
Sichuan CTI Jianxin Testing Technology Co., Ltd.	5,830,283.11					5,830,283.11
Suzhou Wuzhong Economic	3,970,287.04					3,970,287.04

Development Zone Jiakang Outpatient Department Co., Ltd.						
Hebei CTI Junrui Testing Technology Co., Ltd.		100.00				100.00
Zhejiang CTI Yuanjian Testing Co., Ltd.		4,639,851.98				4,639,851.98
Total	244,702,917.42	4,639,951.98	0.00	0.00	0.00	249,342,869.40

(2) Goodwill impairment provisions

Unit: RMB

Name of the investee or items which form goodwill	Beginning balance	Increase in the current period		Decrease in the current period		Ending balance
		Accrual	Others	Disposal	Others	
Shenzhen CTI Commodity testing and Survey Co., Ltd.	1,350,689.56					1,350,689.56
Suzhou CTI Safety Evaluation Technology Service Co., Ltd.	1,438,062.22					1,438,062.22
CEM INTERNATIONAL LTD	5,650,226.78					5,650,226.78
Hangzhou Hua'an Nondestructive Testing Technology Co., Ltd.	61,129,989.71					61,129,989.71
Shenzhen Taikenilin Technology Development Co., Ltd.	2,546,474.84					2,546,474.84
Xinjiang Kerui Testing Technology Co., Ltd.	315,716.63					315,716.63
Zhejiang Chengnuo Testing Technology Co., Ltd.	843,811.53	1,545,626.63				2,389,438.16
Zhoushan Jingwei Shipping Service Co., Ltd.		8,266,652.33				8,266,652.33
Hebei CTI Junrui Testing Technology Co., Ltd.		100.00				100.00
Fujian Science Way Testing Co., Ltd. (SW)		3,707,868.38				3,707,868.38
Total	73,274,971.27	13,520,247.34	0.00	0.00	0.00	86,795,218.61

Relevant information of goodwill in the asset group or asset group portfolio

(1) In December 2010, the Company purchased 81.00% of equities in Shenzhen CTI International Certification Co., Ltd. (hereinafter referred to as "International Certification") for RMB 17,100,000 in cash. If the merger cost exceeds RMB 14,439,600, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to International Certification.

- (2) In December 2014, the Company purchased 100% of equities in Hangzhou Hua'an Nondestructive Testing Technology Co., Ltd. (hereinafter referred to as "Hangzhou Hua'an") for RMB 180,000,000 in cash. If the merger cost exceeds RMB 76,020,000, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Hangzhou Hua'an.
- (3) In May 2014, the Company acquired 100% of equities in Centre Testing International (Heilongjiang) Co., Ltd. (hereinafter referred to as "Heilongjiang CTI") for equity fund of RMB 1,000,000 and over-raised fund of RMB 12,000,000 in cash. If the merger cost exceeds RMB 9,905,000, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Heilongjiang CTI.
- (4) In April 2014, the Company purchased 100% of equities in Dalian Huaxin Physical and Chemical Testing Center Co., Ltd. (hereinafter referred to as "Dalian Huaxin") for RMB 8,110,000 in cash. If the merger cost exceeds RMB 4,441,400, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Dalian Huaxin.
- (5) In June 2014, Centre Testing International (Hong Kong) Co., Ltd. purchased 70% of equities in POLY NDT (PRIVATE) LIMITED for SGD 3,514,200 (except for this amount, other amounts are in RMB) in cash. If the merger cost exceeds RMB 12,571,400, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to POLY NDT (PRIVATE) LIMITED.
- (6) In July 2015, the Company purchased 100% of equities in Centre Testing International (Henan) Co., Ltd. (hereinafter referred to as "Henan CTI") for RMB 41,512,600 in cash. If the merger cost exceeds RMB 2,677,900, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Henan CTI.
- (7) In December 2015, the Company purchased 65% of equities in Guangzhou CTI Hengjian Engineering Testing Co., Ltd. (hereinafter referred to as "Guangzhou Hengjian") for RMB 7,800,000 in cash. On January 17, 2019, the Company signed *Equity Transfer Agreement of Guangzhou CTI Hengjian Engineering Testing Co., Ltd.* with Lai Yuanming, where Lai Yuanming transferred 35% of equities in Guangzhou Hengjian to the Company for RMB 5,880,000 in cash, and after transfer, Guangzhou Hengjian became a wholly-owned subsidiary of the Company. On June 28, 2019, the Company signed *Equity Transfer Agreement of Guangzhou CTI Hengjian Engineering Testing Co., Ltd.* with Guo Lin and Zhu Xiuqing, where the Company transferred 12% of equities in Guangzhou CTI Hengjian Engineering Testing Co., Ltd. to Guo Lin and Zhu Xiuqing for RMB 1,440,000, and the Company transferred 6% of equities in Guangzhou Hengjian which Zhu Xiuqing waived to purchase to Guo Lin for RMB 720,000. After transfer, the Company held 94% of equities in Guangzhou Hengjian. If the merger cost exceeds RMB 6,000,800, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Guangzhou Hengjian.
- (8) In December 2015, Hangzhou Hua'an Nondestructive Testing Technology Co., Ltd. purchased 60% of equities in Zhoushan Jingwei Shipping Service Co., Ltd. (hereinafter referred to as "Zhoushan Jingwei") for RMB 10,200,000 in cash. If the merger cost exceeds RMB 8,266,700, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Zhoushan Jingwei.
- (9) In April 2016, the Company purchased 66.67% of equities in Jiangyin CTI Zhi'an Outpatient Department Co., Ltd. (hereinafter referred to as "Jiangyin Zhi'an") for RMB 10,000,000 in cash. If the merger cost exceeds RMB 7,325,400, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Jiangyin Zhi'an.
- (10) In April 2016, the Company purchased 100% of equities in Ningbo Quality Assurance Co., Ltd. (hereinafter referred to as "NQA") for RMB 43,867,500 in cash. If the merger cost exceeds RMB 27,892,300, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to NQA.
- (11) In July 2016, the Company purchased 100% of equities in Beijing CTI Agro-food Certification Co., Ltd. (hereinafter referred to as "Beijing CTI Agro-food") for RMB 3,185,200 in cash. If the merger cost exceeds RMB 2,517,900, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Beijing CTI Agro-food.
- (12) In August 2016, the Company purchased 71.26% of equities in Centre Testing Electronic Certification Co., Ltd. (hereinafter referred to as "Centre Testing Electronic") for RMB 71,000,000 in cash. If the merger cost exceeds RMB 39,885,600, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Centre Testing Electronic.
- (13) In October 2016, the Company purchased 51% of equities in Fujian Shangwei Testing Co., Ltd. (hereinafter referred to as "Fujian Shangwei") for RMB 11,730,000 in cash. If the merger cost exceeds RMB 9,267,700, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Fujian Shangwei.
- (14) In September 2016, Hangzhou Hua'an Nondestructive Testing Technology Co., Ltd. purchased 51% of equities in Zhejiang Chengnuo Testing Technology Co., Ltd. (hereinafter referred to as "Zhejiang Chengnuo") for RMB 2,958,000 in cash. If the merger cost exceeds RMB 2,389,400, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Zhejiang Chengnuo.
- (15) In February 2017, the Company purchased 68% of equities in Sichuan CTI Jianxin Testing Technology Co., Ltd. (hereinafter referred to as "Sichuan Jianxin") for RMB 9,180,000 in cash. If the merger cost exceeds RMB 5,830,300, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Sichuan Jianxin.
- (16) In December 2018, Jiangyin CTI Zhi'an Outpatient Department Co., Ltd. purchased 100% of equities in Suzhou Wuzhong Economic Development Zone Jiakang Outpatient Department Co., Ltd. (hereinafter referred to as "Suzhou Jiakang") for RMB 5,000,000 in cash. If the merger cost exceeds RMB 3,970,300, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Suzhou Jiakang.
- (17) In May 2019, the Company purchased 68% of equities in Hebei CTI Junrui Testing Technology Co., Ltd. (hereinafter referred to as "Hebei Junrui") for RMB 100.00 in cash. If the merger cost exceeds RMB 100.00, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Hebei Junrui.

(18) In August 2019, the Company purchased 51% of equities in Zhejiang Yuanjian Testing Co., Ltd. (hereinafter referred to as "Zhejiang Yuanjian") for RMB 9,614,800 in cash. If the merger cost exceeds RMB 4,639,900, the difference of the fair value of the identifiable net assets obtained by shares, it is recognized as the goodwill related to Zhejiang Yuanjian.

Methods for recognizing goodwill impairment testing process, critical parameters (such as growth rate of the forecast period in the present value of the expected future cash flow, growth rate of the stable period, profit rate, forecast period) and goodwill impairment loss:

(1) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of International Certification at the end of 2019. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of International Certification includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB -28,078,700; the book value of goodwill is RMB 14,439,600; the book value of the asset group containing the entire goodwill is RMB -10,252,100; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of International Certification is RMB 34,756,000, and the goodwill with the consolidation level attributable to the parent company has no impairment.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
International Certification	The forecast period is 2020-2024, and followed by the stable period	The income growth rates are estimated to be 3.00%, 3.00%, 3.00%, 3.00%, 3.00%, respectively in the forecast period 2020~2024	59.72%	10.84%

(2) For testing the goodwill impairment, the Company employed Tianjin Huaxia Jinxin Asset Appraisal Co., Ltd. to value the recoverable amount of the asset group related to the goodwill formed by acquisition of Hangzhou Hua'an, and issued Huaxia Jinxin PBZ [2020] No. 037 Asset Assessment Report. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of Hangzhou Hua'an includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB 36,235,200; the book value of goodwill is RMB 76,020,000; the book value of the asset group containing the entire goodwill is RMB 11,255,200; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of Hangzhou Hua'an is RMB 54,922,900, and the goodwill impairment is RMB 57,332,300. As of December 31, 2018, the Company has made provisions of RMB 61,130,000 for goodwill impairment related to Hangzhou Hua'an, so there are no further goodwill impairment provisions during this reporting period.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Hangzhou Hua'an	The forecast period is 2020-2024, and followed by the stable period	The income growth rates are estimated to be 1.38%, 10.41%, 9.27%, 9.19%, 6.64%, respectively in the forecast period 2020~2024	29.40%	14.53%

(3) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Heilongjiang CTI at the end of 2019. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of Heilongjiang CTI includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB 7,684,900; the book value of goodwill attributable to

the parent company is RMB 9,905,000, and the book value of the asset group containing the entire goodwill is RMB 17,589,900; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of Heilongjiang CTI is RMB 48,831,600, and the impairment from the goodwill with the consolidation level attributable to the parent company has no impairment.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Heilongjiang CTI	The forecast period is 2020-2024, and followed by the stable period	The income growth rates are estimated to be -18.78%, 0.38%, 0.12%, 3.24%, 5.39%, respectively in the forecast period 2020~2024	51.93%	10.84%

(4) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Dalian Huaxin at the end of 2019. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of Dalian Huaxin includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB 5,347,700; the book value of goodwill with the consolidation level attributable to the parent company is RMB 4,441,400; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of Dalian Huaxin is RMB 25,052,400, and the impairment from the goodwill with the consolidation level attributable to the parent company has no impairment.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Dalian Huaxin	The forecast period is 2020-2024, and followed by the stable period	The income growth rates are estimated to be -1.79%, 7.18%, 6.29%, 5.34%, 4.72%, respectively in the forecast period 2020~2024	41.82%	10.84%

(5) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of POLY NDT (PRIVATE) LIMITED at the end of 2019. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of POLY NDT (PRIVATE) LIMITED includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB 6,437,400; the book value of goodwill is RMB 12,571,400; the book value of the asset group containing the entire goodwill is RMB 24,396,500; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of POLY NDT (PRIVATE) LIMITED is RMB 34,656,300, and the goodwill with the consolidation level attributable to the parent company has no impairment.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
POLY NDT (PRIVATE)	The forecast period is 2020-2024, and followed	The income growth rates are estimated to be -8.56%, -11.08%, -2.50%, 5.69%, 8.05%,	52.41%	12.30%

LIMITED	by the stable period	respectively in the forecast period 2020~2024		
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(6) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Henan CTI at the end of 2019. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of Henan CTI includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB 19,169,100; the book value of goodwill with the consolidation level attributable to the parent company is RMB 2,677,900; the book value of the asset group containing the entire goodwill is RMB 11,934,400; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of Henan CTI is RMB 47,143,800, and the impairment from the goodwill with the consolidation level attributable to the parent company has no impairment.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Henan CTI	The forecast period is 2020-2024, and followed by the stable period	The income growth rates are estimated to be -0.52%, 8.81%, 10.29%, 10.32%, 10.01%, respectively in the forecast period 2020~2024	52.42%	10.84%

(7) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Guangzhou Hengjian at the end of 2019. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of Guangzhou Hengjian includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB 17,019,500; the book value of goodwill is RMB 6,000,800; the book value of the asset group containing the entire goodwill is RMB 26,251,500; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of Guangzhou Hengjian is RMB 33,606,200, and the goodwill with the consolidation level attributable to the parent company has no impairment.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Guangzhou Hengjian	The forecast period is 2020-2024, and followed by the stable period	The income growth rates are estimated to be 8.11%, 12.00%, 13.00%, 13.00%, 13.00%, respectively in the forecast period 2020~2024	28.93%	12.28%

(8) For testing the goodwill impairment, the Company employed Tianjin Huaxia Jinxin Asset Appraisal Co., Ltd. to value the recoverable amount of the asset group related to the goodwill formed by acquisition of Zhoushan Jingwei, and issued Huaxia Jinxin PBZ [2020] No. 033 Asset Assessment Report. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of Zhoushan Jingwei includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB 4,533,700; the book value of goodwill with the consolidation level attributable to the parent company is RMB 8,266,700; the book value of the asset group containing the entire goodwill is RMB 18,311,500; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of Zhoushan Jingwei is RMB 4,222,300, and the impairment from the goodwill with the consolidation level attributable to the parent company is RMB 8,266,700.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Zhoushan Jingwei	The forecast period is 2020-2024, and followed by the stable period	The income growth rates are estimated to be 5.00%, 5.00%, 5.00%, 6.00% and 6.00%, respectively in the forecast period 2020~2024	42.13%	13.20%

(9) For testing the goodwill impairment, the Company employed Tianjin Huaxia Jinxin Asset Appraisal Co., Ltd. to value the recoverable amount of the asset group related to the goodwill formed by acquisition of Jiangyin Zhi'an, and issued HXJXPBZ [2020] No. 036 Asset Assessment Report. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of Jiangyin Zhi'an includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB 2,943,200; the book value of goodwill is RMB 7,325,400; the book value of goodwill of minority shareholder is RMB 3,662,100; the book value of the asset group containing the entire goodwill is RMB 13,930,800; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of Zhejiang Yuanjian is RMB 45,999,200, and the goodwill with the consolidation level attributable to the parent company has no impairment.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Jiangyin Zhi'an	The forecast period is 2020-2024, and followed by the stable period	The income growth rates are estimated to be -5.17%, 4.65%, 3.70%, 3.57% and 3.45%, respectively in the forecast period 2020~2024	58.11%	11.63%

(10) For testing the goodwill impairment, the Company employed Tianjin Huaxia Jinxin Asset Appraisal Co., Ltd. to value the recoverable amount of the asset group related to the goodwill formed by acquisition of Ningbo Quality Assurance, and issued HXJXPBZ [2020] No. 034 Asset Assessment Report. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of Ningbo Quality Assurance includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB 2,427,400; the book value of goodwill with the consolidation level attributable to the parent company is RMB 27,892,300; the book value of the asset group containing the entire goodwill is RMB 30,319,700; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of Ningbo Quality Assurance, is RMB 31,167,600, and the impairment from the goodwill with the consolidation level attributable to the parent company has no impairment.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Ningbo Quality Assurance	The forecast period is 2020-2024, and followed by the stable period	The income growth rates are estimated to be 5.44%, 11.00%, 12.00%, 10.00% and 8.00%, respectively in the forecast period 2020~2024	51.18%	13.20%

(11) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of CTI Agro-food Certification at the end of 2019. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has

impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of CTI Agro-food Certification includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB -368,000; the book value of goodwill is RMB 2,517,900; the book value of the asset group containing the entire goodwill is RMB 2,149,800; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of CTI Agro-food Certification, is RMB 5,241,900, and the goodwill with the consolidation level attributable to the parent company has no impairment.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
CTI Agro-food Certification	The forecast period is 2020-2024, and followed by the stable period	The income growth rates are estimated to be -17.73%, 2.82%, 2.57%, 6.01% and 5.05%, respectively in the forecast period 2020~2024	34.11%	12.28%

(12) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Centre Testing Electronic. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of Centre Testing Electronic includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB 7,155,000; the book value of goodwill is RMB 39,885,600; the book value of the asset group containing the entire goodwill is RMB 63,126,900; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of Centre Testing Electronic is RMB 85,184,800, and the goodwill with the consolidation level attributable to the parent company has no impairment.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Centre Testing Electronic	The forecast period is 2020-2024, and followed by the stable period	The income growth rates are estimated to be 1.41%, 9.75%, 9.79%, 10.52% and 10.76%, respectively in the forecast period 2020~2024	67.20%	12.11%

(13) For testing the goodwill impairment, the Company employed Tianjin Huaxia Jinxin Asset Appraisal Co., Ltd. to value the recoverable amount of the asset group related to the goodwill formed by acquisition of Fujian Sonwee, and issued HXJXPBZ [2020] No. 035 Asset Assessment Report. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of Fujian Sonwee includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB 1,489,500; the book value of goodwill is RMB 9,267,700; the book value of the asset group containing the entire goodwill is RMB 19,661,500; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of Fujian Sonwee is RMB 12,391,200, and the goodwill impairment is RMB 7,270,300. As of December 31, 2019, the Company has made provisions of RMB 3,707,900 for goodwill impairment related to Fujian Songwee, so the goodwill impairment provisions during this reporting period was RMB 3,707,900.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within	Discount rate
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			the forecast period	(pre-tax)
Fujian Sonwee	The forecast period is 2020-2024, and followed by the stable period	The income growth rates are estimated to be 10.00%, 15.00%, 15.00%, 10.00% and 8.00%, respectively in the forecast period 2020~2024	39.71%	12.53%

(14) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Zhejiang Chengnuo at the end of 2019. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of Zhejiang Chengnuo includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB 1,625,400; the book value of goodwill with the consolidation level attributable to the parent company is RMB 2,389,400; the book value of the asset group containing the entire goodwill is RMB 6,310,600; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of Zhejiang Chengnuo, is RMB 724,000, and the impairment from the goodwill with the consolidation level attributable to the parent company is RMB 2,389,400. As of December 31, 2018, the Company has made provisions of RMB 843,800 for goodwill impairment related to Zhejiang Chengnuo, so the further goodwill impairment provisions during this reporting period was RMB 1,545,600.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Zhejiang Chengnuo	The forecast period is 2020-2024, and followed by the stable period	The income growth rates are estimated to be 6.00%, 6.00%, 6.00% and 6.00%, respectively in the forecast period 2020~2024	20.64%	14.53%

(15) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Sichuan Jianxin at the end of 2019. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of Sichuan Jianxin includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB 10,105,700; the book value of goodwill is RMB 5,830,300; the book value of the asset group containing the entire goodwill is RMB 18,679,600; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of Sichuan Jianxin is RMB 61,127,100, and the goodwill with the consolidation level attributable to the parent company has no impairment.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Sichuan Jianxin	The forecast period is 2020-2024, and followed by the stable period	The income growth rates are estimated to be 17.14%, 6.67%, 12.50%, 5.56% and 5.26%, respectively in the forecast period 2020~2024	35.52%	12.28%

(16) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Suzhou Jiakang at the end of 2019. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of Suzhou Jiakang includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB 1,272,800; the book value of goodwill is RMB 3,970,300; the book value of the asset group containing the entire goodwill is RMB 5,240,300; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of Suzhou Jiakang is RMB

13,766,700, and the goodwill with the consolidation level attributable to the parent company has no impairment.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Suzhou Jiakang	The forecast period is 2020-2024, and followed by the stable period	The income growth rates are estimated to be 6.52%, 21.43%, 11.76%, 10.53% and 9.52%, respectively in the forecast period 2020~2024	59.62%	11.63%

(17) Since acquisition, Hebei Junrui has been in loss. At the end of the period 2019, impairment of goodwill was accrued by RMB 100.00.

(18) For testing the goodwill impairment, the Company valued the recoverable amount of the asset group related to the goodwill formed by acquisition of Zhejiang Yuanjian at the end of 2019. Upon determination of the valuation of the recoverable amount, the Company allocated the goodwill to the asset group from the purchase date, and then compared the book value of the asset group (containing goodwill) with the recoverable amount to determine whether the asset group (containing goodwill) has impairment.

As of December 31, 2019, the asset group range related to the goodwill formed by acquisition of Zhejiang Yuanjian includes the asset group consisting of operating tangible assets and intangible assets of all main business (exclusive of operating capital and non-operating assets, liabilities), and the book value of the asset group is RMB 3,947,800; the book value of goodwill is RMB 4,639,900; the book value of the asset group containing the entire goodwill is RMB 13,045,500; through assessment by the income method, the recoverable amount of the asset group on December 31, 2019, the assessment base date of Zhejiang Yuanjian is RMB 38,695,100, and the goodwill with the consolidation level attributable to the parent company has no impairment.

The method, critical assumption and basis of calculating the recoverable amount of the above asset group are as follows:

1) Present value of the expected future cash flow

The present value of the expected future cash flow is measured based on the expectation of the management of the Company for the future cash flow, and the critical assumptions and bases used in expectation of the future cash flow are as follows:

Item	Forecast period	Income growth rate within the forecast period	Average gross margin within the forecast period	Discount rate (pre-tax)
Zhejiang Yuanjian	The forecast period is 2020-2024, and followed by the stable period	The income growth rates are estimated to be 59.77%, 23.40%, 34.92%, 31.72% and 24.20% respectively in the forecast period 2020~2024	44.72%	12.28%

Influence of goodwill impairment testing

N/A.

Other notes

N/A.

29. Long-term unamortized expenses

Unit: RMB

Item	Beginning balance	Increase in the current period	Amortization amount in the current period	Other decreases	Ending balance
Office renovation	174,542,377.77	45,493,635.80	55,773,991.12	9,653,797.16	154,608,225.29
Simple facility	3,541,841.22		1,145,340.76	23,002.34	2,373,498.12
Others	6,580,093.28	4,639,590.94	2,939,181.30	849,439.82	7,431,063.10
Total	184,664,312.27	50,133,226.74	59,858,513.18	10,526,239.32	164,412,786.51

Other notes

N/A.

30. Deferred income tax assets/ deferred income tax liabilities

(1) Deferred income tax assets before offset

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provisions for impairment of assets	82,545,156.56	13,746,353.21	64,031,326.11	10,381,225.46
Deductible tax losses	82,925,784.96	16,920,275.66	34,562,255.79	7,164,704.80
Equity-settled share-based payment	14,475,000.00	2,171,250.00	937,842.01	140,676.30
Deferred income	63,726,565.89	11,010,541.49	47,548,633.32	7,132,294.99
Fixed assets accounting estimate influence	11,085,548.34	1,662,832.25	13,583,554.64	2,037,533.20
Total	254,758,055.75	45,511,252.61	160,663,611.87	26,856,434.75

(2) Deferred income tax liabilities before offset

Unit: RMB

Item	Ending balance		Beginning balance	
	Temporary differences taxable	Deferred income tax liabilities	Temporary differences taxable	Deferred income tax liabilities
Fixed assets accounting estimate influence	5,402,351.44	833,562.90	424,703.21	70,076.03
One-time deduction of fixed assets (before tax)	274,456,853.09	47,511,423.61	127,496,368.46	21,302,716.81
Total	279,859,204.53	48,344,986.51	127,921,071.67	21,372,792.84

(3) Deferred tax assets or liabilities presented by offset net worth

Unit: RMB

Item	Offset amount of deferred income tax assets and liabilities at the end of the period	Ending balance of deferred tax assets or liabilities after offset	Offset amount of deferred tax assets and liabilities at the beginning of the period	Beginning balance of deferred tax assets or liabilities after offset
Deferred income tax assets		45,511,252.61		26,856,434.75
Deferred income tax liabilities		48,344,986.51		21,372,792.84

(4) Details of unrecognized deferred income tax assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary differences	54,529,095.42	91,171,073.12
Deductible tax losses	269,724,123.57	278,050,254.95
Total	324,253,218.99	369,221,328.07

(5) Deductible losses of unrecognized deferred income tax assets to be due in the following years

Unit: RMB

Year	Ending amount	Beginning balance	Remarks
2019		19,763,630.13	
2020	41,826,827.09	58,218,034.87	
2021	30,593,526.87	49,518,408.25	
2022	57,906,589.33	79,977,013.16	

2023	71,638,761.04	68,451,885.22	
2024	62,359,128.31		
2022-2028	3,433,348.31	554,413.16	Note 1
Indefinite	1,965,942.62	1,566,870.16	Note 2
Total	269,724,123.57	278,050,254.95	--

Other notes:

Note 1: According to the Taiwan Income Tax amended on January 21, 1998, the loss carry-forward and carry-back period for profit-oriented business entities in Taiwan region is extended from 5 years to 10 years. Therefore, recoverable losses of the sub-subsidiary Taiwan CTI Testing Technology Co., Ltd., incurred from 2012 to 2018, will be due in the period 2022-2028.

Note 2: According to Documents CTM04150 and CTM04100 of the British government, the loss carry-forward and carry-back period for profit-oriented business entities in British region shall be traced back to the previous year and extended indefinitely.

31. Other non-current assets

Whether the new income standard has been implemented

Yes No

Unit: RMB

Item	Ending balance	Beginning balance
Investment deposit	3,040,000.00	3,040,000.00
Advances for equipment and project funds	92,842,534.23	23,178,440.79
Government subsidy for equipment (note 1)	9,050,441.48	17,853,472.52
Total	104,932,975.71	44,071,913.31

Other notes:

Note 1: In 2010, CTI Group and the Management Committees of Kunshan New and High Tech Industrial Development Zone reached an investment intention agreement on constructing Suzhou Biological Co., Ltd. (the Pre-clinical CRO Research Base) in Kunshan Hi-tech Zone. On June 5, 2012, a supplemental agreement was executed. The Management Committees of Kunshan Hi-tech Industrial Development Zone made the commitment that its subsidiary, Jiangsu Kunshan Hi-Tech Industry Investment Development Co., Ltd. shall cumulatively contribute RMB 50,000,000 within 4 years since 2012 to purchase instrument and equipment listed for the platform.

Later, Jiangsu Kunshan Hi-Tech Industry Investment Development Co., Ltd. executed the *Entrusted Operation Management Agreement* with Suzhou Biology. As agreed, the investment of not less than RMB 50,000,000 shall be successively invested to equipment for free use by Suzhou Biological. The term of service is 20 years, from January 10, 2013 to January 9, 2033. Kunshan Hi-Tech Industry Investment Development Co., Ltd. shall have the equipment ownership. Suzhou Biological has successively received the invested equipment from 2013 to 2016.

32. Short-term borrowings

(1) Categories of short-term borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Unsecured loans	192,000,000.00	507,710,916.06
Interests payable not due	777,359.15	0.00
Total	192,777,359.15	507,710,916.06

Note of category of short-term borrowings:

N/A.

(2) Short-term borrowing due but unpaid

The short-term borrows due but unpaid at the end of this period is RMB 0.00 in total. Conditions of important short-term borrowings due but unpaid are as follows:

Unit: RMB

Borrower	Ending balance	Interest rate	Overdue date	Interest rate if overdue
Total	0.00	--	--	--

Other notes:

N/A.

33. Trading financial liabilities

N/A.

34. Derivative financial liabilities

N/A.

35. Notes payable

Unit: RMB

Type	Ending balance	Beginning balance
Bank acceptance bills		1,974,960.49
Total		1,974,960.49

Total amount of bills payable that become due but unpaid yet at the end of current period is RMB 0.00.

36. Account payable**(1) Presentation of accounts payable**

Unit: RMB

Item	Ending balance	Beginning balance
Materials payment	97,638,095.35	58,084,043.50
Project funds	25,848,129.17	60,397,628.24
Equipment funds	72,247,608.52	81,976,335.88
Service charge	145,338,360.79	120,117,051.76
Others	72,122,994.03	3,908,854.87
Total	413,195,187.86	324,483,914.25

(2) Important accounts payable with aging of more than one year

Unit: RMB

Item	Ending balance	Reasons for failure of repayment or settlement
Espec Environmental Equipment (Shanghai) Co., Ltd.	7,791,000.00	Equipment payment hasn't been paid
Shanghai Emphasis Investment Management Consulting Co., Ltd.	1,634,813.88	The project hasn't been completed
Wuhan Jingting Architectural Decoration Co., Ltd.	1,144,162.24	The project hasn't been completed
Total	10,569,976.12	--

Other notes:

N/A.

37. Advances from customers

Whether the new income standard has been implemented

 Yes No**(1) Advance receipts**

Unit: RMB

Item	Ending balance	Beginning balance
Prepaid service charge	86,244,132.46	74,241,838.09
Advances from customers	15,360.00	2,598,368.32

Total	86,259,492.46	76,840,206.41
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(2) Significant advances from customers with an age over 1 year

N/A.

(3) Construction contract has resulted without settlement at period-end

N/A.

38. Contract liabilities

N/A.

39. Payroll payable**(1) Details of payroll payable**

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
I. Short-term compensation	206,421,634.43	1,219,018,941.31	1,117,556,810.69	307,883,765.05
II. Welfare after-service – defined contribution plan	1,566,836.70	61,273,890.70	61,205,350.21	1,635,377.19
III. Dismissal welfare		2,553,360.78	2,553,360.78	
Total	207,988,471.13	1,282,846,192.79	1,181,315,521.68	309,519,142.24

(2) Short-term compensation

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
(I) Wage, bonus, allowance and subsidy	199,063,834.17	1,108,351,721.18	1,008,031,932.04	299,383,623.31
2. Welfare expenses of employee	98,453.41	20,975,340.30	19,164,126.27	1,909,667.44
3. Social insurance charges	5,731,894.47	48,905,659.12	49,804,725.00	4,832,828.59
Including: medical insurance premium	831,584.68	30,684,009.77	30,531,187.63	984,406.82
Work-related injury insurance	25,877.85	897,006.34	886,281.93	36,602.26
Maternity insurance fee	150,793.82	2,593,830.36	2,656,062.79	88,561.39
Others	4,723,638.12	14,730,812.65	15,731,192.65	3,723,258.12
4. Housing funds	460,526.00	36,266,938.85	36,171,875.50	555,589.35
5. Labor union and personnel education expenses	1,066,926.38	4,519,281.86	4,384,151.88	1,202,056.36
Total	206,421,634.43	1,219,018,941.31	1,117,556,810.69	307,883,765.05

(3) Presentation of defined contribution plans

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
1. Basic endowment insurance	1,516,179.71	59,210,169.66	59,148,687.27	1,577,662.10
2. Unemployment insurance expense	50,656.99	2,063,721.04	2,056,662.94	57,715.09

Total	1,566,836.70	61,273,890.70	61,205,350.21	1,635,377.19
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Other notes:

N/A.

40. Taxes payable

Unit: RMB

Item	Ending balance	Beginning balance
Added-value tax	19,900,897.93	10,566,927.03
Enterprise income tax	24,232,939.35	9,868,574.14
Individual income tax	2,260,793.50	1,689,876.55
City maintenance and construction tax	1,169,712.06	628,069.81
House property tax	2,267,051.29	1,999,941.32
Education surcharges	547,746.01	308,204.13
Land usage tax	132,458.63	130,465.99
Extra-charge for Local Education	372,397.36	197,601.47
Stamp Tax	459,201.97	347,734.45
Others	322,526.83	330,802.12
Total	51,665,724.93	26,068,197.01

Other notes:

N/A.

41. Other payables

Unit: RMB

Item	Ending balance	Beginning balance
Interests payable		1,360,511.63
Dividends payable	1,497,642.91	1,225,164.01
Other accounts payable	53,576,444.00	39,732,524.81
Total	55,074,086.91	42,318,200.45

(1) Interest payable

Unit: RMB

Item	Ending balance	Beginning balance
Interest payable on short-term borrowings		1,360,511.63
Total		1,360,511.63

Significant interests due but unpaid:

N/A.

(2) Dividend payable

Unit: RMB

Item	Ending balance	Beginning balance
Ordinary share dividend	1,497,642.91	1,225,164.01
Total	1,497,642.91	1,225,164.01

Other notes: Including significant dividends payable unpaid over 1 year. Reasons for non-payment shall be disclosed:

N/A.

(3) Other payables

1) Other payables listed by nature of payment

Unit: RMB

Item	Ending balance	Beginning balance
Security deposit	3,545,820.69	3,261,656.80
Temporary receipts payable	41,063,795.63	26,363,233.65
Equity investment payable	2,232,939.14	7,556,262.80
Others	6,733,888.54	2,551,371.56
Total	53,576,444.00	39,732,524.81

2) Other major payables with aging over 1 year

N/A.

42. Liabilities held for sale

N/A.

43. Non-current liabilities due within one year

Unit: RMB

Item	Ending balance	Beginning balance
Long-term payables due within one year	97,036.26	
Total	97,036.26	0.00

Other notes:

N/A.

44. Other current liabilities

Whether the new income standard has been implemented

 Yes No

N/A.

45. Long-term borrowings**(1) Categories of long-term borrowings**

N/A.

46. Bonds payable

N/A.

47. Lease liabilities

N/A.

48. Long term payables

Unit: RMB

Item	Ending balance	Beginning balance
Long-term payables	371,605.38	454,450.33
Total	371,605.38	454,450.33

(1) Long-term payables listed by nature of payment

Unit: RMB

Item	Ending balance	Beginning balance
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Other notes:

The long-term payables refer to the accrued financial lease outlay of the Company.

(2) Special payables

N/A.

49. Long-term employee benefits payable

(1) Table of Long-term Employee Remuneration Payable

N/A.

(2) Changes in the defined benefit plan

N/A.

50. Estimated liabilities

Whether the new income standard has been implemented

 Yes No

Unit: RMB

Item	Ending balance	Beginning balance	Reasons for incurrence
Outstanding litigation	1,925,300.00		See descriptions below for details
Estimated house property tax and interest on late payment	2,236,959.46	1,885,898.74	The property ownership certificate hasn't been completed. The house property tax, interest on late payment and other amounts probable to be paid in future shall be accrued from the account.
Total	4,162,259.46	1,885,898.74	--

Other notes (including note of important assumptions and estimations about important projected liabilities):

As for the equity dispute between the subsidiary of the Company, Hangzhou Hua'an Nondestructive Testing Technology Co., Ltd. (hereinafter referred to as "Hangzhou Hua'an") and Leng Xiaoqi, according to the paper of civil judgment (2018)Y0304MC No. 4501 of the People's Court of Futian District, Shenzhen City, Guangdong Province, the ruling was that the defendant Hangzhou Hua'an shall pay the compensation of RMB 1,570,000 plus interest to the plaintiff, Leng Xiaoqi, within ten days since the Judgment comes into force. Hangzhou Hua'an disagreed with such ruling and lodged an appeal for trial of second instance in 2019. The court session was opened for the trial of second instance by the Shenzhen Intermediate People's Court on December 13, 2019. As of the approved release date of the Financial Reports, the Company has not received the result of judgment. Thus, the provisions will be accrued as per the payment amount sentenced in the trial of first instance.

51. Deferred Income

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Reasons for incurrence
Government subsidies related to assets	71,307,607.82	16,190,441.00	26,359,906.57	61,138,142.25	See Table 1 for details
Government subsidy related to incomes	2,103,548.45	2,202,600.00	1,061,482.79	3,244,665.66	See Table 1 for details
Total	73,411,156.27	18,393,041.00	27,421,389.36	64,382,807.91	--

Items involving government subsidy:

Unit: RMB

Liabilities item	Beginning balance	Newly-added subsidy amount in the current period	Current amount recorded in non-operating income	Amount recorded in other income in the current period	Amount for writing down cost and expense in this period	Other changes	Ending balance	Related to asset/related to income
Service system establishment		5,000,000.0		813,953.49			4,186,046.5	Related to

award		0					1	asset
Grant for key information project of enterprises in Shenzhen 2010	5,253.40			5,253.40				Related to asset
Shenzhen Public Service Platform Project of Electronic Information Material Testing 2012	1,655,886.81			582,179.48			1,073,707.33	Related to asset
Local supporting funds for South China Testing Base Project	2,250,000.00			2,250,000.00				Related to asset
Industrial Transformation and Upgrade Project (the First Batch of Industrial Revitalization and Technical Innovation Project) (Civil Works of South China Testing Base)	15,367,835.80			353,283.60			15,014,552.20	Related to asset
Subsidy for agricultural product quality safety project	1,800,481.37			795,066.52			1,005,414.85	Related to asset
Establishment fund for agricultural product quality safety system	100,000.00						100,000.00	Related to income
Fund for VOC Standard Project of Stationery and Sporting Goods	12,000.00		12,000.00					Related to income
Public Service Platform Project of Home Service Robot Detection Technology in Shenzhen	5,565,084.25			469,751.45		-9,616.22	5,085,716.58	Related to asset
Key Technology Research and Development Project of Air Pollutant Sampling and Calibration Device	359,897.92			230,948.75			128,949.17	Related to asset
Construction Project for Public Service Platform of Life Safety and Health Check	3,575,189.42			1,641,999.96			1,933,189.46	Related to asset
Special fund for agricultural development 2016	1,311,333.00			399,999.96			911,333.04	Related to asset
Research and development for separation effect testing method of	4,181,660.14			2,055,024.57			2,126,635.57	Related to asset

mechanical pollutant purification system								
Project of China National Institute of Standardization - Research on Selection and Determination of Core Elements of Technical Standards	136,660.72			-13,274.81			149,935.53	Related to income
Project of China National Institute of Standardization - Research and Application Demonstration on Classic Environment-friendly Product Evaluation Standard	45,558.71						45,558.71	Related to income
Enterprise Information Project of Special Fund of SME Administration 2017	280,000.00			112,000.00			168,000.00	Related to asset
Research on key technical standards 2017 (including emergency stop device and two-hand operation device)	211,042.85	85,600.00		170,231.41			126,411.44	Related to income
Industry development project 2018	2,536,167.57			679,449.36			1,856,718.21	Related to asset
Supporting incentive for Information Project of Bao'an District 2018	83,999.86			56,000.04			27,999.82	Related to asset
Fund for Public Technical Service Platform Project 2019		5,000,000.00		2,312,228.30			2,687,771.70	Related to asset
Fund for establishing internal training organization of CTI		500,000.00					500,000.00	Related to income
Special fund for agricultural development 2017		2,000,000.00		119,008.47			1,880,991.53	Related to asset
Research, development and application of integration testing service platform for emerging industries		1,617,000.00		106,320.53			1,510,679.47	Related to income
Enterprise		950,000.00		839,167.02			110,832.98	Related to

information construction support program of Shenzhen Municipality 2019								asset
Comprehensive testing service platform demonstration program	927,826.79			211,031.16			716,795.63	Related to asset
SME Technology Innovation Fund 2013	89,222.21			60,000.00			29,222.21	Related to asset
Special fund for SME development of central government 2013	132,962.79			85,992.00			46,970.79	Related to asset
Fund for Scientific and Technical Projects in Jinzhou New Area 2013	36,667.54			19,999.56			16,667.98	Related to asset
Operation subsidy for scientific and technical innovation platform of Jinzhou New Area, Dalian	214,039.56			66,500.04			147,539.52	Related to asset
Special fund for supporting planning organization of scientific and technical innovation entity	4,522.87			1,709.40			2,813.47	Related to asset
Subsidy for construction project of multi-functional testing technology platform	520,951.54			200,004.00			320,947.54	Related to asset
Special grant for creating Shenzhen standard of Shenzhen 2018	98,286.17			6,205.66			92,080.51	Related to income
Special fund for modern service development in Wuhan	120,000.00			120,000.00				Related to asset
Special fund for development of Chinese herb medicine in Yunnan Province 2018	1,592,304.1 ₂			406,259.69			1,186,044.4 ₃	Related to asset
Fund for scientific and technical infrastructure construction (public scientific and technical service platform) in Kunshan City 2012	101,520.34			57,000.00			44,520.34	Related to asset

Fund for enterprise support and science & technology award	3,598,573.29			84,013.40			3,514,559.89	Related to asset
Right to use government equipment	17,853,472.52			8,803,031.04			9,050,441.48	Related to asset
Capital of Entrepreneurship and Innovation Talent Team Program of Kunshan Municipality	1,500,000.00			780,000.00			720,000.00	Related to income
Special fund for industrial economy and information of Xiangcheng District 2015	27,120.00			27,120.00			0.00	Related to asset
2015 Provincial innovation capacity construction fund (first batch) 2015	212,891.31			56,608.72			156,282.59	Related to asset
Special fund for financial support project of Suzhou industrial and economic upgrade version 2015	175,000.00			79,099.01			95,900.99	Related to asset
Special fund for municipal service industry development and guide 2015	1,432,926.84			36,585.36			1,396,341.48	Related to asset
The ninth scientific and technical development program (scientific and technical innovation policy fund) project and fund in Suzhou City 2019		200,000.00		41,486.18			158,513.82	Related to asset
Political incentive for high-quality development of scientific and technical innovation in Xiangcheng District 2018 (construction of research and development organization/technical contract incentive/support to construction of innovation carrier, etc.)		1,266,141.00		552,828.82			713,312.18	Related to asset
Special fund for service industry development promotion of Hi-tech Zone 2015	657,717.09			302,100.00			355,617.09	Related to asset

(RMB 1,590,000)								
Special municipal fund for service development of Hi-tech Zone 2016 (RMB 2,407,000)	1,756,567.68			325,216.16			1,431,351.52	Related to asset
Construction subsidy for service platform of small and micro businesses in Ningbo City 2016	1,800,000.00			600,000.00			1,200,000.00	Related to asset
Construction subsidy for public service platform of small and micro businesses in Ningbo City 2017	1,080,531.79			295,609.48			784,922.31	Related to asset
Construction subsidy for public service platform of small and micro businesses in Ningbo City 2018		1,774,300.00		202,781.96			1,571,518.04	Related to asset
Total	73,411,156.27	18,393,041.00	12,000.00	27,399,773.14		-9,616.22	64,382,807.91	

Other notes:

Description for projects at the beginning of the period and project investment increased by more than RMB 1,000,000 in this period

(1) According to the *Notice of Beijing Municipal Bureau of Economy and Information Technology on Collecting Construction Projects for Capital Service System Supporting Development of SMEs in Beijing*, issued by Beijing Municipal Bureau of Economy and Information Technology on March 12, 2018, capital subsidiaries will be proportionally granted as per the project investment amount to support public service platforms, construction or renovation projects of entrepreneurship and innovation bases for small and micro enterprises, which are completed from March 1, 2017 to March 1, 2018 and have the construction period not greater than 2 years. On June 24, 2019, the Company received RMB 5,000,000.00 transferred by Beijing Municipal Bureau of Economy and Information Technology in the name of "Construction Awards for Service System", RMB 813,953.49 of which was included in other income in this period.

(2) According to the *Reply to Capital Application Report for Shenzhen Public Service Platform Project of Electronic Information Material Testing of Shenzhen CTI Testing Technology Co., Ltd.* (SFG[2012] No. 729) of the Development and Reform Commission of Shenzhen Municipality, the Company received the subsidy of RMB 4,500,000.00 from Finance Commission of Shenzhen Municipality on July 24, 2012. The subsidy has been used for purchasing equipment by the enterprise and been included into current profits or losses by installments since the day when assets are accrued for impairment, with RMB 582,179.48 included into other incomes in this period.

(3) According to the document of the *Development and Reform Commission of Shenzhen Municipality, Reply of the Development and Reform Commission of Shenzhen Municipality to Local Support Capital Report of South China Testing Base Project of Shenzhen CTI Testing Technology Co., Ltd.* (SFG[2013] No. 1776), the Company has received the subsidies of RMB 14,000,000.00 and RMB 1,000,000.00 appropriated by Finance Commission of Shenzhen Municipality respectively on July 28, 2014 and December 17, 2015. The subsidy has been mainly used for purchasing instrument and equipment, improving existing process equipment and testing conditions and purchasing necessary technology, software, etc. and has been included into current profits or losses by installments since the assets are accrued for impairment, with RMB 2,250,000.00 included into other incomes in this period. As of December 31, 2019, the subsidy has been used up.

(4) According to the *Notice of Distributing Investment Plan within Central Budget 2014 for Industrial Transformation and Upgrade Projects (First Batch of Industrial Revitalization and Technical Transformation)* (SFG[2014] No. 859) which is jointly issued by the Development and Reform Commission of Shenzhen Municipality and the Economy, Trade and Information Committee of Shenzhen Municipality, the Company has respectively received the appropriations of RMB 11,000,000.00 on December 23, 2014 and RMB 4,780,000.00 on November 16, 2016 from the Finance Commission of Shenzhen Municipality. The subsidy has been used for civil works of South China Testing Base and has been included into current profits or losses by installments since the assets are put into service, with RMB 353,283.60 included into other incomes in this period.

(5) According to the Subsidy Application Contract for Agricultural Product Quality and Safety Testing Project of Special Agricultural Development Fund of Shenzhen Municipality, the Company has respectively received the appropriations of RMB 2,000,000.00 respectively on March 11, 2015 and on December 21, 2015 from the Finance Commission of Shenzhen Municipality. According to the *Management Method of Special Agricultural Development Fund of Shenzhen*, SSYJS[2014] No. 25 and SSZL[2015] No. 11, this fund is used as the construction project subsidy of agricultural product quality and safety inspection center, which is mainly used for purchasing equipment and is included into current profits or losses by installments since the assets are accrued for

impairment, with RMB 795,066.52 included into other incomes in this period.

(6) According to the documents of the Development and Reform Commission of Shenzhen Municipality (SFG[2015] No. 963), the reply to fund application report for Public Service Platform Project of Home Service Robot Detection Technology in Shenzhen by the Development and Reform Commission of Shenzhen Municipality, the document (SFG[2015] No. 863) of the Development and Reform Commission of Shenzhen Municipality, the Economy, Trade and Information Committee of Shenzhen Municipality, the Science and Technology Innovation Committee of Shenzhen Municipality and the Finance Commission of Shenzhen Municipality and the Notice of Distributing the Supporting Plan of First Half Year of 2015 (First, Second and Third Batch) as for Special Funds for Strategic Rising Industries and Future Industry Development in Shenzhen Municipality by the Development and Reform Commission of Shenzhen Municipality, the Economy, Trade and Information Committee of Shenzhen Municipality, the Science and Technology Innovation Committee of Shenzhen Municipality and the Finance Commission of Shenzhen Municipality, the Company has respectively received the appropriation of RMB 4,000,000.00 from the fiscal funds of Shenzhen Municipality on October 29, 2015 and RMB 2,000,000.00 on October 31, 2016 from the Finance Bureau of Bao'an District, Shenzhen. The appropriation has been used for its dedicated purpose, mainly used for purchasing instrument and equipment, improving existing process equipment and testing conditions and purchasing necessary technology, software, etc. and has been included into current profits or losses by installments since the assets are accrued for impairment, with RMB 469,751.45 included into other incomes in this period and the government subsidy of RMB 9,616.22 returned back in this period.

(7) According to the document (SFG[2015] No. 793) of Development and Reform Commission of Shenzhen Municipality and the Notice of Decomposing and Distributing National Service Industry Development and Capital Guide Plan within Central Budget 2015 by the National Development and Reform Commission, the Company has received the appropriation of RMB 5,000,000.00 on July 11, 2016 for purchasing platform equipment and RMB 710,000.00 on December 22, 2017 from the Finance Commission of Shenzhen Municipality for purchasing platform equipment. According to the document of the Technology Innovation Bureau of Bao'an District, Shenzhen Municipality (SBK[2017] No. 64) and the Notice of Capital Arrangement Plan of 24 Projects Including the Construction Subsidy for Testing Laboratories with State-recognized Qualification in Bao'an District 2017, the Company has received the special fund from Finance Bureau of Bao'an District on September 30, 2017. The amount has been used for its dedicated purpose, i.e., purchasing equipment for the public service platform of life safety and health testing and for technological innovation, research and development of the platform project. The amount has been included into current profits or losses by installments since the assets are put into service, with RMB 1,641,999.96 included into other incomes in this period.

(8) According to the document (SSZ[2016] No. 406) of the Market and Quality Supervision Commission of Shenzhen Municipality, the Notice of the Market and Quality Supervision Commission of Shenzhen Municipality about Distributing Agricultural Product Quality and Safety Testing Project Subsidy of Special Agricultural Development Fund 2016 and the Subsidy Application Contract for Agricultural Product Quality and Safety Testing Project of Special Agricultural Development Fund of Shenzhen Municipality executed between the Company and the Market and Quality Supervision Commission of Shenzhen Municipality, the Company has received the appropriation of RMB 2,000,000.00 from Finance Commission of Shenzhen Municipality on December 16, 2016. The fund has been used for its special purpose for purchasing equipment for the Capacity Expansion Project of CTI Agricultural Product Quality and Safety Testing Center and has been included into current profits or losses since the assets are put into service, with RMB 399,999.96 included into other incomes in this period.

(9) According to the Document SFG [2017] No. 713, the Company and the Science and Technology Innovation Committee of Shenzhen Municipality executed the Shenzhen Science and Technology Plan Project Agreement (Project No. JSGG20170413162752680, Project Name: Research and Development of Testing Method for Separation Effect of Mechanical Pollutant Purification System). As agreed in the Contract, the fund of RMB 4,500,000 will be provided to the Company as the subsidy for research and development of testing method of separation effect of mechanical pollutant purification system. The subsidy is mainly used for purchasing equipment and is included into current profits or losses since the assets are accrued for impairment. On June 30, 2017, the Company has received the fund appropriated by the Finance Commission of Shenzhen Municipality, which has been carried forward to current profits or losses as per actual usage amount, with RMB 2,055,024.57 included into other incomes in this period.

(10) According to the document of Economy, Trade and Information Committee of Shenzhen Municipality, *Notice of the Economy, Trade and Information Committee of Shenzhen Municipality about Publicity of Proposed Projects Covered by the Public Service Platform Support Program of Special Industrial Development Fund for Productive Service Industry 2018*, (SJMXXSCZ[2018] No. 264), Centre Testing International Group Co., Ltd. has received the fund of the Public Service Platform Support Program for Productive Service Industry, RMB 10,000,000.00, on December 20, 2018 from Finance Commission of Shenzhen Municipality. The fund has been used for its dedicated purpose for construction of the National Service Platform Project of Quality Testing Center of Toxic and Harmful Substance from Electric Products. The subsidy has been mainly used for purchasing relevant equipment for the enterprise and has been included into current profits or losses since the assets are used, with RMB 679,449.36 included in other incomes in this period.

(11) According to the *Notice of Shenzhen Industrial and Information Technology Bureau about Publicity of Proposed Funding Program (First Batch) of Special Public Technology Service Platform Program of Technical Transform and Multiplication 2019* (SGXTCZ[2019] No.54), Centre Testing International Group Co., Ltd. has received the public technology service platform fund 2019, RMB 5,000,000.00, from the Finance Commission of Shenzhen Municipality on May 9, 2019. The subsidy has been used for purchasing equipment and has been included into current profits or losses by installments since the assets are put into service, with RMB 2,312,228.3 included into other incomes in this period.

(12) According to the *Circular of Market and Quality Supervision Commission of Shenzhen Municipality about Publicizing Agricultural Product Quality and Safety Testing Project Funding Program by the Special Agricultural Development Fund 2017* (SSZTG[2018] No. 55), Centre Testing International Group Co., Ltd. has received the special agricultural development supporting fund of 2017 of RMB 2,000,000.00 from the Market and Quality Supervision Commission of Shenzhen Municipality in November 30, 2018. The subsidy has been used for purchasing equipment and has been included into current profits or losses by installments since the assets are put into service, with RMB 119,008.47 included into other incomes in this period.

(13) According to the documents as the *Several Opinions of the State Council on Improving and Strengthening Administration of Scientific Research Projects and Funds Supported by Central Finance* (GF[2014] No.11) and the *Publicity List of Proposed Projects of Key and Special Projects 2018 of "General Key Technology Research and Development and Application Demonstration for Modern Service Industry"* in the *National Key Research and Development Program in the Notice of Arrangement Publicity of Key and Special Projects 2018 of "General Key Technology Research and Development and Application Demonstration for Modern Service Industry"* in the *National Key Research and Development Program* by the Hi-tech Research and Research Development Center of the Ministry of Science and Technology of the People's Republic of China, Centre Testing International Group Co., Ltd. has received the subsidy from the Hi-tech Research and Research Development Center of the Ministry of Science and Technology of the People's Republic of China on September 27, 2019, totaling RMB 7,460,000.00, including RMB 1,617,000.00 belonged to CTI. The subsidy has been used for paying various costs incurred in connection with research and development of the project and carried forward to current profits or losses as per the actual amount used, with RMB 106,320.53 included into other incomes in this period.

(14) According to the Notice of Finance Bureau of Kunming Municipality and the Industry and Information Technology Bureau of Kunming Municipality about Distributing Special Development Fund for Chinese Herb Medicine Industry 2018 (KCCY[2018] No. 273), the Company has received the special fund for development of Chinese herb medicine industry, RMB 3,000,000, from the National Treasury of Economic and Technological Development zone, Kunming Municipality on December 25, 2018. The subsidy has been used for equipment of the Capacity Improvement Project of Chinese Herbal Medicine Quality Testing Organization and has been included into current profit or losses by installments since the assets are put into service, with RMB 406,259.69 included into other incomes in this period.

(15) According to the 2nd Scientific and Technical Innovation Joint Conference Minute of Investment Attraction Administration of Kunshan Hi-tech Zone (GXQ[2012] No. 179), the subsidiary, CTI Biotechnology (Suzhou) Co., Ltd., has respectively received the Construction Subsidy for Kunshan GLP Project Base of RMB 1,000,000 in 2015, RMB 1,000,000 in 2016 and RMB 1,800,000 in 2019 from the Investment Attraction Administration of Kunshan Hi-tech Zone. The subsidy has been used for construction of the Kunshan GLP Base Project and included into current profits or losses by installments since the assets are put into service, with RMB 84,013.40 included into other incomes in this period.

(16) In 2010, CTI Group and the Management Committees of Kunshan New and High Tech Industrial Development Zone reached an investment intention agreement on constructing Suzhou Biological Co., Ltd. (the Pre-clinical CRO Research Base) in Kunshan Hi-tech Zone. On June 5, 2012, a supplemental agreement was executed. The Management Committees of Kunshan Hi-tech Industrial Development Zone made the commitment that its subsidiary, Jiangsu Kunshan Hi-Tech Industry Investment Development Co., Ltd. shall cumulatively contribute RMB 50,000,000 within 4 years since 2012 to purchase instrument and equipment listed for the platform. Later, Jiangsu Kunshan Hi-Tech Industry Investment Development Co., Ltd. executed the *Entrusted Operation Management Agreement* with Suzhou Biology. As agreed, the investment of not less than RMB 50,000,000 shall be successively invested to equipment for free use by Suzhou Biological. The term of service is 20 years, from January 10, 2013 to January 9, 2033. Kunshan Hi-Tech Industry Investment Development Co., Ltd. shall have the equipment ownership. Suzhou Biological has successively received the invested equipment from 2013 to 2016, with the total amount of RMB 49,775,842.00. As of the end of 2016, the net amount of equipment is RMB 26,656,503.38 and RMB 8,803,031.04 is transferred in other income in this period.

(17) According to the *Implementation Comments on the Entrepreneurship and Innovation Talent (Team) Program of Kunshan Municipality (Trial)* (KZF[2017] No. 42), the subsidiary CTI Biotechnology (Suzhou) Co., Ltd. has received the special fund of RMB 1,500,000.00 on December 17, 2018, which is appropriated from the Fiscal Zero-Balance Account of Kunshan Municipality. These subsidies have been used for creating a domestic leading and international famous pre-clinical medicine safety evaluation and technical service platform by Suzhou CTI Biological Technology Co., Ltd., with RMB 780,000.00 included in other incomes in this period.

(18) According to the document of Development and Reform Bureau of Xiangcheng District, Suzhou Municipality and the Finance Bureau of Xiangcheng District, Suzhou Municipality, the *Notice about Distributing Municipal Service Industry Development Guide Fund 2015 to Suzhou CTI Testing Technology Co., Ltd.* (XFGF(2017) No. 1 and XCQ(2017) No. 7), the subsidiary Suzhou CTI Testing Technology Co., Ltd. has received the special fund of RMB 1,500,000.00 from the Finance Department of Weitang Town, Xiangcheng District on March 17, 2017. The subsidy has used for construction of lab base by the enterprise and included into current profits or losses by installments since the day when assets are accrued for impairment, with RMB 36,585.36 included into other incomes in this period.

(19) According to the *Notice of Appropriating Political Awards to High Quality Development of Scientific and Technical Innovation of Xiangcheng District 2018 (Construction of R&D Organization, Award of Technical Agreement, Support to Construction of Innovative Carrier, etc.)* by the Science and Technology Bureau of Xiangcheng District, Suzhou Municipality, the subsidiary, Suzhou CTI Testing Technology Co., Ltd. has received the special fund of RMB 1,266,141.00 from the Science and Technology Bureau of Xiangcheng District, Suzhou Municipality on October 15, 2019. The fund has been used for constructing R&D organizations, identifying technical contracts and rewarding scientific and technical service organizations and included into current profits or losses by installments since the assets are accrued for impairment, with RMB 552,828.82 included into other incomes in this period.

(20) According to the document of the Economic Development Bureau of National Hi-tech Zone of Ningbo Municipality and the Financial Bureau of National Hi-tech Zone of Ningbo Municipality, the *Notice of Distributing Municipal Special Fund for Service Industry Development of Hi-Tech Zone 2016* (YGXJ[2017] No. 30), the subsidiary Ningbo CTI Testing Technology Co., Ltd. has received the special fund of RMB 2,407,000.00 on March 29, 2017 from the State-owned Assets Management and Accounting Center of Ningbo National Hi-tech Zone. The subsidy has been used for purchasing relevant equipment by the enterprise and included into current profits or losses by installments since the day when assets are accrued for impairment, with RMB 325,216.16 included into other incomes in this period.

(21) According to the document of the Finance Bureau of Ningbo Municipality, *About Clearing and Distributing Special Funds (First Batch) for Entrepreneurship and Innovation Model Bases of Small and Micro Businesses in Cities 2017* (YCZF[2017] No.

734), the subsidiary Ningbo CTI Testing Technology Co., Ltd. has received the special fund of RMB 3,000,000.00 on December 21, 2017 from the State-owned Assets Management and Accounting Center of Ningbo National Hi-tech Zone. The subsidy has been used for purchasing relevant equipment by the enterprise included into current profits or losses by installments since the day when assets are accrued for impairment, with RMB 600,000.00 included into other incomes in this period.

(22) According to the document of the Finance Bureau of Ningbo Municipality, the *Notice About Clearing and Distributing Special Funds (Second Batch) for Entrepreneurship and Innovation Model Bases of Small and Micro Businesses in Cities 2018* (YCZF[2018] No. 646), the subsidiary Ningbo CTI Testing Technology Co., Ltd. has received the special fund of RMB 1,129,800.00 on November 27, 2018 from the State-owned Assets Management and Accounting Center of Ningbo National Hi-tech Zone. The subsidy is used for purchasing relevant equipment by enterprises, which will be included into current profits or losses by installments during the remaining service life of the assets, with RMB 295,609.48 included into other incomes in this period.

(23) According to the Document "YCZF[2019] No. 612" of Finance Bureau of Ningbo Municipality, the *Notice about Distributing the Special Fund for (Fourth Batch) for Entrepreneurship and Innovation Model Bases of Small and Micro Businesses in Cities 2019*, the subsidiary Ningbo CTI Testing Technology Co., Ltd. has received the special fund of RMB 1,774,300.00 from Ningbo Finance Bureau on August 22, 2019. The subsidiary has been used for setting up the public service platform of enterprise and included into current profits or losses by installments within remaining service life of the assets, with RMB 202,781.96 included into other incomes in this period.

52. Other non-current liabilities

Whether the new income standard has been implemented

Yes No

N/A.

53. Equity

Unit: RMB

	Beginning balance	The changes increase or decrease(+ or -)					Ending balance
		Newly issued shares	Allocated shares	Shares transferred from provident fund	Others	Sub total	
Total number of shares	1,657,530,714.00						1,657,530,714.00

Other notes:

N/A.

54. Other equity instruments

(1) Basic information of other financial instruments outstanding at the end of period, such as preferred shares and perpetual bonds

N/A.

(2) Movement statement of outstanding preferred stock, perpetual bond and other financial instruments at the end of period

N/A.

55. Capital reserve

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Capital premiums (stock)	34,548,922.63			34,548,922.63
Other capital reserves	7,436,851.36	14,068,657.24	4,679,781.39	16,825,727.21
Total	41,985,773.99	14,068,657.24	4,679,781.39	51,374,649.84

Other notes, including explanation for increase and decrease in the current period and related reasons:

Note 1: The composition of the increase in this period: RMB 13,825,157.99 of the stock payment in this period is included into the capital reserves. In this period, equities of Guangzhou CTI Hengjian Engineering Testing Co., Ltd. were sold to minority

shareholders; the capital reserves were increased by RMB 195,274.57, the difference between the disposal proceeds and the share of the equity to the net assets; and RMB 48,224.68 were included into the capital reserves due to other reasons.

Note 2: Deduction composition of this period: the minority equities of Tianjin Jinbin CTI Product Testing Center Co., Ltd. were acquired in this period. The capital reserves were decreased by RMB 1,535,841.76, the difference between the acquisition proceeds and the net assets corresponding to the acquired equity proportion on the acquisition date. The minority equities of Guangzhou CTI Hengjian Engineering Testing Co., Ltd. were acquired in this period. The capital reserves were decreased by RMB 3,143,939.63, the difference between the acquisition proceeds and the net assets corresponding to the acquired equity proportion on the acquisition date.

56. Treasury stock

N/A.

57. Other comprehensive income

Unit: RMB

Item	Beginning balance	Amount incurred in the current period						Ending balance
		The amount incurred before income tax in the current period	Less: Amount recorded in other comprehensive income in the prior period and converted into profit/loss in the current period	Less: Amount recorded in other comprehensive income in the prior period and converted into retained incomes in the current period	Less: income tax expenses	After-tax amount attributable to parent company	After-tax amount attributable to minority shareholders	
II. Other consolidated income to be reclassified into profits and losses	2,324,968.79	1,916,956.65				1,916,956.65		4,241,925.44
Translation difference in foreign currency financial statements	2,324,968.79	1,916,956.65				1,916,956.65		4,241,925.44
Total other comprehensive income	2,324,968.79	1,916,956.65				1,916,956.65		4,241,925.44

Other notes: including the adjustment converting effective part of profit and loss of cash flow hedges to the initial recognition amount of the hedged item:

N/A.

58. Special reserves

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Total		0.00	0.00	

Other notes, including explanation for increase and decrease in the current period and related reasons:

N/A.

59. Surplus reserve

Unit: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
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Legal reserve	105,212,602.04	33,020,874.20		138,233,476.24
Total	105,212,602.04	33,020,874.20		138,233,476.24

Explanation for surplus reserves, including that for current changes and related reasons:

N/A.

60. Undistributed profits

Unit: RMB

Item	Current period	Previous period
Undistributed profits at the end of previous period before adjustment	910,396,183.20	684,408,578.28
Undistributed profits at the beginning of the period after adjustment	910,396,183.20	684,408,578.28
Add: Net profits attributable to owners of the parent company in the current period	476,396,504.93	269,983,678.83
Less: Appropriation of statutory surplus reserves	33,020,874.20	2,557,806.06
Payable dividends for ordinary shares	58,013,574.60	41,438,267.85
Undistributed profits at the end of the period	1,295,758,239.33	910,396,183.20

Details of undistributed profits at the beginning of the adjustment period:

- 1) Retroactive adjustment shall be made according to the *Accounting Standards for Business Enterprises* and related new regulations, and undistributed profit at beginning of influence period is RMB 0.00.
- 2) Due to alteration of accounting policies, undistributed profit at beginning of influence period is RMB 0.00.
- 3) Due to alteration of major errors in accounting policies, undistributed profit at beginning of influence period is RMB 0.00.
- 4) Change in consolidation scope due to common control imposes an impact of RMB 0.00 on undistributed profits at the beginning of the period.
- 5) Other adjustments exert no impact on undistributed profits at the beginning of the period.

61. Operating revenue and operating cost

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Costs	Revenue	Costs
Major operations	3,174,536,719.70	1,609,275,574.02	2,675,694,257.13	1,478,619,487.65
Other operations	8,718,992.97	1,189,717.79	5,186,988.09	1,255,743.07
Total	3,183,255,712.67	1,610,465,291.81	2,680,881,245.22	1,479,875,230.72

Whether the new income standard has been implemented

Yes No

Other notes

N/A.

62. Taxes and surcharges

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
City maintenance and construction tax	4,314,674.23	2,580,022.32
Education surcharges	2,120,277.93	1,339,301.65
House property tax	3,128,520.95	1,955,839.19
Land usage tax	713,473.66	769,205.05
Vehicle and vessel usage tax	72,202.86	59,319.98
Stamp Tax	1,438,990.80	1,359,118.46
Local education surcharges	1,435,530.03	847,698.96

Other tax	255,691.84	111,881.23
Total	13,479,362.30	9,022,386.84

Other notes:

N/A.

63. Sales expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	350,273,158.35	276,135,641.50
Depreciation and amortization costs	6,600,926.88	5,373,270.53
Rents and utilities	16,232,467.98	14,962,728.73
Office allowance	26,544,275.11	26,925,359.14
Travel expense	55,060,672.68	36,738,336.31
Entertainment expense	42,843,377.63	54,323,232.58
Training expense	844,471.75	942,884.34
Market promotion expense	100,456,768.76	83,915,973.72
Others	5,873,060.03	7,037,596.31
Total	604,729,179.17	506,355,023.16

Other notes:

N/A.

64. Administrative expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	126,087,932.84	101,616,045.97
Share-based payment	13,825,157.99	937,842.01
Depreciation and Amortization	12,712,233.70	17,485,280.11
Rents and utilities	8,467,759.82	8,947,503.02
Office allowance	23,716,827.32	18,451,187.92
Travel expense	7,941,059.54	6,194,924.65
Consultation and training expense	18,112,179.53	18,540,400.93
Certification charge	380,730.18	433,242.53
Materials and consumables	1,338,469.45	889,307.00
Others	10,088,857.14	7,383,956.82
Total	222,671,207.51	180,879,690.96

Other notes:

N/A.

65. R&D expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	178,793,627.79	119,495,538.81
Material Expense*	50,665,299.47	42,994,803.88
Depreciation and Amortization	44,364,381.40	32,469,365.10
Equipment adjustment fee	196,445.90	103,561.29
Rental and utilities	21,601,267.53	20,681,368.62
Others	4,968,377.59	6,312,651.07

Total	300,589,399.68	222,057,288.77
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Other notes:

N/A.

66. Financial expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest expenses	9,190,009.02	30,271,015.74
Less: Interest income	3,099,180.27	8,227,057.02
Net exchange losses/gains	460,087.61	-1,775,418.38
Bank handling charge and others	1,119,468.07	1,306,663.50
Total	7,670,384.43	21,575,203.84

Other notes:

N/A.

67. Other incomes

Unit: RMB

Sources of other incomes	Amount incurred in the current period	Amount incurred in the previous period
Transferred to deferred profits	27,399,773.14	29,869,590.11
Acceptance balance payment of the Scientific and Technical Development Project (Special Technical Innovation Project of Key Industries) of Xiangcheng District 2016	120,000.00	
Post research and development subsidy 2016	61,600.00	
Awards to excellent scientific and technical innovation enterprises 2017	15,400.00	
One-time incentive fund for "Enterprise Professionals" of rewarded enterprises in the urgently-needed professional program for Gusu key industries 2017 and the urgently-needed professional and talent program of Yangcheng Lake	65,000.00	
Fund for of Entrepreneurship and Innovation Talent Team Program of Kunshan Municipality 2017	150,000.00	200,000.00
Construction subsidy for enterprise research and development organization 2017	600,000.00	
Supporting incentive for Information Project of Bao'an District 2018	300,000.00	
Special fund for the second batch of provincial industry and information transformation and upgrade 2018	410,000.00	
Political reward for high-quality development of the third batch of scientific and technical innovation in Xiangcheng District 2018	10,000.00	
Honor of Scientific and Technical Coupon 2018	2,680.00	
Intended fund for the Information and Industrialization Integration Project for Municipal Industrial Transformation and Upgrade 2018	1,000,000.00	500,000.00

Subsidy for municipal scientific and technical innovation coupon 2018	100,000.00	
Special fund for scientific innovation and development (intellectual property) of Xiangcheng District 2018	2,000.00	
Political support fund for brand construction and high-quality development of Xiangcheng District (first batch) 2018	90,720.00	
Special fund for transformation, upgrading, innovation and development of Xiangcheng District 2018 (the fourth scientific and technical batch)	300,000.00	
Special incentive fund for high-quality province and subsidy fund of technical standard 2018	21,600.00	
Technical Innovation Projects of Key Industries in Kunshan City 2018	100,000.00	200,000.00
Enterprise research and development grant 2018	2,046,000.00	
Enterprise innovation and development promotion policy 2019	800,000.00	
Special fund for scientific research and development 2019 (fourth batch)	29,820.45	
Special fund for scientific research and development 2019 (first batch)	234,240.90	
Fund for high quality development and industrial economy of Kunshan City 2019 - Enterprise information project	53,500.00	
Subsidy for party building of new economy organization and new social organization 2019	8,000.00	
Large instrument subsidy of Anhui Province	696,000.00	457,000.00
Technical contract subsidy of Anhui Province	81,000.00	
Fixed-amount subsidy for scientific and technical intellectual property of Anhui Province	4,000.00	
Research and development instrument subsidy of Anhui Province	591,000.00	99,500.00
Incentive for inspection and testing service of innovation coupon	22,606.36	
Special fund for promoting high quality economic development through innovation and transformation	300,000.00	
Subsidy for entrepreneurship creating jobs	30,000.00	
Subsidy for college student subsidy	70,200.00	
Return of handling charges for withheld non-resident enterprise income tax	1,142.29	
Return of handling charges for withheld individual income tax	284,085.38	794,052.77
Subsidy fund of party-building work	30,000.00	
Special fund for development of local service trade	45,300.00	
Subsidy for patent for invention	6,000.00	
Commission return of withheld house rent	642.53	

R&D subsidy for hi-tech enterprise	240,000.00	
Social insurance subsidy for college graduates	181,573.50	135,835.00
Fund of public health program	136,720.00	
Encouraging professional service enterprises to expand	5,000.00	
Special fund for national service and trade development	1,334,100.00	
Reimbursement for Henan Quality Benchmark Prize	400,000.00	
Deduction of value-added tax	7,904.39	
Internship allowance	204,960.00	128,520.00
Subsidy of Productivity Promotion Center of Jiangsu Province	30,000.00	
Employment insurance subsidy	11,972.80	
Praise of excellent scientific and technical innovation enterprises	500,000.00	
Subsidy after research and development investment of scientific and technical enterprise	1,230,000.00	
Two-way opening and sharing subsidy for scientific research instrument	50,000.00	
Development support to Testing, Inspection and Certification Industry Park of Nantong City	20,860.00	
Special fund for industrial concentration and development of core and basic parts of Ningguo City	482,300.00	216,000.00
Award of Enterprise Technology Center	300,000.00	
Provincial financial incentive for research and development cost of enterprise	100,000.00	
Brand and trademark grant	50,000.00	
Financial support fund for trade development and promotion center of Pudong New Area, Shanghai	1,375,600.00	
Social security rebate	72,288.00	
Hi-tech subsidy of Scientific and Technical Innovation Committee of Bao'an District, Shenzhen Municipality 2019	350,000.00	
Childbirth allowance	14,292.39	6,440.55
Provincial patent grant	1,500.00	
Tax deduction	417.29	
Subsidies from National Autonomous Innovation Demonstration Zone in Southern Jiangsu	500,000.00	
The 13 th Scientific Development Plan (Scientific and Technical Infrastructure) Project and Fund of Suzhou 2019	500,000.00	
Subsidy for Suzhou Municipal Engineering Technology Research Center	200,000.00	
Subsidy fund for technical standard of Suzhou and special government fund for incentive of high quality	108,000.00	
Post subsidy	1,012,002.77	789,621.90

Subsidy for social insurance of recruiting employment	1,800.00	87,121.00
Deduction of educational surtax of small and micro businesses	64,357.91	
Government subsidy for research and development project	450,600.00	
Grant for project in zone	200,000.00	
Immediate refund of VAT levied	6,261,374.68	
Special Fund Project for Innovation and Entrepreneurship of Small and Micro Businesses of Economic Development Zone in Changsha City	200,000.00	
Subsidy fund for research and development investment of recognized high-tech enterprises in Changsha City 2018	150,000.00	
Town-level financial support fund	20,900.00	
Intellectual property subsidy	5,000.00	
Reward fund for SME service organizations	300,000.00	300,000.00
District-level supporting subsidy for provincial research and development investment 2019	10,000.00	
Start-up investment grant for enterprises in Development Zone 2016		143,400.00
Fund for Gusu Entrepreneurship and Innovation Leader and Talent Project (Second Batch) 2017		200,000.00
Intended fund for the Information and Industrialization Integration Project for Municipal Industrial Transformation and Upgrade 2017		200,000.00
Subsidies from National Autonomous Innovation Demonstration Zone in Southern Jiangsu 2017		300,000.00
Brand promotion project of CTI 2017		500,000.00
Scientific and technical progress award of Kunshan City 2017		10,000.00
Scientific and technical innovation incentive for the second half year of 2017		12,639.50
Rent subsidy for innovation and entrepreneurship of small and micro businesses 2017		150,000.00
Provincial hi-tech enterprise cultivation fund		105,507.00
Subsidy for booth fee of Baoan Industry Development Expo 2018		59,200.00
Subsidy for party-building work 2018		23,000.00
Incentive fund for domestic patent 2018		6,000.00
Subsidy for science and technology service industry 2018		400,000.00
Subsidies from National Autonomous Innovation Demonstration Zone in Southern Jiangsu 2018		300,000.00
Incentive for inspection and testing of innovation coupon in the third quarter of 2018		6,436.64

R&D subsidy		178,200.00
Patent grant of Beijing Municipality		450.00
Public service platform for standard resolution, industrial development and technical exchange		1,053,400.00
Young Eagles Plan		456,600.00
Fund for subsidy and incentive of shared service of large instruments and inspection & testing items		40,000.00
Post allowance and social insurance allowance policy for entrepreneurship of college graduate		104,155.10
Special subsidy for business incubator		50,000.00
Special fund for development of service trade		10,100.00
Supporting subsidy for national and provincial technology awards		95,000.00
Unemployment compensation of Employment Administration of Hangzhou Municipality		14,210.41
Public service platform of testing technology of CTI Pingzheng		700,000.00
Fund of the Science and Technology Bureau for the Ninth Scientific and Technical Project of Hi-tech Zone 2018		178,200.00
Two-way opening and sharing subsidy for scientific research instrument		44,000.00
Kunshan science and technology service subsidy		31,900.00
Business settlement and cultivation policy of Pudong New Area during the "13 th Five-year Plan"		1,704,000.00
Equipment subsidy		83,231.00
Social insurance subsidy for small and micro businesses recruiting college graduates		88,859.89
VAT refund		16,387,228.11
Municipal subsidy fund for excellent performance import of Quality Supervision Administration		50,000.00
Special fund for transformation, upgrading, innovation and development 2018 (the first scientific and technical batch) - Hi-tech subsidy		80,000.00
Special fund for transformation, upgrading, innovation and development 2018 (the second scientific and technical batch) - grant for patent for invention		20,000.00
Special fund for transformation, upgrading, innovation and development 2018 (the third scientific and technical batch)		546,562.10
Internship subsidy of human center		95,930.00
R&D project subsidy		351,000.00
Enterprise R&D subsidy of Science and Technology Bureau of Xiamen Municipality		92,400.00

R&D subsidy of Science and Technology Bureau of Haicang District		100,000.00
Internship subsidy for college graduates		11,310.00
R&D investment subsidy		432,800.00
Post research and development investment subsidy 2016		230,000.00
Grant for research and development investment of enterprises in Development Zone 2016		46,800.00
Municipal grant for research and development cost investment of SMEs (first batch and second batch) 2018		51,000.00
Total	53,165,834.78	59,527,201.08

68. Investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Return on long-term equity investment accounted by equity method	14,061,999.74	6,672,808.35
Investment income from disposal of long-term equity investments	52,383,351.87	3,109,828.30
Investment income resulting from sales of available-for-sale financial assets during the holding period		15,274,500.00
Financial income	17,997,762.01	19,248,920.78
Total	84,443,113.62	44,306,057.43

Other notes:

N/A.

69. Gains from net exposure hedge

N/A.

70. Income from change of fair value

Unit: RMB

Sources of gains from changes in fair value	Amount incurred in the current period	Amount incurred in the previous period
Other non-current financial assets	-913,655.36	
Total	-913,655.36	

Other notes:

N/A.

71. Credit impairment losses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Loss from bad debt	-32,498,960.46	
Total	-32,498,960.46	

Other notes:

The new financial instrument guideline will be executed by the Company in this period, with impairment of receivables, other receivables and bills covered by the credit impairment loss subject.

72. Impairment losses on assets

Whether the new income standard has been implemented

 Yes No

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Bad debt loss		-42,901,277.07
II. Loss on inventory devaluation		183,663.10
XIII. Loss on goodwill impairment	-13,520,247.34	-7,037,014.35
Total	-13,520,247.34	-49,754,628.32

Other notes:

The new financial instrument guideline will be executed by the Company in this period, with impairment of receivables, other receivables and bills covered by the credit impairment loss subject.

73. Gain on disposal of assets

Unit: RMB

Source of gain on disposal of assets	Amount incurred in the current period	Amount incurred in the previous period
Disposal of fixed assets	-425,955.06	-511,498.10
Disposal of intangible assets	5,188.67	
Total	-420,766.39	-511,498.10

74. Non-operating revenues

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in non-recurring profit and loss of the current period
Government subsidy	7,353,475.42	10,090,916.01	7,353,475.42
Payments cannot be made	880,647.39	13,262.51	880,647.39
Gains from inventory profit	280,488.76		280,488.76
Compensation for claim settlement	1,140,806.75	17,311.00	1,140,806.75
Others	13,391,776.29	1,991,394.15	13,391,776.29
Total	23,047,194.61	12,112,883.67	23,047,194.61

Government subsidies recorded in current profits or losses:

Unit: RMB

Subsidy item	Granting entity	Reason for granting	Nature and type	Does the subsidy have influence the current profits or losses	Special subsidy or not	Current amount incurred	Prior amount incurred	Related to asset/related to income
Transferred to deferred profits				Yes	No	12,000.00	50,000.00	Related to income
Special fund for scientific, technical and industrial development	Technology Innovation Bureau of Bao'an District	Subsidy	Subsidy for special trades and industries encouraged and supported by the state (obtained by law)	Yes	No	648,000.00		Related to income

			according to provisions of national policies)					
Incentive for enterprise employing dependents of soldiers	Veteran Affairs Bureau of Shenzhen Municipality	Reward	Grant obtained due to undertake	Yes	No	2,400.00		Related to income
Standardization strategy fund incentive of Shenzhen Municipality 2018	Market and Quality Supervision Commission of Shenzhen Municipality	Reward	Subsidy granted due to compliance to local supporting policies including business and investment attraction of local government	Yes	No	4,999,999.89		Related to income
Municipal support fund for national hi-tech enterprises in Dongli District 2018	Science and Technology Bureau of Dongli District, Tianjin	Subsidy	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No	150,000.00		Related to income
District-level incentive fund for national hi-tech enterprises in Dongli District 2018 and service coupon subsidy for national hi-tech enterprise 2018	Science and Technology Bureau of Dongli District, Tianjin	Subsidy	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No	180,000.00		Related to income
Government subsidy for scientific and technological projects	Science and Technology Bureau of Shenyang	Subsidy	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No	300,000.00		Related to income
Standardization grant and award	Qingdao Bureau of Quality and	Reward	Subsidy granted due to	Yes	No	12,000.00		Related to income

	Technical Supervision		compliance to local supporting policies including business and investment attraction of local government					
Special grant for creating Shenzhen standard of Shenzhen 2018	Market and Quality Supervision Commission of Shenzhen Municipality	Subsidy	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No	90,000.00		Related to income
Gazelle enterprise subsidy 2018	Technology Innovation Bureau of Guangzhou Development Zone	Subsidy	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No	550,000.00		Related to income
Standardization capital subsidy of Quality Supervision Administration of Xiamen Municipality	Quality Supervision Administration of Xiamen Municipality	Subsidy	Subsidy granted due to compliance to local supporting policies including business and investment attraction of local government	Yes	No	225,000.00		Related to income
Tax incentive	People's Government of Weitang Town, Xiangcheng District, Suzhou Municipality	Reward	Subsidy granted due to compliance to local supporting policies including business and investment attraction of local government	Yes	No	80,000.00		Related to income
Allowance of maternity insurance	Foshan Administrative Bureau of	Subsidy	Subsidy for special trades and	Yes	No	12,008.50		Related to income

	Social Security Fund		industries encouraged and supported by the state (obtained by law according to provisions of national policies)					
Special construction fund for the fifth batch of innovation provinces 2019	Administrative Commission of Changsha Economic and Technological Development Zone	Subsidy	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No	26,604.00		Related to income
Post subsidy	Human Resource and Social Security Bureau	Subsidy	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No	6,644.93	6,657.48	Related to income
Social security rebate	Employment Administration Office of Longwan District, Wenzhou Municipality	Subsidy	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No	58,818.10		Related to income
Subsidy (grant) (bandwidth subsidy) for innovation and entrepreneurship subsidy of small and micro businesses 2015	Finance Bureau of Hangzhou Economic and Technological Development Zone	Subsidy	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No		5,000.00	Related to income

Municipal scientific and technology planning project 2016	Fiscal Payment Center of Qingjiangpu District, Huai'an Municipality	Subsidy	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No		150,000.00	Related to income
Special standardization grant of Shenzhen Municipality 2017	Market and Quality Supervision Commission of Shenzhen Municipality	Subsidy	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No		4,752,000.00	Related to income
Subsidy for post-recognition of key scientific and technical service organization 2017	Kunming Economic and Technological Development Zone Management Committee	Subsidy	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No		50,000.00	Related to income
Business attraction and cultivation policy (PCFCL [2018] No. 00025)	People's Government of Caolu Town, Pudong New Area, Shanghai	Subsidy	Subsidy granted due to compliance to local supporting policies including business and investment attraction of local government	Yes	No		26,400.00	Related to income
Standardization strategy grant	Talent and Technology Bureau	Subsidy	Subsidy granted due to compliance to local supporting policies including business and investment attraction of local	Yes	No		143,000.00	Related to income

			government					
Honor of top 100 tax payment enterprises in Weitang Town 2017	Committee of Weitang Town, Xiangcheng District, Suzhou City and People's Government of Weitang Town, Xiangcheng District, Suzhou City	Reward	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No		30,000.00	Related to income
Incentive for high-growth enterprises	Paying by the State Treasury of High-tech Zone, Zhengzhou City	Reward	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No		100,000.00	Related to income
Incentive for hi-tech enterprises	Technology Innovation Bureau	Reward	Subsidy obtained due to research, development, technical update, reform, etc.	Yes	No		700,000.00	Related to income
Subsidy for hi-tech cultivation project	Science and Technology Bureau of Shenyang	Subsidy	Subsidy obtained due to research, development, technical update, reform, etc.	Yes	No		100,000.00	Related to income
Subsidy for worker pioneer	Federation of Trade Unions of Hi-tech Zone	Subsidy	Grant obtained due to undertake	Yes	No		1,500.00	Related to income
Support to Micro Enterprise Development of Guiyang City (Document (2016) No. 174)	Guiyang Municipal Administration of Industry and Commerce, Guiyang National Economic and Technological Development Zone Branch	Subsidy	Grant obtained due to undertake	Yes	No		23,358.53	Related to income
Subsidy for recognition of national hi-tech enterprise	Technology Innovation Bureau	Subsidy	Subsidy for special trades and industries encouraged and supported by	Yes	No		550,000.00	Related to income

			the state (obtained by law according to provisions of national policies)					
Subsidy for rent of entrepreneurship of Human Resource and Social Security Bureau of Huai'an Municipality	Human Resource and Social Security Bureau of Huai'an Municipality	Subsidy	Grant obtained due to undertake	Yes	No		5,000.00	Related to income
Incentive for scientific and technical SMEs	Paying by the State Treasury of High-tech Zone, Zhengzhou City	Reward	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No		8,000.00	Related to income
Sponsor of high level academic activity of Kunshan City	Technology bureau	Subsidy	Subsidy obtained due to research, development, technical update, reform, etc.	Yes	No		100,000.00	Related to income
Scientific and technical quota redemption policy of Science and Technology Bureau of Xiamen Municipality	Science and Technology Bureau of Xiamen Municipality	Subsidy	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No		50,000.00	Related to income
Incentive for large-scale industrial unit, qualified construction unit, above-quota wholesale, retail, accommodation & catering unit and above-quota service unit of the Bureau of Statistics 2017	Financial Department of Weitang Town, Xiangcheng District (zero balance)	Reward	Grant obtained due to undertake	Yes	No		20,000.00	Related to income

Standardization strategy fund incentive of Bao'an District 2018	Finance Bureau of Bao'an District, Shenzhen	Reward	Subsidy granted due to compliance to local supporting policies including business and investment attraction of local government	Yes	No		3,070,000.00	Related to income
Industrial support fund 2018 of Economic Development Administration and Quality Supervision Administration	Economic Development Board and Bureau of Quality Supervision	Subsidy	Subsidy for special trades and industries encouraged and supported by the state (obtained by law according to provisions of national policies)	Yes	No		150,000.00	Related to income

Other notes:

N/A.

75. Non-operating expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in non-recurring profit and loss of the current period
External donation	438,800.00	138,000.00	438,800.00
Losses due to retirement of non-current assets	2,599,843.46		2,599,843.46
Fine and interest on late payment	627,945.43	969,701.04	627,945.43
Others	5,244,384.58	2,204,089.27	5,244,384.58
Total	8,910,973.47	3,311,790.31	8,910,973.47

Other notes:

N/A.

76. Income tax

(1) Income tax expenses statement

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Current income tax expenses	43,765,450.48	28,787,640.07
Deferred income tax expenses	8,509,414.61	12,128,481.32
Total	52,274,865.09	40,916,121.39

(2) Adjustment process of accounting profit and income tax expenses

Unit: RMB

Item	Amount incurred in the current period
------	---------------------------------------

Total Profit	536,247,145.08
Expenses for income tax calculated at statutory/applicable tax rate	80,437,071.76
Influence of different tax rates applicable to subsidiaries	6,814,706.13
Influence of income tax during periods prior to adjustment	-967,794.30
Influence of non-taxable income	-5,120,589.34
Influence of non-deductible costs, expenses and losses	7,543,417.73
Influence of using the deductible loss of unconfirmed deferred income tax assets in the previous period	-14,697,154.80
Influence of deductible temporary difference or deductible losses of deferred income tax assets not recognized in the current period	9,575,530.16
Influence of additional deduction of R&D expenses	-30,968,947.78
Others	28,467.77
Effect of changes in tax rates	-369,842.24
Income tax expense	52,274,865.09

Other notes

N/A.

77. Other comprehensive income

For details, please refer to the comment of description of other comprehensive incomes in the note of the Consolidated Balance Sheet in the Financial Statements.

78. Notes to statement of cash flow

(1) Other cash receipts relating to operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Guarantee deposit and security deposit	88,939,559.81	58,823,079.22
Receipt of government grants	45,778,413.31	38,940,260.02
Running amount	19,186,831.97	14,923,361.12
Demand deposit interest received	3,244,680.58	3,193,828.11
Others	104,029,829.61	63,943,949.31
Total	261,179,315.28	179,824,477.78

Note to cash received from other operating activities:

N/A.

(2) Other cash paid relating to operating activities:

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Period expense	309,919,675.02	281,562,507.10
Guarantee deposit and security deposit	101,491,106.36	78,804,257.10
Running amount	16,853,130.17	32,021,735.71
Others	104,251,558.34	21,895,860.39
Total	532,515,469.89	414,284,360.30

Note to cash paid for other operating activities:

N/A.

(3) Other cash receipts relating to investing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Wealth management product	1,833,104,117.39	992,438,489.90
Principal of term deposit in bank	50,487,500.00	164,199,985.48
Receiving compensation of Valuation Adjustment Mechanism	5,859,564.91	
Fixed deposit interest received	825,448.67	4,506,472.51
Borrowing		1,638,831.98
Others		49,349.35
Total	1,890,276,630.97	1,162,833,129.22

Note to cash received from other investing activities:

N/A.

(4) Other cash payments relating to investing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Borrowing		1,108,789.98
Financial product with principal-guaranteed and floating proceeds	2,150,000,000.00	1,030,000,000.00
Principal of term deposit in bank		50,000,000.00
Performance commitment compensation	3,000,000.00	
Others	570,406.56	92,787.51
Total	2,153,570,406.56	1,081,201,577.49

Notes to other paid cash related to the investment activities:

N/A.

(5) Other received cash related to financing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Loan at call		200,000.00
Total		200,000.00

Note to cash received from other financing activities:

N/A.

(6) Other paid cash related to financing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Acquisition payment of minority equity	12,544,770.00	2,140,000.00
Others	42,814.09	
Total	12,587,584.09	2,140,000.00

Note to cash paid for other financing activities:

N/A.

79. Supplementary information of cash flow statement**(1) Supplementary information of cash flow statement**

Unit: RMB

Supplementary information	Amount in the current period	Last term amount
1. Converting net profit into cash flow for operating activities	--	--
Net profit	483,972,279.99	282,568,524.99
Plus: Assets depreciation reserves	46,019,207.80	49,754,628.32
Fixed assets depreciation, oil and gas assets depletion, productive biological assets depreciation	238,878,759.95	207,568,809.35
Amortization of intangible assets	7,615,144.72	6,975,776.30
Amortization of long-term unamortized expenses	59,858,513.18	47,781,915.22
Losses on disposal of fixed assets, intangible assets and other long-term assets (Gains expressed with "-")	420,766.39	511,498.10
Losses on scrapping of fixed assets (gains expressed with "-")	2,541,927.58	1,720,769.64
Losses arising from fair value change (gains expressed with "-")	913,655.36	0.00
Financial expense (gains expressed with "-")	9,650,096.63	30,276,437.44
Investment losses (gains expressed with "-")	-84,443,113.62	-44,306,057.43
Decrease in deferred income tax assets (increase expressed with "-")	-18,654,817.86	-8,660,717.36
Increase in deferred income tax liabilities (decrease expressed with "-")	26,972,193.67	21,180,942.32
Decrease of inventories (increase expressed with "-")	-5,120,768.65	-5,163,487.46
Decrease in operating receivables (decrease expressed with "-")	-272,003,804.27	-105,286,676.59
Increase in operating payables (Decrease expressed with "-")	285,636,409.78	198,069,523.91
Others	12,906,961.36	853,346.79
Net cash flows from operating activities	795,163,412.01	683,845,233.54
2. Significant investing and financing activities that do not involve cash receipts and payments:	--	--
3. Net increase/decrease in cash and cash equivalents:	--	--
Closing balance of cash	489,840,154.72	740,371,631.78
Less: Cash at beginning of the period	740,371,631.78	478,799,318.25
Net Increase in cash and cash equivalents	-250,531,477.06	261,572,313.53

(2) Net cash paid for acquisition of the subsidiary in the current period

Unit: RMB

	Amount
Cash or cash equivalents paid for the enterprise merger incurred in the current period	9,614,900.00
Including:	--
Including: Hebei CTI Junrui Testing Technology Co., Ltd.	100.00
Zhejiang CTI Yuanjian Testing Co., Ltd.	9,614,800.00
Less: Cash and cash equivalent hold by the subsidiaries at the purchase date	263,988.20
Including:	--

Including: Hebei CTI Junrui Testing Technology Co., Ltd.	0.00
Zhejiang CTI Yuanjian Testing Co., Ltd.	263,988.20
Including:	--
Net cash paid for acquisition of subsidiaries	9,350,911.80

Other notes:

N/A.

(3) Net cash paid received for disposal of subsidiaries in the current period

Unit: RMB

	Amount
Cash and cash equivalent paid for the disposal of subsidiaries in the current period	756,000.00
Including:	--
Including: CTI Luxuries Testing (Shenzhen) Co., Ltd.	756,000.00
Less: Cash and cash equivalent hold by the subsidiaries at the date of loss of control	1,326,406.56
Including:	--
Including: CTI Luxuries Testing (Shenzhen) Co., Ltd.	1,326,406.56
Including:	--
Net cash received from disposal of subsidiaries	-570,406.56

Other notes:

N/A.

(4) Composition of cash and cash equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	489,840,154.72	740,371,631.78
Including: cash on hand	301,448.26	442,855.42
Deposits available for payment at any time	488,903,429.17	739,791,269.02
Other currency funds available for payment at any time	635,277.29	137,507.34
III. End. balance of cash and cash equivalents	489,840,154.72	740,371,631.78

Other notes:

N/A.

80. Note to items in statement of retained earnings

Notes to names of "other" adjusted items under balance at the end of the previous year, adjustment amount and other matters:

N/A.

81. Assets with limited ownership and use right

Unit: RMB

Item	Book value at end of the period	Reasons for limit
Currency fund	17,169,443.45	Bank acceptance deposit, performance bond, letter of guarantee deposit, limited amount of account (fiscal appropriation account, employee equity stake amount and special deposit account)
Total	17,169,443.45	--

Other notes:

N/A.

82. Foreign currency monetary item**(1) Foreign currency monetary item**

Unit: RMB

Item	Ending balance in foreign currencies	Exchange rate for translation	Ending balance in RMB
Currency fund	--	--	98,538,881.52
Including: USD	10,854,961.22	6.9762	75,726,380.46
Euro	148,275.17	7.8155	1,158,844.59
HKD	886,198.81	0.8958	793,856.89
Pound	44,507.20	9.1501	407,245.33
NTD	18,329,402.00	0.2328	4,267,084.79
SGD	3,128,291.90	5.1739	16,185,469.46
Accounts receivable	--	--	18,920,309.10
Including: USD	811,644.81	6.9762	5,662,196.52
Euro	17,086.00	7.8155	133,535.63
HKD	819,622.93	0.8958	734,218.22
Pound	23,078.11	9.1501	211,167.01
NTD	9,748,509.00	0.2328	2,269,452.90
SGD	1,915,332.50	5.1739	9,909,738.82
Long-term borrowings	--	--	
Including: USD			
Euro			
HKD			
Other receivables			1,068,297.24
Including: HKD	313,300.00	0.8958	280,654.14
Pound	1,543.00	9.1501	14,118.60
NTD	2,738,800.00	0.2328	637,592.64
SGD	26,272.61	5.1739	135,931.86
Accounts payable			746,994.87
Including: HKD	150,705.16	0.8958	135,001.68
US dollar	27,010.00	6.9762	188,427.16
Pound	8,669.69	9.1501	79,328.53
NTD	958,752.00	0.2328	223,197.47
SGD	23,394.35	5.1739	121,040.03
Other accounts payable			8,917,927.36
Including: HKD	293,096.67	0.8958	262,556.00
Pound	40,846.45	9.1501	373,749.10
NTD	2,967,312.00	0.2328	690,790.23
SGD	406,577.43	5.1739	2,103,590.97
EUR	92,240.60	7.8155	720,906.41
Pound	171,144.71	9.1501	1,565,991.21
NTD	3,025,628.14	0.2328	704,366.23
SGD	482,416.98	5.1739	2,495,977.21

Other notes:

N/A.

(2) Specification for business entity overseas, including the disclosure of the main business location overseas, recording currency and selection basis for the important business entity overseas as well as the reason for the change of recording currency.

Applicable Not Applicable

83. Hedging

Disclose hedged items and relevant hedging tools, quantitative and qualitative information of hedged risks by hedging type :

N/A.

84. Government subsidy

(1) Basic information of government subsidies

Unit: RMB

Type	Amount	Presentation items	Amounts included in current profits and losses
Government subsidies included into deferred incomes	18,393,041.00	See Note - Deferred Income	27,411,773.14
Government subsidies included into other deferred incomes	25,766,061.64	See Note - Other Income	25,766,061.64
Government subsidies included into non-operating revenues	7,341,475.42	For details, see Note Non-operating Revenue	7,341,475.42
Government subsidies writing off cost and expense	110,272.00	See the note for details	110,272.00
Less: Refund of government grants	9,616.22	See the note for details	
Total	51,601,233.84		60,629,582.20

(2) Return of government subsidies

Applicable Not Applicable

Unit: RMB

Item	Amount	Reason
Public Service Platform Project of Home Service Robot Detection Technology in Shenzhen	9,616.22	The project has been accepted and the remaining government grants were refunded to the government

Other notes:

Government subsidies writing off cost and expense

Subsidy item	Type	Amount incurred in the current period	Amount incurred in the previous period	Written-off cost Item
Interest subsidy on loan	Related to income	110,272.00		Financial expenses

85. Others

N/A.

VIII. Change of combination range

1. Merger of enterprises not under the same control

(1) Enterprise merger not under the same control incurred in the current period

Unit: RMB

Name of acquiree	Date of acquiring equity	Cost of equity acquisition	Proportion of equity acquisition	Method of equity acquisition	Purchase date	Determination basis of purchase date	Revenues of the acquiree from the	Net profits of the acquiree
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							purchase date to the end of the period	from the purchase date to the end of the period
Hebei CTI Junrui Testing Technology Co., Ltd.	May 8, 2019	100.00	68.00%	Purchase with cash	May 8, 2019	Acquisition of control	57,447.85	-636,464.30
Zhejiang CTI Yuanjian Testing Co., Ltd.	September 16, 2019	9,614,800.00	51.00%	Purchase with cash	September 16, 2019	Acquisition of control	2,077,692.59	-213,569.68

Other notes:

N/A.

(2) Merger costs and goodwill

Unit: RMB

Merger costs	Hebei CTI Junrui Testing Technology Co., Ltd.	Zhejiang CTI Yuanjian Testing Co., Ltd.
-Cash	100.00	9,614,800.00
Total merger costs	100.00	9,614,800.00
Less: fair value of identifiable net assets obtained		4,974,948.02
Goodwill/amount of merger costs lower than the fair value of identifiable net assets acquired	100.00	4,639,851.98

Description for determination method, contingency consideration and change of the fair value of combination cost:

The fair value of combination cost shall be determined as per the cash actually paid.

Main reason for formation of huge goodwill:

The fair value of combination cost is larger than that of the net identifiable assets of the acquiree obtained during combination.

Other notes:

The net asset of Hebei CTI Junrui Testing Technology Co., Ltd. was RMB 0 when it was purchased. Considering its volume is low and its operation scale is small, the net assets in the financial statements on the date of purchase are used as the fair value. Lixinzhonglian CPAs (SPECIAL GENERAL PARTNERSHIP), Shenzhen Firm audited the financial statements of Zhejiang CTI Yuanjian Testing Co., Ltd. as of August 31, 2019 and issued its audit report, LXZLSZ [2019] S-No. 0140. On August 31, 2019, Tianjin Huaxia Jinxin Asset Appraisal Co., Ltd. issued the appraisal report, HXJXPBZ [2019] No. 221, as for fair value of net identifiable assets. Considering the difference between the fair value set forth in the appraisal report and the reviewed net asset is small, the net value reviewed is adopted as the fair value on August 31, 2019. Moreover, Zhejiang CTI Yuanjian Testing Co., Ltd. had very little business during the short period from August 31, 2019 to the date of acquisition, during in which the major transaction was the shareholders' contribution to increased capital. Therefore, the net asset reviewed on August 31, 2019 plus the increased capital contributed into by the shareholders on the acquisition date shall be deemed as the fair value of net asset of the Company on the acquisition date.

(3) The identifiable assets and liabilities of the acquiree on the purchase date

Unit: RMB

	Hebei CTI Junrui Testing Technology Co., Ltd.		Zhejiang CTI Yuanjian Testing Co., Ltd.	
	Fair value on the purchase date	Book value on the purchase date	Fair value on the purchase date	Book value on the purchase date
Currency fund			11,056,185.39	11,056,185.39
Receivables			13,431.25	13,431.25
Advances to suppliers			1,048,804.75	1,048,804.75
Other receivables			198,383.40	198,383.40
Other current assets			141,641.15	141,641.15

Fixed assets			151,284.71	151,284.71
Payables			23,805.97	23,805.97
Advances from customers			114,862.00	114,862.00
Payroll payable			216,243.12	216,243.12
Taxes payable			19.52	19.52
Other amounts payable			2,500,000.00	2,500,000.00
Net assets			9,754,800.04	9,754,800.04
Net assets acquired			9,754,800.04	9,754,800.04

Determination method on fair value of the identifiable assets and liabilities:

Note 1: Zhejiang CTI Yuanjian Testing Co., Ltd. (hereinafter referred to as Zhejiang Yuanjian): the fair value of net assets of Zhejiang CTI Yuanjian Testing Co., Ltd. on the date of acquisition is RMB 9,754,800. In accordance with the *Equity Transfer Agreement of Zhejiang CTI Yuanjian Testing Co., Ltd.* and the *Framework Agreement for Investment* signed by and between the Company and original shareholders of Zhejiang Yuanjian (Wang Junyan, Liu Hanyan and Zhang Jia), the Company purchases 51% of equities held by Wang Junyan, Liu Hanyan and Zhang Jia in Zhejiang Yuanjian at the price of RMB 3,511,500. Meanwhile, within 15 working days after original shareholders of Zhejiang Yuanjian (Wang Junyan, Liu Hanyan and Zhang Jia) completed the paid-in contribution, new investors shall increase the capital contribution to Zhejiang Yuanjian, and the Company shall increase the capital contribution by RMB 6,103,300. The purchases by the Company of the equity and increased capital of Wang Junyan, Liu Hanyan and Zhang Jia constituted a basket of transactions. The actual investment costs of the Company were RMB 9,614,800.

The fair value of net assets of Zhejiang Yuanjian on the acquisition date was RMB 9,754,800, of which the Company held RMB 4,974,900 for the shares held by the Company in Zhejiang Yuanjian. The investment cost of the Company was RMB 9,614,800 and the difference, i.e. RMB 4,639,900, was recorded in the goodwill.

Note 2: method of determining the fair value of identifiable assets and liabilities: in consideration of the small acquisition target, Hebei CTI Junrui Testing Technology Co., Ltd. determined the fair value of identifiable assets and liabilities subject to the amount of net assets on the acquisition date. See this Note for the method of determining the fair value of identifiable assets and liabilities of Zhejiang CTI Yuanjian Testing Co., Ltd.

Contingent liabilities of the acquiree taken in business combination:

N/A.

Other notes:

N/A.

(4) Gains or losses of the equity held before purchasing date which re-measured by fair value

Whether realized the enterprise combination through many transactions in stage or not and the transaction with controlling rights obtained in the reporting period

Yes No

(5) Explanation on unable to determine the combination consideration on purchasing date or end of the combination period or the fair value of the identifiable assets and liability

N/A.

(6) Other notes

N/A.

2. Enterprise merger under the same control

(1) Business combinations under the same control for the current period

N/A.

(2) Merger cost

N/A.

(3) Book value of the assets and liability of combined party on purchasing date

N/A.

3. Counter purchase

Basic information of the transactions, basis of the counter purchase, basis and whether assets and liabilities retained by the listed company consist of business, determine of the combination cost, the amount and calculation of the equity amount adjusted in

treatment for the equity transaction:

N/A.

4. Disposal of subsidiaries

Whether there exists situation of disposing subsidiaries and losing control right in one time?

Yes No

Unit: RMB

Name of subsidiary	Equity disposal cost	Equity disposal share	Method of equity disposal	Date of losing control	Basis for determining the date of losing control	The difference in the net assets of subsidiaries related to disposal price and disposal investment in the consolidated financial statements	Proportion of remaining equity proportion on the date of losing control	Book value of residual equity on the date of losing control	Fair value of residual equity on the date of losing control	Gains or losses from recalculation of residual equity at fair value	Method of determining the fair value of residual equity on the date of losing control and the main assumptions	Amount of investment gains/losses transferred from other comprehensive incomes related to previous equity investment in subsidiaries
CTI Luxuries Testing (Shenzhen) Co., Ltd.	756,000.00	60.00%	Sale	June 27, 2019	Industrial and commercial registration of changes completed	119,101.60	10.00%	106,149.73	126,000.00	19,850.27	Divide the disposal price by the ratio of equities sold and multiply by the ratio of residual equities	0.00

Other notes:

N/A.

Whether there exists situation of disposing subsidiaries and losing control right through multiple transactions step by step?

Yes No

5. Changes of consolidation scope for other reasons

Describe combination range change due to other reasons (such as establishment of a new subsidiary, liquidation of a subsidiary, etc.) and its relevant circumstances.

New subsidiaries of the Company include: Wuhan Huaxin Physical and Chemical Testing Technology Center Co., Ltd., Henan CTI Quantong Engineering Testing Co., Ltd., CTI Biotechnology (Suzhou) Co., Ltd., Chengdu Xijiao CTI Rail Transit Technology Co., Ltd. and Shanghai CTI Pinchuang Medical Diagnostic Testing Institute Co., Ltd.

The subsidiaries canceled by the Company include: CTI TESTING AND CERTIFICATION UK LTD., Tianjin CTI Pinzheng Petrochemical Testing Technologies Co., Ltd., Centre Testing International(Viet Nam)Company Limited, Shenyang CTI New Energy Testing Technology Co., Ltd. and Wenzhou CTI Testing Technology Co., Ltd.

6. Others

N/A.

IX. Equity in other entities

1. Equity in subsidiaries

(1) Composition of enterprise group

Name of subsidiary	Main place of business	Registered address	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Shenzhen CTI Co., Ltd.	Shenzhen City	Shenzhen City	Technical testing industry	100.00%		Establishment
Centre Testing International (Beijing) Co., Ltd.	Beijing	Beijing	Technical testing industry	100.00%		Establishment
Suzhou CTI Testing Technology Co., Ltd.	Suzhou City	Suzhou City	Technical testing industry	95.00%	5.00%	Establishment
Centre Testing International (Hong Kong) Co., Ltd.	Hong Kong, China	Hong Kong, China	Technical testing industry	100.00%		Establishment
CENTRE TESTING INTERNATIONAL PTE.LTD.	Singapore	Singapore	Technical testing industry		100.00%	Establishment
Centre Testing International (Taiwan) Co., Ltd.	Taiwan	Taiwan	Technical testing industry		100.00%	Establishment
CTI U.S. INC.	U.S.A.	U.S.A.	Technical testing industry		100.00%	Establishment
CEM INTERNATIONAL LIMITED	UK	UK	Technical testing industry		70.00%	Enterprise merger not under the same control
POLY NDT (PRIVATE) LIMITED	Singapore	Singapore	Technical testing industry		70.00%	Enterprise merger not under the same control
Centre Testing International (Qingdao) Co., Ltd.	Qingdao City	Qingdao City	Technical testing industry	100.00%		Establishment
Shanghai CTI Pinbiao Testing Technology Co., Ltd.	Shanghai City	Shanghai City	Technical testing industry	78.73%	21.27%	Establishment
Centre Testing International (Xiamen) Co., Ltd.	Xiamen City	Xiamen City	Technical testing industry	100.00%		Establishment
Centre Testing International (Ningbo) Co., Ltd.	Ningbo City	Ningbo City	Technical testing industry	100.00%		Establishment
Shanghai CTI-SAMT Materials Technology Co., Ltd.	Shanghai City	Shanghai City	Technical testing industry	100.00%		Establishment
Shenzhen CTI International Certification Co., Ltd.	Shenzhen City	Shenzhen City	Technical certification	100.00%		Enterprise merger not under the same control
Beijing CTI Excellent Technology Service Co., Ltd.	Beijing	Beijing	Technical testing industry		100.00%	Establishment

CTI Certification (Jingzhou) Co., Ltd.	Jinzhou City	Jinzhou City	Technical testing industry		81.00%	Establishment
Zhejiang Hua'an Energy Saving Engineering Co., Ltd.	Hangzhou City	Hangzhou City	Technical testing industry		100.00%	Establishment
Shenzhen CTI Commodity testing and Survey Co., Ltd.	Shenzhen City	Shenzhen City	Technical qualification	100.00%		Enterprise merger not under the same control
Tianjin Jinbin CTI Product Testing Center Co., Ltd.	Tianjin City	Tianjin City	Technical testing industry	100.00%		Enterprise merger not under the same control
Centre Testing International (Suzhou) Co., Ltd.	Suzhou City	Suzhou City	Technical testing industry		83.34%	Establishment
Guangdong CTI Judicial Authentication Center	Shenzhen City	Shenzhen City	Technical qualification	100.00%		Establishment
Shenzhen CTI Training Center	Shenzhen City	Shenzhen City	Service	100.00%		Establishment
Shenzhen CTI Institute of Reference Materials	Shenzhen City	Shenzhen City	Technical testing industry	100.00%		Establishment
Shanghai CTI Biological Technology Co., Ltd.	Shanghai City	Shanghai City	Trading	100.00%		Establishment
Shenzhen CTI Investment Management Co., Ltd.	Shenzhen City	Shenzhen City	Service	100.00%		Establishment
Shenzhen CTI information Technology Co., Ltd	Shenzhen City	Shenzhen City	Technical services	100.00%		Establishment
Centre Testing International (Anhui) Co., Ltd.	Hefei City	Hefei City	Technical testing industry	100.00%		Establishment
Centre Testing International Pinbiao (Guangzhou) Co., Ltd.	Guangzhou City	Guangzhou City	Technical testing industry	100.00%		Establishment
Guangzhou CTI Occupational Health Outpatient Department Co., Ltd.	Guangzhou City	Guangzhou City	Service	100.00%		Establishment
Shanghai CTI-Medlab Co., Ltd.	Shanghai City	Shanghai City	Service	100.00%		Establishment
Centre Testing International (Chongqing) Co., Ltd.	Chongqing City	Chongqing City	Technical testing industry	100.00%		Establishment
Suzhou CTI Safety	Suzhou City	Suzhou City	Technical	100.00%		Enterprise

Evaluation Technology Service Co., Ltd.			services			merger not under the same control
Wuhan CTI Testing Technology Co., Ltd.	Wuhan City	Wuhan City	Technical testing industry	100.00%		Establishment
Huai'an CTI Testing Technology Co., Ltd.	Huai'an City	Huai'an City	Technical testing industry	100.00%		Establishment
Dalian Huaxin Physical and Chemical Testing Center Co., Ltd.	Dalian City	Dalian City	Technical testing industry	100.00%		Enterprise merger not under the same control
Centre Testing International (Heilongjiang) Co., Ltd.	Harbin City	Harbin City	Technical testing industry	100.00%		Enterprise merger not under the same control
Centre Testing International (Hangzhou) Co., Ltd.	Hangzhou City	Hangzhou City	Technical testing industry	100.00%		Establishment
Hunan Pinbiao CTI Testing Technology Co., Ltd.	Changsha City	Changsha City	Technical testing industry	100.00%		Establishment
Hangzhou Hua'an Nondestructive Testing Technology Co., Ltd.	Hangzhou City	Hangzhou City	Technical testing industry	100.00%		Enterprise merger not under the same control
Xinjiang Kerui Testing Technology Co., Ltd.	Karamay City	Karamay City	Technical testing industry		100.00%	Establishment
Shenzhen Taikenilin Technology Development Co., Ltd.	Shenzhen City	Shenzhen City	Technical testing industry		100.00%	Establishment
Hangzhou Huacheng Equipment Engineering Supervision Co., Ltd.	Hangzhou City	Hangzhou City	Technical testing industry		100.00%	Establishment
Zhoushan Jingwei Shipping Service Co., Ltd.	Zhoushan City	Zhoushan City	Technical testing industry		60.00%	Enterprise merger not under the same control
Zhejiang Chengnuo Testing Technology Co., Ltd.	Hangzhou City	Hangzhou City	Technical testing industry		51.00%	Enterprise merger not under the same control
Centre Testing International Pinzheng (Shanghai) Co., Ltd.	Shanghai City	Shanghai City	Technical testing industry	100.00%		Establishment
Centre Testing International (Guizhou) Co., Ltd.	Guiyang City	Guiyang City	Technical testing industry	100.00%		Establishment
Centre Testing International (Nanchang) Co., Ltd.	Nanchang City	Nanchang City	Technical testing industry	100.00%		Establishment

Centre Testing International (Henan) Co., Ltd.	Zhengzhou City	Zhengzhou City	Technical testing industry	100.00%		Enterprise merger not under the same control
Centre Testing International (Tianjin) Co., Ltd.	Tianjin City	Tianjin City	Technical testing industry	100.00%		Establishment
Centre Testing International (Yunnan) Co., Ltd.	Kunming City	Kunming City	Technical testing industry	100.00%		Establishment
Guangzhou CTI Hengjian Engineering Testing Co., Ltd.	Guangzhou City	Guangzhou City	Technical testing industry	94.00%		Enterprise merger not under the same control
Ningbo Quality Assurance Co., Ltd. (NQA)	Ningbo City	Ningbo City	Technical testing industry	100.00%		Enterprise merger not under the same control
Hebei CTI Testing Service Co., Ltd.	Shijiazhuang City	Shijiazhuang City	Technical testing industry	100.00%		Establishment
Beijing CTI Agro-food Certification Co., Ltd.	Beijing	Beijing	Technical certification		100.00%	Enterprise merger not under the same control
Centre Testing International (Gansu) Co., Ltd.	Lanzhou City	Lanzhou City	Technical testing industry	100.00%		Establishment
Centre Testing International Pinbiao (Jiangyin) Co., Ltd.	Nanjing City	Nanjing City	Technical testing industry	100.00%		Establishment
Jiangyin CTI Occupational Health Outpatient Department Co., Ltd.	Jiangyin City	Jiangyin City	Service	80.00%		Enterprise merger not under the same control
Suzhou Wuzhong Economic Development Zone Jiakang Outpatient Department Co., Ltd.	Suzhou City	Suzhou City	Service		100.00%	Enterprise merger not under the same control
Shenzhen CTI Pest Management Co., Ltd.	Shenzhen City	Shenzhen City	Service	67.00%		Establishment
Nanjing CTI Medical Technology Service Co., Ltd.	Nanjing City	Nanjing City	Service	60.00%		Establishment
Shenzhen CTI Laboratory Technology Service Co., Ltd.	Shenzhen City	Shenzhen City	Service	67.00%		Establishment
Centre Testing Electronic Certification Co., Ltd.	Zhengzhou City	Zhengzhou City	Technical certification	71.26%		Enterprise merger not under the same control
Henan Hucheng Information Technology Co., Ltd.	Zhengzhou City	Zhengzhou City	Service		100.00%	Enterprise merger not under the same control

Fujian Science Way Testing Co., Ltd. (SW)	Putian City	Putian City	Technical testing industry	51.00%		Enterprise merger not under the same control
Centre Testing International (Guangxi) Co., Ltd.	Nanning City	Nanning City	Technical testing industry	100.00%		Establishment
Shenzhen CTI Metrology Technology Co., Ltd.	Shenzhen City	Shenzhen City	Technical testing industry		100.00%	Establishment
Ningguo CTI Testing Technology Co., Ltd.	Ningguo City	Ningguo City	Technical testing industry	100.00%		Establishment
Centre Testing International (Guangzhou) Co., Ltd.	Guangzhou City	Guangzhou City	Technical testing industry	100.00%		Establishment
CTI River Environment Technology (Shenzhen) Co., Ltd.	Shenzhen City	Shenzhen City	Service		51.00%	Establishment
Inner Mongolia CTI QC Technology Service Co., Ltd.	Hohhot City	Hohhot City	Technical testing industry	100.00%		Establishment
Suzhou CTI Engineering Testing Co., Ltd.	Suzhou City	Suzhou City	Technical testing industry	100.00%		Establishment
Shenzhen CTI Reference Materials Research Center Co., Ltd.	Shenzhen City	Shenzhen City	Service	100.00%		Establishment
Centre Testing International Pinbiao (Fuzhou) Co., Ltd.	Fuzhou City	Fuzhou City	Technical testing industry	100.00%		Establishment
Centre Testing International Pinbiao (Liaoning) Co., Ltd.	Shenyang City	Shenyang City	Technical testing industry	100.00%		Establishment
Centre Testing International (Zhongshan) Co., Ltd.	Zhongshan City	Zhongshan City	Technical testing industry	100.00%		Establishment
Centre Testing International (Dongguan) Co., Ltd.	Dongguan City	Dongguan City	Technical testing industry	100.00%		Establishment
Sichuan CTI Jianxin Testing Technology Co., Ltd.	Chengdu City	Chengdu City	Technical testing industry	68.00%		Enterprise merger not under the same control
Centre Testing International (Chengdu) Co., Ltd.	Chengdu City	Chengdu City	Technical testing industry	100.00%		Establishment
Centre Testing International (Shenyang) Co., Ltd.	Shenyang City	Shenyang City	Technical testing industry	100.00%		Establishment

Shanghai CTI Zhike Materials Technology Co., Ltd.	Shanghai City	Shanghai City	Technical testing industry	51.00%		Establishment
Pinbiao Environmental Technology Co., Ltd.	Xi'an City	Xi'an City	Technical testing industry	100.00%		Establishment
Centre Testing International (Shanxi) Co., Ltd.	Taiyuan City	Taiyuan City	Technical testing industry	100.00%		Establishment
Shenzhen CTI Occupational Health Outpatient Department	Shenzhen City	Shenzhen City	Service	100.00%		Enterprise merger not under the same control
Centre Testing International Group (Shandong) Co., Ltd.	Qingdao City	Qingdao City	Technical testing industry	100.00%		Establishment
Wuhan Huaxin Physical and Chemical Testing Technology Center Co., Ltd.	Wuhan City	Wuhan City	Technical testing industry		100.00%	Establishment
Hebei CTI Junrui Testing Technology Co., Ltd.	Shijiazhuang City	Shijiazhuang City	Technical testing industry	68.00%		Enterprise merger not under the same control
Henan CTI Quantong Engineering Testing Co., Ltd.	Zhengzhou City	Zhengzhou City	Technical testing industry	51.00%		Establishment
Zhejiang CTI Yuanjian Testing Co., Ltd.	Hangzhou City	Hangzhou City	Technical testing industry	51.00%		Enterprise merger not under the same control
Zhejiang Huajian Technology Development Co., Ltd.	Hangzhou City	Hangzhou City	Technical testing industry		100.00%	Enterprise merger not under the same control
CTI Biotechnology (Suzhou) Co., Ltd.	Suzhou City	Suzhou City	Service	100.00%		Establishment
Chengdu Xijiao CTI Rail Transit Technology Co., Ltd.	Chengdu City	Chengdu City	Technical testing industry	60.00%		Establishment
Shanghai CTI Pinchuang Medical Diagnostic Testing Institute Co., Ltd.	Shanghai City	Shanghai City	Technical testing industry	100.00%		Establishment

Note about the difference between the shareholding ratio of subsidiary and the ratio with voting right:

N/A.

The basis for the fact that the invested entity is controlled by half or less voting rights and the fact that the invested entity is not controlled by half or more voting rights:

N/A.

For the important structural entity included in the scope of consolidation, the basis of control is as follows:

N/A.

The basis for determining whether the company is an agent or a principal:

N/A.

Other notes:

N/A.

(2) Important non-wholly-owned secondary subsidiaries

Unit: RMB

Name of subsidiary	Shareholding ratio of minority shareholders	Profit or loss allocated to non-controlling interests during the year	Dividend declared to non-controlling shareholders during the year	Balance of minority shareholders' equity at the end of the period
Centre Testing International (Suzhou) Co., Ltd.	16.66%	1,939,471.87		7,422,713.60
Guangzhou CTI Hengjian Engineering Testing Co., Ltd.	6.00%	265,673.34		1,150,398.77
Jiangyin CTI Occupational Health Outpatient Department Co., Ltd.	20.00%	464,964.14		1,650,281.96
Shenzhen CTI Pest Management Co., Ltd.	33.00%	-69,161.78		61,288.94
Nanjing CTI Medical Technology Service Co., Ltd.	40.00%	-323,118.42		358,604.72
Shenzhen CTI Laboratory Technology Service Co., Ltd.	33.00%	1,038,578.19	330,000.00	3,381,398.04
Centre Testing Electronic Certification Co., Ltd.	28.74%	3,181,956.28		26,272,483.78
Fujian Science Way Testing Co., Ltd. (SW)	49.00%	255,469.94		685,477.58
Sichuan CTI Jianxin Testing Technology Co., Ltd.	32.00%	913,889.66		3,003,496.68
Shanghai CTI Zhike Materials Technology Co., Ltd.	49.00%	-294,711.61		4,288,599.47
Hebei CTI Junrui Testing Technology Co., Ltd.	32.00%	-203,668.58		746,731.42
Henan CTI Quantong Engineering Testing Co., Ltd.	49.00%	-2,557.64		1,491,942.36
Zhejiang CTI Yuanjian Testing Co., Ltd.	49.00%	-104,649.14		4,693,005.69
Chengdu Xijiao CTI Rail Transit Technology Co., Ltd.	40.00%	-2,221.20		-2,221.20

Note about the difference between the shareholding ratio of minority shareholders of subsidiary and the ratio with voting right:

N/A.

Other notes:

N/A.

(3) Main financial information of the important non-wholly owned subsidiaries

Unit: RMB

Name	Ending balance	Beginning balance
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of subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Centre Testing International (Suzhou) Co., Ltd.	41,021,944.58	96,941,768.34	137,963,712.92	83,717,189.78	14,114,476.29	97,831,666.07	30,717,529.32	103,831,245.68	134,548,775.00	84,747,909.86	23,053,566.15	107,801,476.01
Guangzhou CTI Hengjian Engineering Testing Co., Ltd.	35,550,751.16	7,654,620.63	43,205,371.79	23,246,265.34	785,793.71	24,032,059.05	13,653,890.33	2,927,353.73	16,581,244.06	9,460,465.85	224,527.88	9,684,993.73
Jiangyin CTI Occupational Health Outpatient Department Co., Ltd.	11,276,862.71	6,956,851.24	18,233,713.95	9,954,507.12	27,562.07	9,982,069.19	10,702,084.84	6,141,027.63	16,843,112.47	10,916,288.43		10,916,288.43
Shenzhen CTI Pest Management Co., Ltd.	1,011,064.72	118,902.18	1,129,966.90	1,243,860.19	4,466.20	1,248,326.39	107,698.57	100,080.11	207,778.68	278,523.25		278,523.25
Nanjing CTI Medical Technology Service Co., Ltd.	17,756.59	813,722.49	831,479.08	497,051.63		497,051.63	94,511.69	2,034,609.81	2,129,121.50	1,819,139.99		1,819,139.99
Shenzhen CTI Laboratory Technology Service Co., Ltd.	23,192,152.15	157,090.07	23,349,242.22	13,102,581.48		13,102,581.48	19,245,099.76	100,122.55	19,345,222.31	11,245,768.21		11,245,768.21
Centre Testing Electronic	97,845,985.88	4,264,209.26	102,110,195.14	10,695,846.59		10,695,846.59	84,668,103.74	5,330,501.64	89,998,605.38	9,508,901.03	146,880.78	9,655,781.81

Certification Co., Ltd.												
Fujian Science Way Testing Co., Ltd. (SW)	1,911,308.67	1,023,021.95	2,934,330.62	1,535,396.79		1,535,396.79	1,155,885.27	1,287,468.05	2,443,353.32	1,565,786.71		1,565,786.71
Sichuan CTI Jianxin Testing Technology Co., Ltd.	18,408,887.24	3,998,787.47	22,407,674.71	12,836,331.30	185,416.27	13,021,747.57	7,584,880.30	2,736,811.53	10,321,691.83	3,614,532.45	177,137.43	3,791,669.88
Shanghai CTI Zhike Materials Technology Co., Ltd.	2,700,473.89	6,220,045.88	8,920,519.77	158,437.92	9,838.03	168,275.95	2,239,810.37	7,180,157.49	9,419,967.86	66,271.78		66,271.78
Hebei CTI Junrui Testing Technology Co., Ltd.	928,447.60	2,763,461.09	3,691,908.69	1,576,439.67	401,533.32	1,977,972.99						
Henan CTI Quantong Engineering Testing Co., Ltd.	3,050,627.23		3,050,627.23	5,846.91		5,846.91						
Zhejiang CTI Yuanjian Testing Co., Ltd.	8,256,831.67	2,583,585.65	10,840,417.32	1,281,384.15		1,281,384.15						
Chengdu Xijiao CTI Rail Transit Technology				5,553.00		5,553.00						

Co., Ltd.												
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Unit: RMB

Name of subsidiary	Amount incurred in the current period				Amount incurred in the previous period			
	Operating revenues	Net profits	Total comprehensive income	Cash flow from operating activities	Operating revenues	Net profits	Total comprehensive income	Cash flow from operating activities
Centre Testing International (Suzhou) Co., Ltd.	71,247,127.86	12,288,377.86	12,288,377.86	7,769,891.93	58,513,893.56	4,748,822.14	4,748,822.14	19,507,375.93
Guangzhou CTI Hengjian Engineering Testing Co., Ltd.	34,779,002.92	6,277,062.41	6,277,062.41	1,029,627.78	22,469,568.53	3,227,686.49	3,227,686.49	3,078,017.58
Jiangyin CTI Occupational Health Outpatient Department Co., Ltd.	20,174,161.67	2,324,820.72	2,324,820.72	5,635,162.96	13,769,061.23	4,395,368.85	4,395,368.85	4,297,520.62
Shenzhen CTI Pest Management Co., Ltd.	3,062,390.30	-197,614.92	-197,614.92	184,290.78	786,337.08	-877,416.11	-877,416.11	-485,496.35
Nanjing CTI Medical Technology Service Co., Ltd.		-807,796.06	-807,796.06	-175,321.60	29,126.21	-2,514,316.02	-2,514,316.02	-48,688.70
Shenzhen CTI Laboratory Technology Service Co., Ltd.	39,158,607.04	3,147,206.64	3,147,206.64	-5,441,235.85	32,828,964.10	2,908,217.89	2,908,217.89	2,575,153.73
Centre Testing Electronic Certification Co., Ltd.	39,443,741.81	11,071,524.98	11,071,524.98	14,406,636.48	66,069,291.19	31,695,250.96	31,695,250.96	34,220,749.53
Fujian Science Way Testing Co., Ltd. (SW)	4,028,636.78	521,367.22	521,367.22	71,091.97	4,057,798.56	-1,376,714.33	-1,376,714.33	-156,526.33
Sichuan CTI Jianxin Testing Technology Co., Ltd.	25,610,683.53	2,855,905.19	2,855,905.19	1,407,150.83	12,846,554.26	737,828.73	737,828.73	2,098,800.38

Shanghai CTI Zhike Materials Technology Co., Ltd.	1,291,516.02	-601,452.26	-601,452.26	-288,325.49		-646,303.92	-646,303.92	-135,220.51
Hebei CTI Junrui Testing Technology Co., Ltd.	57,447.85	-636,464.30	-636,464.30	-585,530.25				
Henan CTI Quantong Engineering Testing Co., Ltd.		-5,219.68	-5,219.68	627.23				
Zhejiang CTI Yuanjian Testing Co., Ltd.	2,077,692.59	-213,569.68	-213,569.68	-2,858,558.73				
Chengdu Xijiao CTI Rail Transit Technology Co., Ltd.		-5,553.00	-5,553.00					

Other notes:

N/A.

(4) Significant restrictions on use of corporate group assets and liquidation of corporate group debts:

N/A.

(5) Financial or other supports provided for structured entities included in the consolidated financial statement

N/A.

Other notes:

N/A.

2. Transaction with change in the owner's equity in subsidiary and continuous control over the subsidiary

(1) Owners' equity shares changed in subsidiaries

(1) Tianjin Jinbin CTI Product Testing Center Co., Ltd. (hereinafter referred to as "Tianjin Jinbin"): on March 4, 2019, the Company and the Measurement & Testing Institute of Dongli District, Tianjin signed the *Ownership Transaction Contract*, under which, the Measurement & Testing Institute of Dongli District, Tianjin transferred 30% of equities in Tianjin Jinbin at the price of RMB 7,228,800, and after transfer, Tianjin Jinbin became a wholly-owned subsidiary of the Company.

(2) Guangzhou CTI Hengjian Engineering Testing Co., Ltd. (hereinafter referred to as "Guangzhou Hengjian"): on January 17, 2019, the Company signed the *Equity Transfer Agreement of Guangzhou CTI Hengjian Engineering Testing Co., Ltd.* with Lai Yuanming, under which, Lai Yuanming transferred 35% of equities in Guangzhou Hengjian to the Company for RMB 5,880,000 in cash, and after transfer, Guangzhou Hengjian became a wholly-owned subsidiary of the Company. On June 28, 2019, the Company signed the *Equity Transfer Agreement of Guangzhou CTI Hengjian Engineering Testing Co., Ltd.* with Guo Lin and Zhu Xiuqing, under which, the Company transferred 12% of equities in Guangzhou Hengjian to Guo Lin and Zhu Xiuqing for RMB 1,440,000 in cash, and the Company transferred 6% of equities in Guangzhou Hengjian which was waived by Zhu Xiuqing to Guo Lin for RMB 720,000 in cash. After transfer, the Company held 94% of equities in Guangzhou Hengjian.

(2) Impacts of the transaction on minority interests and owner's equity attributable to the parent company

Unit: RMB

	Tianjin Jinbin CTI Product	Guangzhou CTI Hengjian Engineering Testing Co., Ltd.	Guangzhou CTI Hengjian Engineering Testing Co., Ltd.
--	----------------------------	--	--

	Testing Center Co., Ltd.	(35% of equities acquired)	(6% of equities disposed)
-Cash	7,228,770.00	5,880,000.00	720,000.00
Total of purchase cost/disposal consideration	7,228,770.00	5,880,000.00	720,000.00
Less: net asset shares of the subsidiaries calculated based on the proportion of equities acquired/disposed	5,692,928.24	2,736,060.37	524,725.43
Difference	-1,535,841.76	-3,143,939.63	195,274.57
Including: Adjusted capital reserves	-1,535,841.76	-3,143,939.63	195,274.57

Other notes

Negative figures indicate reduced capital reserves, while positive ones indicate increased capital reserves.

3. Equity in cooperative arrangement or joint venture

(1) Important joint ventures or cooperative enterprises

Name of cooperative enterprise or joint venture	Main place of business	Registered address	Business nature	Shareholding ratio (%)		Accounting treatment method of the investment in cooperative enterprises or joint ventures
				Direct	Indirect	
Xi'an Dongyi Integrated Technology Laboratory Co., Ltd.	Xi'an City	Xi'an City	Technical services	22.00%		Equity method accounting
Zhengjiang Fangyuan Electrical Equipment Testing Co., Ltd.	Jiaxing City	Jiaxing City	Technical services	13.00%		Equity method accounting

Description of the difference between the shareholding ratio in cooperative enterprises or joint ventures and the ratio with voting right:

N/A.

Basis for one having voting rights of below 20% but significant influences or one having voting rights of 20% or above but no significant influences:

N/A.

(2) Main financial information of important cooperative enterprises

N/A.

(3) Main financial information of joint ventures

Unit: RMB

	Ending balance/the amount incurred in current period		Beginning balance/the amount incurred in previous period	
	Xi'an Dongyi Integrated Technology Laboratory Co., Ltd.	Zhengjiang Fangyuan Electrical Equipment Testing Co., Ltd.	Xi'an Dongyi Integrated Technology Laboratory Co., Ltd.	Zhengjiang Fangyuan Electrical Equipment Testing Co., Ltd.
Current assets	32,248,196.75	197,398,547.41	29,484,277.75	173,001,710.22
Non-current assets	7,768,399.41	269,077,235.09	8,965,366.09	228,127,492.99
Total assets	40,016,596.16	466,475,782.50	38,449,643.84	401,129,203.21
Current liabilities	1,828,817.54	101,070,505.08	2,126,368.37	104,042,632.62

Non-current liabilities	0.00	12,660,200.00	0.00	13,850,000.00
Total liabilities	1,828,817.54	113,730,705.08	2,126,368.37	117,892,632.62
Equity attributable to the shareholders of parent company	38,187,778.62	352,745,077.42	36,323,275.47	283,236,570.59
Net asset shares calculated based on the shareholding ratio	8,401,311.30	45,856,860.06	7,991,120.60	36,820,754.18
-Goodwill			2,635,195.72	44,780,032.83
Book value of equity investment in the joint ventures	11,036,507.01	90,519,409.08	10,626,316.32	81,600,787.01
Operating revenues	18,878,235.34	165,833,719.74	25,231,485.13	127,452,170.87
Net profits	3,864,503.15	76,604,785.12	3,298,166.15	63,982,159.99
Total comprehensive income	3,864,503.15	76,604,785.12	3,298,166.15	63,982,159.99
Dividends received from the joint ventures in the current year	440,000.00	1,040,000.00	0.00	0.00

Other notes

N/A.

(4) Financial summary of unimportant cooperative enterprises and joint ventures

Unit: RMB

	Ending balance/the amount incurred in current period	Beginning balance/the amount incurred in previous period
Cooperative enterprises:	--	--
Total of the following items calculated as per respective shareholding ratio	--	--
Joint venture:	--	--
Total of book values of investments	4,196,886.22	2,492,965.35
Total of the following items calculated as per respective shareholding ratio	--	--
-- Net profit	361,865.02	285,303.65
-- Total consolidated income	361,865.02	285,303.65

Other notes

N/A.

(5) Major restrictions on capital transferring from cooperative enterprises or joint ventures to the Company

N/A.

(6) Excess deficit suffered by cooperative enterprises or joint ventures

N/A.

(7) Unrecognized commitments about investment in joint ventures

N/A.

(8) Contingent liabilities relevant to investment in cooperative enterprises or joint ventures

N/A.

4. Significant joint operation

N/A.

5. Equity in structured entities not included in the scope of consolidated financial statements

Descriptions of structured entities not included in the scope of consolidated financial statements:

N/A.

6. Others

N/A.

X. Risks Associated with Financial Instruments

The Company conducts risk management to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Company's financial performance. Based on this objective, the Company's basic policy for risk management is to confirm and analyze all kinds of risks faced by the Company, set up appropriate risk bottom line, conduct risk management, and monitor all risks promptly and reliably to limit risks within a specific range.

The Company faces various risks relevant with financial tools in its daily operation, mainly including credit risk, liquidity risk, and market risk. The management has deliberated and approved the policies governing such risks, as outlined below.

1 Credit risk

Credit risk refers to the risk that the default of obligations by a party of a financial instrument causes financial losses to the other party. The Company mainly faces client credit risk resulting from sales on account. Before signing any new contract, the Company will evaluate the credit risk of new client, including external credit ratings and bank reference letters in certain circumstances (when this information is available). The Company limits the amount of sales on account for each client, which is the maximum amount requiring no additional approval.

The Company monitors the credit rating of existing clients on a quarterly basis and reviews the account-age analysis of accounts receivable on a monthly basis to ensure that the overall credit risk of the Company is under control. The Company classified clients into different groups according to their credit characteristics when monitoring their credit risks. Any client rated as "high risk" will be placed into the list of restricted clients, and only with additional approval can the Company implement sales on account to them in the future. Otherwise, the client will be required to make corresponding payments in advance.

2. Market risk

The market risk of financial instrument means the risk that the fair value or future cash flow of a financial instrument fluctuates with the market price development, including exchange rate risk, interest rate risk and other price risks.

(1) Interest rate risk

The interest rate risk means the risk that the fair value or future cash flow of a financial instrument fluctuates due to change in market interest rate. The interest rate risk faced by the Company mainly comes from bank borrowings. According to the Company's current policy, the borrowings at fixed interest rates account for 100% of external borrowings. To maintain this ratio, the Company may achieve the expected interest rate structure by interest rate swaps. Although the policy cannot prevent the Company from the risk of payment at an interest rate exceeding the prevailing market interest rate, nor completely eliminate the cash flow risk associated with interest rate fluctuations, the management believes that the policy achieves a reasonable balance among these risks.

(2) Exchange rate risk

Exchange rate risk means risk that fair value or future cash flow of the financial instrument fluctuates due to change in foreign exchange rate. The Company tries its best to lower down the exchange rate risk by making foreign currency income offset foreign currency expenditure.

(3) Other price risks

The Company receives no equity investment from other listed companies.

(3) Liquidity risks

Liquidity risk refers to the risk of capital shortage occurring when an enterprise fulfills its obligations settled by delivering cash or other financial assets. The Company's policy is to ensure that it has sufficient cashes to repay matured debts. Liquidity risk is under centralized control of the Finance Department of the Company. The Finance Department ensures that the Company has sufficient funds to repay its debts under any appropriate forecast circumstances by monitoring cash balance, negotiable securities which can be realized at any time and rolling forecast of cash flow over the next 12 months.

As of December 31, 2019, all the financial liabilities of the Company are listed as undiscounted contractual cash flows by the maturity date as follows:

Item	Ending balance				Total
	Book value	Undiscounted contract amount	Within one year	1 to 3 year(s)	
Bank borrowings	192,777,359.15	192,777,359.15	192,777,359.15		192,777,359.15

Accounts payable	413,195,187.86	413,195,187.86	413,195,187.86		413,195,187.86
Other accounts payable	53,576,444.00	53,576,444.00	53,576,444.00		53,576,444.00
Total	659,548,991.01	659,548,991.01	659,548,991.01		659,548,991.01

XI. Disclosure of Fair Value

1. Ending fair values of assets and liabilities measured at fair values

Unit: RMB

Item	Ending fair value			
	Measured Level 1 fair value	Measured Level 2 fair value	Measured Level 3 fair value	Total
I. Sustained fair value measurement	--	--	--	--
1. Financial assets measured at fair value through profit or loss for the period			555,903,309.16	555,903,309.16
II. Unsustained fair value measurement	--	--	--	--

2. Basis for determination of the market prices of sustained and unsustained Level 1 fair value measurement items

N/A.

3. Qualitative and quantitative information of valuation techniques and important parameters adopted for sustained and unsustained Level 2 fair value measurement items

N/A.

4. Qualitative and quantitative information of valuation techniques and important parameters adopted for sustained and unsustained Level 3 fair value measurement items

N/A.

5. Adjustment information between beginning and ending book values and sensitivity analysis of unobservable parameters of sustained Level 3 fair value measurement items

N/A.

6. The reason for transfers and the policy to determine transferring time of sustained fair value measurement items with transfers between different levels in current period

N/A.

7. Changes in valuation techniques occurring in the current period and their reasons

N/A.

8. Fair values of financial assets and liabilities not measured at fair value

The financial assets and liabilities not measured at fair value mainly include receivable, short-term borrowing, payable, long-term receivable and long-term payable.

There are small differences between the book values of financial assets and liabilities that are not measured at fair value and their fair values.

9. Others

The Company presented the book values of financial assets and tools measured at fair value by December 31, 2019 according to three levels of fair values. Fair values were classified into three levels in an overall way based on the lowest one of three levels important input values used in measurement at fair value belonged to. Three levels are defined below:

Level 1: unadjusted quotations of the same assets or liabilities on an active market, which can be obtained by the measurement date;

Level 2: input values of related assets or liabilities that can be observed directly or indirectly, excluding Level 1 input values;

Level 2 input values include: 1) quotations of similar assets or liabilities on an active market; 2) quotations of the same or similar assets or liabilities on a non-active market; 3) other observable input values excluding quotations, including the interest rate, yield curve, implied volatility and credit spread observable at the interval of normal quotations. 4) input values of market validation etc.

Level 3: unobservable input values of relevant assets or liabilities.

1. Sustained fair value measurement

Item	Ending fair value			
	Level 1	Level 2	Level 3	Total
Subtotal of financial assets measured at fair value with their changes recognized in profits and losses of the current period			555,903,309.16	555,903,309.16
Bank financial products			555,903,309.16	555,903,309.16
Other non-current financial assets			30,212,344.64	30,212,344.64
Total assets			586,115,653.80	586,115,653.80

XII Related Parties and Related Party Transactions

1. Information on the Company's parent company

Introduction to information about the Company's parent company

N/A.

Wan Yunxiang and Wan Feng, controlling shareholders of the Company by the end of 2019, are the final controlling parties of the Company. Persons acting in concert of the Company are Wan Yunxiang, Wan Feng and Wan Lipeng. The de facto controller is Wan Feng.

Other notes:

N/A.

2. Information about subsidiaries of the Company

See note "Equities in subsidiaries" for more information about subsidiaries of the Company.

3. Information of cooperative enterprises and joint ventures of the Company

See note "Equities in cooperative arrangements or joint ventures" for more information about important cooperative enterprises or joint ventures of the Company.

The conditions of other cooperative enterprises or joint ventures having related party transactions with the Company in the current period, or with balance generated from related party transactions with the Company in the previous period are as follows:

N/A.

4. Information on other related parties

Names of other related parties	Relationship between other related parties and the Company
Wan Yunxiang	Controlling shareholder of the Company
Wan Feng	Controlling shareholder and Chairman of Board of the Company
Richard Shentu	Director and senior executive of the Company
Kuang Zhigang	Director of the Company
Chen Yan	Director and senior executive of the Company
Zhang Hanbin	Director of the Company
Cheng Hong	Director of the Company
Liu Jiayong	Director of the Company (left)
Zeng Fanli	Director of the Company
Chen Weiming	Supervisor of the Company
Zhang Yumin	Supervisor of the Company

Zeng Zhaolong	Supervisor of the Company (left)
Ou Jin	Supervisor of the Company
Qian Feng	Senior executive of the Company
Xu Jiang	Senior executive of the Company
Zhou Lu	Senior executive of the Company
Li Fengyong	Senior executive of the Company
Wang Hao	Senior executive of the Company
Shenzhen Greem Environment & Safety Technology Co., Ltd.	A company invested by Wan Feng, the controlling shareholder and Chairman of Board of the Company
THE SHENZHEN HK POLTECHINIC INVESTMENT CO., LTD.	A company controlled by Wan Feng, the controlling shareholder and Chairman of Board of the Company
Beijing Tianrui Junfeng Investment Management Co., Ltd.	A company controlled and served by Wan Feng, the controlling shareholder and Chairman of Board of the Company
Shenzhen Mingding Certified Public Accountants	A company where Zhang Hanbin, an independent director of the Company, serves as the head and managing partner
OFILM Group Co., Ltd.	A company where Zhang Hanbin, an independent director of the Company, also acts as an independent director
Shenzhen Beauty Star Co., Ltd.	A company where Zhang Hanbin, an independent director of the Company, also acts as an independent director
Institute of Quality Development Strategy (IQDS) of Wuhan University	A company where Cheng Hong, an independent director of the Company, serves as the president
South Sea Shenghui New Energy (Guangdong) Co., Ltd.	A company where Zeng Fanli, an independent director of the Company, serves as the legal representative, General Manager and Executive Director
Shenzhen Yuehai Shenghui International Trading Co., Ltd.	A company invested by Zeng Fanli, an independent director of the Company, and where Zeng Fanli also serves as the legal representative and General Manager
Shenzhen AVSHD Technology Co., Ltd.	A company where Chen Huiming, a supervisor of the Company, serves as a director
ZhongRen Time Education Technology (Beijing) Corporation Ltd.	A company where Xu Jiang, a senior executive of the Company, serves as a supervisor
Shenzhen Langhao Technology Co., Ltd.	A company where Wang Hao, a senior executive of the Company, serves as a supervisor
Liangduan (Shanghai) Testing Technology Co., Ltd.	A joint -stock company of the Company

Other notes

N/A.

5. Information on related party transactions

(1) Related party transactions of goods purchasing and selling as well as service providing and receiving

Information about goods purchasing/ services receiving

Unit: RMB

Related parties	Contents of related party transaction	Amount incurred in the current period	Approved transaction amount	Approved transaction amount exceeded or not	Amount incurred in the previous period
Liangduan (Shanghai) Testing Technology Co., Ltd.	Promotion service charges	0.00			46,176.96
Total		0.00			46,176.96

Information on goods selling/services receiving

Unit: RMB

Related parties	Contents of related party transaction	Amount incurred in the current period	Amount incurred in the previous period
-----------------	---------------------------------------	---------------------------------------	--

Descriptions of related party transactions of goods purchasing and selling as well as services providing and receiving

N/A.

(2) Related trusteeship/contracting as well as mandatory administration/outsourcing

Information on trusteeship/contracting of the Company:

N/A.

Information on mandatory administration/outsourcing of the Company:

N/A.

(3) Information on related-party lease

The Company serves as lessor:

N/A.

The Company serves as lessee:

N/A.

(4) Information on related-party guarantee

The Company as guarantor

Unit: RMB

Secured party	Amount of guarantee	Starting date of guarantee	Maturity date of guarantee	The guarantee has been performed or not
Suzhou CTI Testing Technology Co., Ltd.	30,000,000.00	October 16, 2018	October 15, 2019	Yes
CTI Biotechnology (Suzhou) Co., Ltd.	20,000,000.00	October 16, 2018	October 15, 2019	Yes
Guangzhou CTI Hengjian Engineering Testing Co., Ltd.	10,000,000.00	May 16, 2019	May 11, 2020	No
Sichuan CTI Jianxin Testing Technology Co., Ltd.	10,000,000.00	May 16, 2019	May 11, 2020	No
Hangzhou Hua'an Nondestructive Testing Technology Co., Ltd.	20,000,000.00	October 29, 2019	October 28, 2020	No

The Company serves as the secured party

Unit: RMB

Guarantor	Amount of guarantee	Starting date of guarantee	Maturity date of guarantee	The guarantee has been performed or not
Shenzhen CTI Co., Ltd.	97,690,000.00	May 4, 2017	May 4, 2020	Yes
Shenzhen CTI Co., Ltd.	20,000,000.00	May 31, 2017	May 31, 2020	Yes
Shenzhen CTI Co., Ltd.	60,000,000.00	August 10, 2017	August 2, 2020	Yes
Suzhou CTI Testing Technology Co., Ltd.	40,000,000.00	August 7, 2017	August 6, 2020	Yes

Information on related-party guarantee

N/A.

(5) Fund borrowing from/to related parties

N/A.

(6) Assets transfer and debt restructuring of related parties

N/A.

(7) Remuneration of key management personnel

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Remuneration of key management	10,093,600.00	6,517,400.00

(8) Other related party transactions

N/A.

6. Receivables and payables of related parties**(1) Receivables**

N/A.

(2) Payables

Unit: RMB

Name of project	Related parties	Ending book balance	Beginning book balance
Accounts payable			
	Liangduan (Shanghai) Testing Technology Co., Ltd.	14,346.24	14,346.24
Sub total		14,346.24	14,346.24
Other accounts payable			
	Wan Feng	26,972.98	139,168.00
	Richard Shentu	30,133.00	19,233.90
	Li Fengyong	40,579.00	
	Wang Hao	4,332.50	
	Chen Yan	24,299.50	
	Xu Jiang	78,842.66	
	Zhou Lu	60,000.00	
Sub total		265,159.64	158,401.90

7. Commitments of related parties

N/A.

8. Others

N/A.

XIII Share Payment**1. Overall conditions of share payment**

Applicable Not Applicable

2. Equity-settled share payment

Applicable Not Applicable

Unit: RMB

Method of determining the fair value of equity instruments on the grant date	Calculation and determination the values of aforementioned three warrants with the internationally recognized Black-Scholes Option Pricing Model (B-S model)
Accumulative amount with the equity-settled share payment included into the capital reserve	14,763,000.00
Total expenses recognized by equity-settled share payment in the current period	13,825,157.99

Other notes

- The *Proposal on Awarding Stock Options to Incentive Objects* was deliberated and approved on the 22nd session of the fourth

Board of Directors of the Company on December 17, 2018. The Board of Directors of the Company believed that the stock option awarding conditions specified in the stock option incentive plan for 2018 had been met and agreed to award 20,650,000 shares of stock options to 38 Incentive Objects at the exercise price of RMB 6.13/share on December 17, 2018.

2. The *Proposal on Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2019 and Its Abstract* was deliberated and approved on the 24th session of the fourth Board of Directors of the Company on April 24, 2019. The *Proposal on Stock Option Incentive Plan (Draft) of Centre Testing International Group Co., Ltd. for 2019 and Its Abstract*, the *Proposal on Appraisal Management Measures of Implementation of the Stock Option Incentive Plan for 2019 of Centre Testing International Group Co., Ltd.* and the *Proposal on Authorization by General Shareholders' Meeting to Board of Directors for Affairs Related to 2019 Stock Option Incentive Plan of the Company* were deliberated and approved on the Year 2018 General Shareholders' Meeting held on May 17, 2019. The Company planned to award 4,700,000 shares of share options to the first batch of 9 Incentive Objects at the exercise price of RMB 9.23/share.

3. The *Proposal on Awarding Stock Options to Incentive Objects* was deliberated and approved on the 27th session of the fourth Board of Directors of the Company on May 20, 2019. The Board of Directors of the Company believed that the stock option awarding conditions specified in the Company's stock option incentive plan for 2019 had been met and agreed to award 4,700,000 shares of stock options to 9 Incentive Objects at the exercise price of RMB 9.23 /share on May 20, 2019.

4. The *Proposal on Adjusting Exercise Price of the Stock Option Incentive Plan for 2018* and the *Proposal on Meeting Exercise Conditions of the First Exercise Period of the Stock Option Incentive Plan for 2018* were deliberated and approved on the second session of the fifth Board of Directors and the second session of the fifth Board of Supervisors of the Company on December 25, 2019. According to relevant regulations of the *Stock Option Incentive Plan for 2018 (Draft)*, considering that the Company implemented the Year 2018 equity distribution plan on May 28, 2019, the Board of Directors agreed to adjust the exercise price of the stock option incentive plan for 2018 correspondingly from RMB 6.13/share to RMB 6.095/share. At the same time, exercise conditions of the first exercise period of the Company's stock option incentive plan for 2018 were met. There were totally 6,195,000 shares of exercisable stock options this time, taking up 0.37% of the current total share capital of the Company.

5. In March 2019, the Company purchased 35% of equities from Guangzhou CTI Hengjian Engineering Testing Co., Ltd. (hereinafter referred to as "Guangzhou Hengjian") at a transfer price of RMB 5,880,000 according to the *Equity Transfer Agreement of Guangzhou CTI Hengjian Engineering Testing Co., Ltd.* signed by and between the Company and Lai Yuanming. In June 2019, the Company transferred 6% of equities of Guangzhou Hengjian to Guo Lin at a price of RMB 720,000 and the same amount of equities of Guangzhou Hengjian to Zhu Xiuqing at the same price according to the *Equity Transfer Agreement of Guangzhou CTI Hengjian Engineering Testing Co., Ltd.* signed by and between the Company and Guo Lin and Zhu Xiuqing. In August 2019, Zhu Xiuqing no longer purchased equities according to the *Equity Transfer Agreement of Guangzhou CTI Hengjian Engineering Testing Co., Ltd.* signed by and between the Company and Guo Lin and Zhu Xiuqing. In October 2019, Guangzhou Hengjian changed its business registration. The Company held 94% of equities of Guangzhou Hengjian, and Guo Lin 6%. The Company is valued at RMB 16,800,000 when it planned to purchase 35% of equities from minority shareholders. Since such 35% of equities was purchased shortly after 6% of equities were transferred to Guolin, the value of RMB 16,800,000 was taken as the fair value. If calculated at fair value, the 6% of equities transferred to Guo Lin was valued at RMB 1,008,000, RMB 720,000 higher than the actual transfer price. Given that Guo Lin served as a senior executive in Guangzhou Hengjian, share payment could be implemented.

3. Cash-settled share payment

Applicable Not Applicable

4. Modification and termination of share payment

The Board of Directors agreed on December 25, 2019 to adjust the exercise price of the Company's stock option incentive plan for 2018 correspondingly from RMB 6.13/share to RMB 6.095/share. See Note "Equity-settled share payment" for details.

5. Others

N/A.

XIV. Commitments and Contingencies

1 Important commitments

Important commitment on provided balance sheet date

There is no important commitment to be disclosed by the Company.

2. Contingencies

(1) Important contingency on provided balance sheet date

N/A.

(2) It's also necessary to explain that there is no important contingency to be disclosed by the Company.

There is no important contingency to be disclosed by the Company.

3. Others

N/A.

XV. Events after the Balance Sheet Date

1. Important non-adjusting events

N/A.

2. Profit distribution

3. Sales return

N/A.

4. Other events after the balance sheet date

1. On March 9, 2020, the *Proposal on the Wholly-owned Subsidiary's Acquisition of the Equity of Maritec* was deliberated and approved on the 3rd session of the fifth Board of Directors of the Company. Centre Testing International (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company, was scheduled to sign an agreement with Maritec on purchasing 100% equity of Maritec for SGD 54,860,000 (RMB 274,480,000) in cash. All funds for purchasing 100% equity of Maritec were self-financed.

In addition, the Company planned to provide an amount guaranteed of SGD 52,117,000 (RMB 260,758,500) for Centre Testing International (Hong Kong) Co., Ltd. to purchase the equity of Maritec, with the guarantee period starting from the date when it was deliberated and approved by the Board of Directors until the payment obligations specified in the transaction agreement were fully implemented.

2. Since the outbreak of the COVID-19 across the country in January 2020, the COVID-19 prevention and control work has been implemented across the country continuously. The Company will implement all epidemic prevention and control requirements and enhance support of the epidemic prevention and control work. The epidemic has limited influences on the overall economic performance of the Company. The Company will keep paying close attention to the development of the COVID-19 and actively respond to the possible influences on various aspects of the Company, such as financial conditions and operating results.

3. On April 17, 2020, the *Profit Distribution Plan for 2019* was deliberated and approved on the fourth session of the fifth Board of Directors of the Company. According to the plan, the total share capital of 1,657,530,714 shares by December 31, 2019 is taken as the base, and totally RMB 58,013,574.99 will be distributed as per the principles of zero share to be increased by transferring per 10 shares of capital reserve and a cash dividend of RMB 0.35 (tax included) per 10 shares to be distributed. If the number of total shares changes for restricted stock re-purchase, share compensation for committed performance and share re-purchase implemented by the Company before this profit distribution plan will be implemented, then the number of total shares will be based on to carry out profit distribution where the distribution proportion remains unchanged and the total distribution amount is adjusted accordingly.

The proposal is to be submitted to the General Shareholders' Meeting of the Company for deliberation and voting.

4. On April 17, 2020, the *Proposal on Application to Commercial Banks for Comprehensive Credit Line* was deliberated and approved at the fourth session of the fifth Board of Directors. In order to meet the needs of the Company's production and business operations, ensure the demand for working capital in normal production and business operations, and further expand the Company's financing channels, the Board of Directors agreed to apply to Shenzhen Branch of CGB, HSBC Bank (China) Company Limited, Citibank (China) Co., Ltd., and Shenzhen Branch of the Export-Import Bank of China for renewing a total comprehensive credit line of RMB 1,150,000,000 at most.

5. On April 17, 2020, the *Proposal on Providing a Guarantee Limit to Subsidiaries* was deliberated and approved at the fourth session of the fifth Board of Directors. The Directors as a whole agreed to provide a guarantee limit of RMB 200,000,000 at most for the Hong Kong subsidiary (an overseas subsidiary) to apply to an overseas bank for a loan, a guarantee limit of RMB 30,000,000 for Shenzhen CTI Metrology Technology Co., Ltd., a guarantee of RMB 100,000,000 for Guangzhou CTI Hengjian Engineering Testing Co., Ltd. For specific financing and guarantee matters, the final agreement concluded shall prevail depending on the actual capital demand. The guarantee limits mentioned above shall be valid for 1 year since being deliberated by the Board of Directors.

6. On April 17, 2020, the *Proposal on Providing a Guarantee for CTI Biotechnology (Suzhou) Co., Ltd.* was deliberated and approved at the fourth session of the fifth Board of Directors. The Directors as a whole agreed to provide a guarantee limit of RMB 20,000,000 for CTI Biotechnology (Suzhou) Co., Ltd. and a guarantee limit of RMB 10,000,000 for Sichuan CTI Jianxin Testing Technology Co., Ltd. For specific financing and guarantee matters, the final agreement concluded shall prevail depending on the actual capital demand. The guarantee period shall be 1 year since it's deliberated and approved by the General Shareholders' Meeting.

The proposal is to be submitted to the General Shareholders' Meeting of the Company for deliberation and voting.

7. On April 17, 2020, the *Proposal on Completion of Some Fundraising Projects and Application of Remaining Raised Funds to Other Fundraising Projects* was deliberated and approved at the fourth session of the fifth Board of Directors. The Directors as a whole agreed to use the remaining raised funds of RMB 5,630,600 (including interest income) of the completed investment project "Phase I of CTI East China Comprehensive Testing Base (Shanghai)" for the investment project "Northern Testing Base" under construction. Please refer to the *Announcement on Completion of Some Investment Projects and Application of Remaining Raised Funds to Other Investment Projects* disclosed by cninfo.com.cn for details.

8. On April 17, 2020, the *Proposal on Changes in Accounting Policies* was deliberated and approved at the fourth session of the fifth Board of Directors. According to the *Notice on Revising and Printing the Format of Consolidated Financial Statements (2019)* (CK [2019] No. 16) published by the Ministry of Finance, the Board of Directors approves the Company to adjust relevant accounting policies as regulated correspondingly. Please refer to the *Announcement on Changes in Accounting Policies* disclosed by cninfo.com.cn for details.

In addition to the events after the balance sheet date mentioned above, by the date on which financial reports were approved and reported, the Company was free of other significant events after the balance sheet date that should be disclosed.

XVI. Other Important Matters

1. Correction of accounting errors in the previous period

(1) Retrospective restatement

N/A.

(2) Prospective application

N/A.

2. Debt restructuring

N/A.

3. Replacement of assets

(1) Replacement of non-monetary assets

N/A.

(2) Replacement of other assets

N/A.

4. Annuity plan

N/A.

5. Discontinuing operation

N/A.

6. Segment information

(1) Determination basis and accounting policies of reportable segment

N/A.

(2) Financial information of reportable segment

N/A.

(3) In case of no reportable segment or inability to disclose the total assets and total liabilities of each reportable segment, the Company shall explain it.

N/A.

(4) Others]

N/A.

7. Other important transactions and matters having impacts on investors' decision-making

N/A.

8. Others

1. On March 1, 2019, the *Proposal on Application to Commercial Banks for Comprehensive Credit Line* was deliberated and approved at the 23rd session of the fourth Board of Directors. The Company planned to apply to the following commercial banks for a total comprehensive credit line of RMB 800,000,000 at most, with specific information as listed below:

Bank name	Credit line	Credit period
Shenzhen Branch of CGB	No more than RMB 350,000,000	1 year
Shenzhen Branch of China Resources Bank of Zhuhai Co., Ltd.	No more than RMB 250,000,000	1 year
Shenzhen Branch of China Merchants Bank	No more than RMB 200,000,000	1 year
Total	RMB 800,000,000	

The approved final credit line and period of the Company shall prevail, and the specific amount to be raised will be determined depending on the operation of the Company. The Board of Directors of the Company authorized the management representative to

handle the credit issues mentioned above and sign issues such as all registrations, recordings and data provision specified in relevant bank credit contracts and documents.

2. On April 24, 2019, the *Proposal on Application to Commercial Banks for Comprehensive Credit Line* was deliberated and approved at the 24th session of the fourth Board of Directors. In order to meet the needs of the Company's production and business operations, ensure the demand for working capital in normal production and business operations, and further expand the Company's financing channels, the Company planned to apply to original bank partners Shenzhen Branch of Shanghai Pudong Development Bank, Shenzhen Branch of BOC and Shenzhen Branch of HSBC for renewing a total comprehensive credit line of RMB 600,000,000 at most, with specific information as listed below:

Bank name	Credit line	Credit period
Shenzhen Branch of Shanghai Pudong Development Bank	No more than RMB 300,000,000	3 years
Shenzhen Branch of BOC	No more than RMB 150,000,000	1 year
Shenzhen Branch of HSBC	No more than RMB 150,000,000	1 year
Total	RMB 600,000,000	

The approved final credit line and period of the Company shall prevail, and the specific amount to be raised will be determined depending on the operation of the Company. The Board of Directors of the Company authorized the management representative to handle the credit issues mentioned above and sign issues such as all registrations, recordings and data provision specified in relevant bank credit contracts and documents.

3. On May 13, 2019, the Proposal on Delaying and Changes of First ESOP was deliberated and approved at the 26th session of the fourth Board of Directors. Since the duration of the first ESOP of the Company was to expire, the Board of Directors of the Company agreed to delay the first ESOP to August 18, 2021 based on the confidence in development of the Company in the future and the determination of stock values of the Company, and changed factors of the first ESOP, including list of holders and shares held by them.

4. The 27th Session of the 4rd Meeting of Board of Directors held by the Company on May 20, 2019 deliberated and approved the Proposal on Awarding Share Options to Incentive Objects. The Board of Directors of the Company considers that the conditions for awarding share options stipulated in the 2019 Share Option Incentive Plan of the Company have been fulfilled, and agrees to award 4,700,000 share options to 9 incentive objects on May 20, 2019.

(1) Source and quantity of the shares involved in this incentive plan

The source of the target shares involved in this incentive plan is the Company's directional issued company shares to the incentive objects or the Company's repurchased company shares from the secondary market. This incentive plan intends to award 4,700,000 share options to the incentive objects, accounting for about 0.28% of the Company's total share capital of 1,657,530,714 shares at the time of draft announcement of this incentive plan.

(2) Term of validity, authorization date, waiting period and exercisable date of the incentive objects

The incentive plan shall be valid for no more than 48 months from the date of awarding of share options to the date of full exercise or cancellation of the share options awarded to the incentive objects.

The exercise periods and time schedule of each exercise period of the share options awarded in this incentive plan are as follows:

Exercise arrangement	Exercise period	The proportion of exercise
The first exercise period	From first trading day 12 months after the awarding date to the last trading day within 24 months after the awarding date	30%
The second exercise period	From first trading day 24 months after the awarding date to the last trading day within 36 months after the awarding date	30%
The third exercise period	From first trading day 36 months after the awarding date to the last trading day within 48 months after the awarding date	40%

(3) Performance evaluation indicators at the Company level

The share options awarded in this incentive plan shall be subject to performance evaluation and exercise annually in three accounting years of the exercise period, and the exercise condition of incentive objects is to achieve the performance evaluation objectives. The annual performance evaluation objectives of the share options awarded in this incentive plan are as follows:

Exercise period	Performance evaluation objectives
The first exercise period	The net profit attributable to shareholders of listed company reaches RMB 300,000,000 in 2019
The second exercise period	The net profit attributable to shareholders of listed company reaches RMB 360,000,000 in 2020
The third exercise period	The net profit attributable to shareholders of listed company reaches RMB 432,000,000 in 2021 or the accumulated net profit reaches RMB 1,150,000,000 in 2019-2021

Net profit refers to the net profit attributable to shareholders of the listed company.

(4) Performance evaluation indicators at individual level

The Company will score the comprehensive evaluation of the incentive objects in each evaluation year, and determine their proportion of exercise according to performance completion rate of the incentive objects. The actual exercise amount of the incentive objects in the year = planned exercise amount of the individual in the year * proportion of exercise. The performance evaluation results of the incentive objects will be classified into four grades: excellent (A), good (B), qualified (C) and unqualified (D). The evaluation form is applicable to the evaluation objects. At the appointed time, the exercise proportion of the incentive objects will be determined according to the following table:

Evaluation standard	Excellent (A)	Good (B)	Qualified (C)	Unqualified (D)
The proportion of exercise	100%	100%	50%	0

(5) Exercise price and the projected impact on the Company's profit and loss

The exercise price is RMB 9.23/ per share.

After calculation, the incentive cost of the share options is RMB 8,192,200, and the cost amortization of the share options in 2019-2022 is shown in the table below:

Number of stock options awarded (in 10,000 shares)	Total cost to be amortized (in RMB ten thousand)	2019	2020	2021	2022
470.00	812.92	256.75	327.22	176.36	52.59

5. The 27th Session of the 4rd Meeting of Board of Directors held by the Company on May 20, 2019 deliberated and approved the Proposal on Adding Implementation Sites for Some Investment Projects. It is agreed to add an implementation site for of "East China Testing Base (Suzhou) (Phase II)".

The implementation subject of the Company's investment projects "East China Testing Base (Suzhou) (Phase II)" is the Suzhou CTI Testing Technology Co., Ltd., and the original planned implementation site is located on No. 3286, Chengyang Road, Xiangcheng District, Suzhou city. On May 8, 2019, the subject of implementation, the Suzhou CTI Testing Technology Co., Ltd., set up a branch company in Kunshan. In order to more effectively integrate the resources of the subsidiaries, an implementation site was added as the Zhihuixincheng eco-industry park of No. 1206, Jinyang East Road, Lujia Town, Kunshan City, to jointly continue the implementation of the project.

6. The 28th Session of the 4rd Meeting of Board of Directors held by the Company on August 9, 2019 deliberated and approved the Proposal on Application for Comprehensive Credit Line to Commercial Banks. In order to meet the needs of the Company's production and business operations, ensure the demand for working capital in normal production and business operations, and further expand the Company's financing channels, the Company intends to apply to the original cooperative commercial banks such as the Agricultural Bank of China Co., Ltd. (Shenzhen Branch), the Industrial and Commercial Bank of China Co., Ltd. (Shenzhen Branch), the China Everbright Bank (Shenzhen Hi-Tech Park Branch), the China Industrial Bank Co., Ltd.(Shenzhen Branch) and the HSBC Bank (China) Co., Ltd. for a comprehensive credit line with a total amount of no more than RMB 800,000,000. with specific information as listed below:

Bank name	Credit line	Credit period
Agricultural Bank of China Co., Ltd. (Shenzhen Branch)	No more than RMB 150,000,000	1 year
Industrial and Commercial Bank of China Co., Ltd. (Shenzhen Branch)	No more than RMB 100,000,000	1 year
China Everbright Bank (Shenzhen Hi-Tech Park Branch)	No more than RMB 100,000,000	1 year
China Industrial Bank Co., Ltd.(Shenzhen Branch)	No more than RMB 300,000,000	1 year
HSBC Bank (China) Co., Ltd.	No more than RMB 150,000,000	1 year
Total	RMB 800,000,000	

7. The 30th Session of the 4rd Meeting of Board of Directors held by the Company on August 20, 2019 deliberated and approved the Proposal on Applying for Reverse Factoring Financing Line from Commercial Banks. In order to further optimize the capital structure and improve the efficiency of capital use, according to the actual operation needs, the Company intends to apply to the Bank of Shanghai Co.,Ltd.(Shenzhen Branch) for reverse factoring financing line of RMB 20,000,000 with a term of 1 year, which will be specially used for accounts receivable factoring business.

8. The 31st Session of the 4rd Meeting of Board of Directors held by the Company on September 3, 2019 deliberated and approved the Proposal on Application for Comprehensive Credit Line to Commercial Banks. In order to meet the needs of the Company's development and further expand the Company's financing channels, the Company intends to apply to the original cooperative commercial bank Citibank (China) Co., Ltd. (including any of its branches) for a comprehensive credit line of no more than RMB 150,000,000, with a credit term of 1 year, calculated from the date of the credit agreement signed between the Company and the bank.

9. The 32nd Session of the 4rd Meeting of Board of Directors held by the Company on October 28, 2019 deliberated and

approved the Proposal on the Participation of Outward Investment in the Establishment of Funds. The Company intends to jointly establish Taizhou Hualing Heying Entrepreneurial Partnership (Limited Partnership) with Shanghai Neowing Venture Capital Center (Limited Partnership) (the name of the enterprise shall be subject to the final approved name of the Industry and Commerce Administration, hereinafter referred to as "Hualing Fund"), which mainly invests in high-quality objects in the field of testing, inspection and certification. Hualing Fund is established in the form of limited partnership, with a fund scale of RMB 500,000,000 (the final scale shall be subject to the actual amount raised). Among which, the Company, as a limited partner, has subscribed RMB 125,000,000, and the proportion of its subscribed capital shall not exceed 25% of the total subscribed capital of the fund, while other institutional investors have contributed RMB 375,000,000. As no partnership agreement has been formally signed by all parties involved in this outward investment, the specific implementation content will be subject to the formal agreement signed.

10. The 32nd Session of the 4rd Meeting of Board of Directors held by the Company on October 28, 2019 deliberated and approved the Proposal on Providing Guarantee Amount for Subsidiaries. In order to make overall arrangements for financing affairs, improve the approval efficiency and ensure normal capital turnover of the Company, the company agrees to provide Hangzhou Hua'an Non-Destructive Testing Technology Co.,Ltd., a wholly-owned subsidiary of the Company, with guarantee amount of no more than RMB 20,000,000 within the comprehensive credit line of the banks, and the guarantee period shall be one year from the effective date of the guarantee agreement. The specific matters related to financing and guarantee shall be subject to the final signed agreement according to the actual capital demands.

11. The 33rd Session of the 4rd Meeting of Board of Directors held by the Company on November 14, 2019 deliberated and approved the Proposal on Continuing to Use Idle Raised Funds for Cash Management. The Company intends to use the temporarily idle raised funds of no more than RMB 250,000,000 for cash management without affecting the project construction invested by the raised funds and normal production & operation, to purchase wealth management products with high security, good liquidity and principal guarantee agreement, and the amount of cash management can be used in a rolling way within 12 months from the date of deliberation and approval of the General Shareholders' Meeting. With strict control of risks, the Company intends to use the idle raised funds for purchase of principle guaranteed bank products (including but not limited to agreement deposits, structured deposits, investment products with principal guarantee agreement, etc.) with an investment period of no more than 12 months, but not to use them for other portfolio investments, or purchase of products with stocks and their derivatives, or unsecured bonds as investment targets. At the same time, in order to further improve the income from cash management, the Company will expand the issuing body of the investment products to other financial institutions other than commercial banks, which are mainly securities companies, but also for the principal guaranteed products (the issuing body shall provide the principal guarantee commitment). The above products shall not be used as pledges, and the special settlement account for the products shall not be used for depositing non-raised funds or other purposes. To open or cancel the special settlement account for the products, the Company shall timely report to the Shenzhen Stock Exchange and make corresponding announcement.

This proposal has been adopted by the resolution of the first Extraordinary General Shareholders' Meeting in 2019.

12. The 1st Session of the 5th Meeting of Board of Directors held by the Company on December 21, 2019 deliberated and approved the Proposal on Extending the Period of Cash Management with Idle Equity Funds. The 20th Session of the 4th Meeting of Board of Directors, and the 16th Session of the 4th Meeting of Board of Supervisors held by the Company on October 22, 2018 deliberated and approved the Proposal on Cash Management by Using Some of the Idle Equity Funds. In order to strengthen the management of equity funds and improve the efficiency of fund use and income level, the idle equity funds to be used shall not exceed RMB 200,000,000 to purchase low-risk investment products with high safety and good liquidity without affecting the normal operation. The above amount can be used in a rolling way within 12 months from the date of deliberation and approval of the General Shareholders' Meeting. Due to the Company's good operation and abundant equity funds, in order to improve the efficiency of fund use and income level, the 23rd Session of the 4th Meeting of Board of Directors and the 19th Session of the 4th Meeting of Board of supervisors held by the company on March 1, 2019 approved to adjust the amount of cash management with idle equity funds from no more than RMB 200,000,000 to no more than RMB 1,000,000.

According to the Company's operation and fund use arrangement, the Company intends to extend the investment period of the authorized equity funds for cash management, i.e. from March 1, 2020 to March 1, 2021, with the basic information, the risk control measures and other contents of cash management unchanged.

13. The 1st Session of the 5th Meeting of Board of Directors held by the Company on December 21, 2019 deliberated and approved the Proposal on Supplementing the working capital by Using Part of the Temporarily Idle Raised Funds. In order to improve the use efficiency of the raised funds, reduce the Company's operating costs and safeguard the interests of the Company and the shareholders, on the premise of ensuring the capital demand for the project construction invested by the raised funds and the normal progress of the project invested by the raised funds and in accordance with relevant regulations such as the Regulatory Guidelines for Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies and the Guidelines of the Shenzhen Stock Exchange for Standardized Operation of Companies Listed on the Growth Enterprise Market, the Company is agreed to use part of the idle raised funds, which is no more than RMB 150,000,000, to temporarily supplement the Company's working capital, and the use period shall be no more than 12 months from the Date of approval of the Board of Directors.

14. Correction of accounting errors

In 2017, the Company lost control of Hangzhou CTI Reach24H Technology Co., Ltd. (hereinafter referred to as Hangzhou Reach24H). In the 2018 annual report, for the sake of prudence, the Company transferred the investment cost of RMB 3,978,000 from "long-term equity investments" to the "available-for-sale financial assets". The Company's shareholding ratio in Hangzhou Reach24H is 51%, and according to the Accounting Standards for Business Enterprises No. 2 -Long-term Equity Investments, it shall still be included in the "long-term equity investments" for accounting and disclosure.

The Ministry of Finance revised and issued the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Accounting Standards for Enterprises No. 23 – Transfer of Financial Assets and the Accounting Standards for Enterprises No. 24 – Hedge Accounting on March 31, 2017, and then revised and issued the Accounting Standards for Business

Enterprises No. 37 – Presentation of Financial Instruments (hereinafter referred to as "new standards for financial instruments") on May 2, 2017. According to the regulations, the Company implements the new standards for financial instruments from January 1, 2019. The non-current financial assets that are due in more than one year held by the company or the current financial assets that are expected to be held for more than one year with "measured at fair value with the changes included in the current profit and loss" from January 1, 2019, which shall be included in the amount at beginning of year of the financial statements presented in the item of "other non-current financial assets" according to the new standards for financial instruments, have been mistakenly included in the item of "other equity instrument investment".

The above matters involve the correction of accounting errors.

The Company considers that the correction of accounting errors complies with provisions of relevant documents such as the Accounting Standard for Business Enterprises No. 28 – Changes in Accounting Policies and Estimates and Correction of Errors, as well as the Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 19 – Correction of Financial Information and Relevant Disclosure, which is able to reflect the Company's financial condition and operating results more objectively and fairly. The Company adjusts the consolidated financial statement and the parent company finance statement of the 2019, and carries out retroactive adjustments to the statements in the comparative period.

The impact on the affected consolidated balance sheet on January 1, 2019 is as follows:

Item	January 1, 2019		
	Amount before correction	Corrected amount	Amount after correction
Other equity instruments investments	34,978,000.00	-34,978,000.00	
Other non-current financial assets		31,000,000.00	31,000,000.00
Long-term equity investment	94,720,088.28	3,978,000.00	98,698,088.28

The impact on the affected balance sheet of parent company on January 1, 2019 is as follows:

Item	January 1, 2019		
	Amount before correction	Corrected amount	Amount after correction
Other equity instruments investments	3,978,000.00	-3,978,000.00	
Long-term equity investment	1,541,321,877.49	3,978,000.00	1,545,299,877.49

The impact on the affected consolidated balance sheet on December 31, 2018 is as follows:

Item	December 31, 2018		
	Amount before correction	Corrected amount	Amount after correction
Available-for-sale financial assets	34,978,000.00	-3,978,000.00	31,000,000.00
Long-term equity investment	94,720,088.28	3,978,000.00	98,698,088.28

The impact on the affected balance sheet of parent company on December 31, 2018 is as follows:

Item	December 31, 2018		
	Amount before correction	Corrected amount	Amount after correction
Available-for-sale financial assets	3,978,000.00	-3,978,000.00	
Long-term equity investment	1,541,321,877.49	3,978,000.00	1,545,299,877.49

XVII. Notes to Major Items in the Financial Statement of the Parent Company

1. Accounts receivable

(1) Accounts receivable disclosed by category

Unit: RMB

Category	Ending balance					Beginning balance				
	Book balance		Provision for bad and doubtful debts		Book value	Book balance		Provision for bad and doubtful debts		Book value
	Amount	Proportion	Amount	Proportion of provision		Amount	Proportion	Amount	Proportion of provision	

Accounts receivable with individual provision for bad debt reserves	31,307.00	0.02%	30,497.00	97.41%	810.00	143,891.21	0.11%	143,891.21	100.00%	
Including:										
Accounts receivable with provision for bad debt reserves by portfolio	160,855.513.68	99.98%	9,345.202.48	5.81%	151,510.311.20	130,483.563.87	99.89%	6,252.137.56	4.79%	124,231.426.31
Including:										
Including: Portfolio of related parties within the scope of consolidation	19,134.330.67	11.89%			19,134.330.67	24,180.551.59	18.51%			24,180.551.59
Combination of aging	141,721.183.01	88.09%	9,345.202.48	6.59%	132,375.980.53	106,303.012.28	81.38%	6,252.137.56	5.88%	100,050.874.72
Total	160,886.820.68	100.00%	9,375.699.48	5.83%	151,511.121.20	130,627.455.08	100.00%	6,396.028.77	4.90%	124,231.426.31

Single provision for bad debt reserves: RMB 30,497.00

Unit: RMB

Name	Ending balance			
	Book balance	Provision for bad and doubtful debts	Proportion of provision	Reasons for provision
Accounts receivable with single provision of expected credit loss not exceeding RMB 500,000.	31,307.00	30,497.00	97.41%	Predicted to be unrecoverable
Total	31,307.00	30,497.00	--	--

Individual provision for bad debt reserves:

Unit: RMB

Name	Ending balance			
	Book balance	Provision for bad and doubtful debts	Proportion of provision	Reasons for provision

Provision for bad debts by portfolio: RMB 0

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad and doubtful	Proportion of provision

		debts	
Portfolio of related parties within the scope of consolidation	19,134,330.67	0.00	0.00%
Total	19,134,330.67	0.00	--

Explanation of basis for determining such portfolio:

N/A.

Provision for bad debt reserves by portfolio:

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad and doubtful debts	Proportion of provision

Explanation of basis for determining such portfolio:

For provision for bad debt reserves of the accounts receivable by the general model of the expected credit loss, relevant information of bad debt reserves is disclosed by referring to the disclosure method of other account receivable:

Applicable Not Applicable

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	153,574,980.34
1-2 years	6,026,519.41
2-3 years	910,328.53
More than three years	374,992.40
3-4 years	114,230.40
4-5 years	259,071.00
More than 5 years	1,691.00
Total	160,886,820.68

(2) Provision for bad debt accrued, recovered or reversed in the current period

Provision for bad debt accrued in the current period:

Unit: RMB

Category	Beginning balance	Amount changed in current period				Ending balance
		Accrual	Recovery or reverse	Write-off	Others	
Accounts receivable with individual provision for bad debt reserves	143,891.21	124,465.33	284,446.60	522,306.14		30,497.00
Accounts receivable with provision for bad debt reserves by portfolio	6,252,137.56	3,093,064.92				9,345,202.48
Total	6,396,028.77	3,217,530.25	284,446.60	522,306.14		9,375,699.48

Among those, reversed or recalled bad debt reserves at current period with significant amount:

Unit: RMB

Name of the company	Reversed or recovered amount	Recovery method

Total	0.00	--
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N/A.

(3) Accounts receivable actually written off in the current period

Unit: RMB

Item	Amount written off
Accounts receivable written off	522,306.14

Write-off for the major accounts receivable:

Unit: RMB

Name of the company	Nature of accounts receivable	Amount written off	Reasons for write-off	Write-off procedures performed	Amounts generated due to related transaction or not
Total	--	0.00	--	--	--

Explanation of write-off of accounts receivable

N/A.

(4) Information of top five accounts receivable in terms of the ending balance collected by the debtor

Unit: RMB

Name of the company	Ending balance of accounts receivable	Proportion in total ending balance of accounts receivable	Ending balance of bad debt reserve
Beijing Missfresh Ecommerce Co.,Ltd.	12,293,489.00	7.64%	614,674.45
Guangzhou Era Supply Chain Management Co., Ltd.	10,087,288.82	6.27%	648,891.04
Trade Union Federation of Foxconn Technology Group	8,036,319.00	5.00%	401,815.95
Market Supervision Administration of Dongguan Municipality	4,246,391.91	2.64%	212,319.60
Market Supervision Administration of Lhasa Municipality	3,476,142.00	2.16%	173,807.10
Total	38,139,630.73	23.71%	

(5) Accounts receivable derecognized due to transfer of financial assets

N/A.

(6) Assets and liabilities resulted by transfer of accounts receivable and continuous involvement

N/A.

Other notes:

N/A.

2. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Interests receivable		5,379,954.43
Dividends receivable	31,020,293.24	31,406,679.86
Other receivables	665,431,914.39	697,366,322.19
Total	696,452,207.63	734,152,956.48

(1) Interests receivable**1) Classification of interests receivable**

Unit: RMB

Item	Ending balance	Beginning balance
Fixed-term deposits		881,815.06
Entrusted loans (intra-group)		4,498,139.37
Total		5,379,954.43

2) Significant overdue interests

Borrower	Ending balance	Overdue date	Overdue reason	Impaired or not and its judgment basis
Total	0.00	--	--	--

Other notes:

N/A.

3) Provision for bad debt reserves
 Applicable Not Applicable
(2) Dividends receivable**1) Classification of dividends receivable**

Unit: RMB

Project (or investee)	Ending balance	Beginning balance
Shenzhen CTI Co., Ltd.	28,266,893.24	28,226,979.86
Jiangyin CTI Occupational Health Outpatient Department Co., Ltd.	2,273,400.00	2,273,400.00
Zhengjiang Fangyuan Electrical Equipment Testing Co., Ltd.	480,000.00	
Shanghai CTI-SAMT Materials Technology Co., Ltd.		906,300.00
Total	31,020,293.24	31,406,679.86

2) Significant dividends receivable with aging above 1 year

Unit: RMB

Project (or investee)	Ending balance	Aging	Reasons for outstanding dividends	Impaired or not and its judgment basis
Jiangyin CTI Occupational Health Outpatient Department Co., Ltd.	2,273,400.00	1-2 years	In the later stage, the investment in Suzhou Jiakang project occurs, so the dividend payments are postponed temporarily.	No
Total	2,273,400.00	--	--	--

3) Provision for bad debt reserves
 Applicable Not Applicable

Other notes:

N/A.

(3) Other accounts receivable**1). Classification of other accounts receivable by nature**

Unit: RMB

Nature of amount	Ending book balance	Beginning book balance
Security deposit	9,278,050.81	7,356,426.40
Suspense payment receivable	658,464,051.14	692,671,894.84
Others	164,790.93	198,633.55
Total	667,906,892.88	700,226,954.79

2) Provision for bad debt reserves

Unit: RMB

Provision for bad and doubtful debts	Stage I	Stage II	Stage III	Total
	Expected credit losses in the next 12 months	Expected credit loss throughout the entire duration (depreciation of credit that has not occurred)	Expected credit loss throughout the entire duration (depreciation of credit that has occurred)	
Balance on January 1, 2019	2,860,632.60			2,860,632.60
Balance of the current period on January 1, 2019	—	—	—	—
Provision of the current period	-385,654.11			-385,654.11
Balance on December 31, 2019	2,474,978.49			2,474,978.49

Changes in the book balance with significant change amount of the loss provision in the current period

 Applicable Not Applicable

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	663,455,015.02
1-2 years	643,777.72
2-3 years	1,414,869.80
More than three years	2,393,230.34
3-4 years	952,378.00
4-5 years	788,142.00
More than 5 years	652,710.34
Total	667,906,892.88

3) Bad debt reserves accrued, recovered or reversed in the current period

Provision for bad debt accrued in the current period:

Unit: RMB

Category	Beginning balance	Amount changed in current period				Ending balance
		Accrual	Recovery or reverse	Write-off	Others	
Other receivables with provision for expected credit losses by portfolio	2,860,632.60	-385,654.11				2,474,978.49
Total	2,860,632.60	-385,654.11				2,474,978.49

N/A.

Among those, reversed or recovered bad debt reserves with significant amounts in the current period:

Unit: RMB

Name of the company	Reversed or recalled amount	Recovery method
Total	0.00	--

N/A.

4) Other accounts receivable actually written off in the current period

Unit: RMB

Item	Amount written off
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Among those, other important accounts receivable actually written off:

Unit: RMB

Name of the company	Nature of other accounts receivable	Amount written off	Reasons for write-off	Write-off procedures performed	Amounts generated due to related transaction or not
Total	--	0.00	--	--	--

Explanation of write-off of other receivables:

N/A.

5) Other information of top five accounts receivable in terms of the ending balance collected by the debtor

Unit: RMB

Name of the company	Nature of payment	Ending balance	Aging	Proportion in ending balance of other accounts receivable	Ending balance of bad debt reserve
Centre Testing International Pinzheng (Shanghai) Co., Ltd.	Suspense payment receivable	521,103,333.71	Within one year	78.02%	
Centre Testing International (Suzhou) Co., Ltd.	Suspense payment receivable	34,840,694.61	Within one year	5.22%	
Hangzhou Hua'an Nondestructive Testing Technology Co., Ltd.	Suspense payment receivable	33,711,262.91	Within one year	5.05%	
Shanghai CTI-Medlab Co., Ltd.	Suspense payment receivable	18,927,521.89	Within one year	2.83%	
Shenzhen CTI Investment Management Co., Ltd.	Suspense payment receivable	13,435,678.67	Within one year	2.01%	
Total	--	622,018,491.79	--	93.13%	0.00

6) Amounts receivable involving government subsidies

Unit: RMB

Name of the company	Government subsidy project name	Ending balance	Ending aging	Estimated collection time, amount and basis
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N/A.

7) Other accounts receivable derecognized due to the transfer of financial assets

N/A.

8) Assets and liabilities resulting from transfer of other accounts receivable and continuous

involvement:

N/A.

Other notes:

N/A.

3. Long-term equity investments

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investments in subsidiaries	1,782,980,637.07	147,827,705.96	1,635,152,931.11	1,594,255,181.90	147,827,705.96	1,446,427,475.94
Investments in associates and joint ventures	104,507,787.49		104,507,787.49	98,872,401.55		98,872,401.55
Total	1,887,488,424.56	147,827,705.96	1,739,660,718.60	1,693,127,583.45	147,827,705.96	1,545,299,877.49

(1) Investment in subsidiaries

Unit: RMB

Investee	Beginning balance (book value)	Current increase and decrease				Ending balance (book value)	Ending balance of impairment provision
		Additional investment	Decreased investment	Accrued impairment provision	Others		
Shenzhen CTI Co., Ltd.	20,942,247.47					20,942,247.47	
Centre Testing International (Beijing) Co., Ltd.	50,000,000.00					50,000,000.00	
Suzhou CTI Testing Technology Co., Ltd.	90,000,000.00					90,000,000.00	
Centre Testing International (Hong Kong) Co., Ltd.	21,653,737.32					21,653,737.32	
Centre Testing International (Qingdao) Co., Ltd.	6,000,000.00					6,000,000.00	
Shanghai CTI Pinbiao Testing Technology Co., Ltd.	24,304,111.00					24,304,111.00	
Centre Testing International (Xiamen) Co., Ltd.	5,000,000.00					5,000,000.00	
Shanghai CTI-SAMT Materials Technology Co., Ltd.	9,000,000.00					9,000,000.00	
Centre Testing International	10,000,000.00					10,000,000.00	

(Ningbo) Co., Ltd.							
Shenzhen CTI International Certification Co., Ltd.	47,002,500.00					47,002,500.00	
Shenzhen CTI Commodity testing and Survey Co., Ltd.	4,186,136.80					4,186,136.80	
Tianjin Jinbin CTI Product Testing Center Co., Ltd.	5,569,190.00	7,228,770.00				12,797,960.00	
Centre Testing International (Suzhou) Co., Ltd.	50,000,000.00					50,000,000.00	
Centre Testing International (Chengdu) Co., Ltd.	34,000,000.00					34,000,000.00	
Guangdong CTI Judicial Authentication Center	500,000.00					500,000.00	
Shenzhen CTI Training Center	2,002,600.30					2,002,600.30	
Shenzhen CTI Institute of Reference Materials	200,000.00					200,000.00	
Shanghai CTI Biological Technology Co., Ltd.	2,900,000.00					2,900,000.00	
Shenzhen CTI Investment Management Co., Ltd.	20,000,000.00					20,000,000.00	
Shenzhen CTI information Technology Co., Ltd	10,800,000.00					10,800,000.00	
Centre Testing International (Anhui) Co., Ltd.	17,000,000.00					17,000,000.00	
Centre Testing International Pinbiao (Guangzhou) Co., Ltd.	20,000,000.00					20,000,000.00	
Guangzhou CTI Occupational Health Outpatient Department Co., Ltd.	10,000,000.00					10,000,000.00	

Shanghai CTI-Medlab Co., Ltd.	30,000,000.00	50,000,000.00				80,000,000.00	
Centre Testing International (Chongqing) Co., Ltd.	55,000,000.00					55,000,000.00	
Suzhou CTI Safety Evaluation Technology Service Co., Ltd.	11,162,306.00	5,000,000.00				16,162,306.00	5,773,005.96
Shenyang CTI New Energy Testing Technology Co., Ltd.	3,500,000.00		3,500,000.00				
Wuhan CTI Testing Technology Co., Ltd.	20,000,000.00					20,000,000.00	
Huai'an CTI Testing Technology Co., Ltd.	17,000,000.00					17,000,000.00	
Dalian Huaxin Physical and Chemical Testing Center Co., Ltd.	30,110,000.00					30,110,000.00	
Centre Testing International (Heilongjiang) Co., Ltd.	40,000,000.00					40,000,000.00	
Centre Testing International (Hangzhou) Co., Ltd.	45,000,000.00					45,000,000.00	
Hunan Pinbiao CTI Testing Technology Co., Ltd.	6,200,000.00	23,800,000.00				30,000,000.00	
Hangzhou Hua'an Nondestructive Testing Technology Co., Ltd.	57,945,300.00					57,945,300.00	142,054,700.00
Centre Testing International Pinzheng (Shanghai) Co., Ltd.	120,000,000.00					120,000,000.00	
Centre Testing International (Guizhou) Co., Ltd.	6,000,000.00					6,000,000.00	
Centre Testing International (Nanchang) Co., Ltd.	8,000,000.00					8,000,000.00	

Centre Testing International (Henan) Co., Ltd.	41,512,600.00					41,512,600.00	
Centre Testing International (Tianjin) Co., Ltd.	63,000,000.00	24,761,080.00				87,761,080.00	
Centre Testing International (Yunnan) Co., Ltd.	31,000,000.00					31,000,000.00	
CTI Luxuries Testing (Shenzhen) Co., Ltd.	4,270,000.00		4,270,000.00				
Guangzhou CTI Hengjian Engineering Testing Co., Ltd.	7,800,000.00	11,520,000.00	820,800.00			18,499,200.00	
Ningbo Quality Assurance Co., Ltd. (NQA)	43,867,526.63					43,867,526.63	
Hebei CTI Testing Service Co., Ltd.	18,000,000.00					18,000,000.00	
Beijing CTI Agro-food Certification Co., Ltd.	3,185,158.07		3,185,158.07				
Centre Testing International (Gansu) Co., Ltd.	23,000,000.00					23,000,000.00	
Centre Testing International Pinbiao (Jiangyin) Co., Ltd.	35,000,000.00					35,000,000.00	
Jiangyin CTI Occupational Health Outpatient Department Co., Ltd.	14,276,262.65	-47,458.22				14,228,804.43	
Shenzhen CTI Pest Management Co., Ltd.	1,340,000.00					1,340,000.00	
Nanjing CTI Medical Technology Service Co., Ltd.	2,805,000.00	499,345.20				3,304,345.20	
Shenzhen CTI Laboratory Technology Service Co., Ltd.	2,010,000.00					2,010,000.00	

Centre Testing Electronic Certification Co., Ltd.	71,000,000.00					71,000,000.00	
Fujian Science Way Testing Co., Ltd. (SW)	11,730,000.00					11,730,000.00	
Centre Testing International (Guangxi) Co., Ltd.	21,000,000.00					21,000,000.00	
Ningguo CTI Testing Technology Co., Ltd.	3,580,000.00					3,580,000.00	
Centre Testing International (Guangzhou) Co., Ltd.	23,142,799.70	27,819,276.26				50,962,075.96	
Inner Mongolia CTI QC Technology Service Co., Ltd.	19,000,000.00					19,000,000.00	
Suzhou CTI Engineering Testing Co., Ltd.	7,500,000.00					7,500,000.00	
Shenzhen CTI Reference Materials Research Center Co., Ltd.	1,000,000.00					1,000,000.00	
Centre Testing International Pinbiao (Fuzhou) Co., Ltd.	10,000,000.00					10,000,000.00	
Wenzhou CTI Testing Technology Co., Ltd.	4,000,000.00		4,000,000.00				
Centre Testing International Pinbiao (Liaoning) Co., Ltd.	21,000,000.00	3,500,000.00				24,500,000.00	
Centre Testing International (Zhongshan) Co., Ltd.	7,150,000.00	2,850,000.00				10,000,000.00	
Centre Testing International (Shenyang) Co., Ltd.	10,000,000.00	8,500,000.00				18,500,000.00	
Sichuan CTI Jianxin Testing Technology Co., Ltd.	9,180,000.00					9,180,000.00	

Tianjin CTI Pinzheng Petrochemical Testing Technologies Co., Ltd.	3,000,000.00		3,000,000.00				
Centre Testing International (Dongguan) Co., Ltd.	10,000,000.00	7,000,000.00				17,000,000.00	
Pinbiao Environmental Technology Co., Ltd.	4,800,000.00	3,000,000.00				7,800,000.00	
Centre Testing International (Shanxi) Co., Ltd.	1,400,000.00	2,000,000.00				3,400,000.00	
Shenzhen CTI Occupational Health Outpatient Department	800,000.00	500,000.00	500,000.00			800,000.00	
Shanghai CTI Zhike Materials Technology Co., Ltd.	5,100,000.00					5,100,000.00	
CTI Biotechnology (Suzhou) Co., Ltd.		5,000,000.00				5,000,000.00	
Zhejiang CTI Yuanjian Testing Co., Ltd.		9,614,800.00				9,614,800.00	
Centre Testing International Group (Shandong) Co., Ltd.		12,500,000.00				12,500,000.00	
Hebei CTI Junrui Testing Technology Co., Ltd.		1,400,100.00				1,400,100.00	
Henan CTI Quantong Engineering Testing Co., Ltd.		1,555,500.00				1,555,500.00	
Total	1,446,427,475.94	208,001,413.24	19,275,958.07	0.00	0.00	1,635,152,931.11	147,827,705.96

(2) Investments in joint ventures and cooperative enterprises

Unit: RMB

Investment unit	Beginning balance (book value)	Current increase and decrease								Ending balance (book value)	Ending balance of impairment provision
		Additional investment	Decreased investment	Profit & loss on investment recognized by	Adjustment of other comprehensive income	Other equity changes	Dividends or profits at cash declared and paid	Accrued impairment provision	Others		

				equity method							
I. Joint venture											
II. Associates											
Haotu Business Management Consulting (Shanghai) Co., Ltd.	2,368,237.57			343,067.16						2,711,304.73	
Liangduan (Shanghai) Testing Technology Co., Ltd.	299,041.05			-58,474.38						240,566.67	
Xi'an Dongyi Integrated Technology Laboratory Co., Ltd.	10,626,335.92			850,171.09			440,000.00			11,036,507.01	
Zhengjiang Fangyuan Electrical Equipment Testing Co., Ltd.	81,600,787.01			9,958,622.07			1,040,000.00			90,519,409.08	
Hangzhou CTI REACH 24H Co., Ltd.	3,978,000.00		3,978,000.00								
Sub total	98,872,401.55		3,978,000.00	11,093,385.94			1,480,000.00			104,507,787.49	
Total	98,872,401.55		3,978,000.00	11,093,385.94			1,480,000.00			104,507,787.49	

(3) Other notes

N/A.

4. Operating revenue and operating cost

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Costs	Revenue	Costs
Major operations	771,146,485.41	366,674,927.05	652,246,276.08	356,403,743.10
Other operations	10,304,929.50	1,656,213.51	9,089,480.66	1,119,020.86
Total	781,451,414.91	368,331,140.56	661,335,756.74	357,522,763.96

Whether the new income standard has been implemented

Yes No

Other notes:

N/A.

5. Investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income accounted by cost method	196,982,300.00	92,800,000.00
Return on long-term equity investment accounted by equity method	11,093,385.94	6,270,279.36
Investment income from disposal of long-term equity investments	45,872,909.45	-10,927.33
Financial income	11,979,721.18	5,242,641.32
Total	265,928,316.57	104,301,993.35

6. Others

N/A.

XVIII. Supplementary information

1. Details of non-recurring profits and losses of current period

Applicable Not Applicable

Unit: RMB

Item	Amount	Note
Gains/losses on the disposal of non-current assets	49,643,230.78	Gains/losses from disposal of fixed assets and investment incomes from disposal of long-term equity investment
Government subsidy recorded in gains/losses in the current period (excluding the government subsidy in close relation to corporate business and enjoyed according to quota or ration under national common standards)	62,572,924.84	Government subsidy
Gains/losses from the entrusted investment or management assets	17,997,762.01	Incomes from wealth management products
Gains/losses from fair value changes arising from the holding of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment incomes from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other creditor's investments, excluding the effective hedging businesses related to the normal businesses of the Company	-913,655.36	Incomes from fair value changes
Other non-operating revenues and expenditures except for the aforementioned items	6,071,915.51	
Other gain/loss items conforming to the definition of non-recurring gain/loss	3,030,184.91	Receipt of economic compensations and payment of performance-based rewards
Less: amount of impacted income tax	17,063,566.90	
Impact on minority shareholders' equity	2,178,439.30	
Total	119,160,356.49	--

It is necessary to make explanation for non-recurring gains or losses determined based on definitions in No. 1 Explanatory Announcement on Information Disclosure of Companies Publicly Issuing Securities — Non-recurring Profit & Loss and the reason why non-recurring profits or losses listed in No. 1 Explanatory Announcement on Information Disclosure of Companies Publicly Issuing Securities — Non-recurring Profit & Loss are determined as recurring profits or losses.

Applicable Not Applicable

2 Return on net assets and earnings per share

Profits during the reporting period	Weighted ROAE	Earnings Per Share (EPS)	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profit attributable to common shareholders of the Company	16.29%	0.2874	0.2865
Net profit attributable to common shareholders of the Company after deducting non-recurring gains and losses	12.21%	0.2155	0.2148

3. Discrepancy of accounting data under accounting standards at home and abroad

(1). The differences of net profits and net assets in the Financial Reports disclosed in accordance with international accounting standards and the Chinese accounting standards at the same time

Applicable Not Applicable

(2) The differences of net profits and net assets in the Financial Reports disclosed in accordance with overseas accounting standards and the Chinese accounting standards at the same time

Applicable Not Applicable

(3) Explanation of the reasons for the differences in accounting data under the domestic and foreign accounting standards. If the differences have been adjusted for the data audited by an overseas audit institution, the name of the overseas institution shall be indicated

N/A.

4. Others

N/A.

Section XIII List of Documents for Reference

- (I) Financial statements signed and sealed by WanFeng, the legal representative, Wang Hao, the person in charge of accounting work, and Li Yanhong, the person in charge of accounting agency.
- (II) Original copies of audit reports bearing seal of accounting firm and signatures and seals of certified public accountants.
- (III) The Annual Report 2019 signed by Mr. Wan Feng, the legal representative.
- (IV) Originals of all documents of and the Company announcements publicly disclosed on websites designated by China Securities Regulatory Commission during the reporting period.
- (V) Other relevant information.